INDIVIDUAL FINANCIAL STATEMENTS

6

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

6.

Individual Financial Statements

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INCOME STATEMENT BY FUNCTIONS
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

Euro thousand

	Notes	2017	2016
Services rendered	29	21,069	20,797
Cost of the services rendered	3	(14,289)	(13,719)
Gross profit		**6,780**	**7,078**
Other operating revenues	3	707	102
Administrative costs	3	(17,880)	(10,737)
Other operating costs	3	(12,469)	(7,511)
Operating profit		**(22,862)**	**(11,068)**
Net financial costs	5	(597)	(105)
Gains (losses) in subsidiaries	8	569,220	360,002
Gains (losses) in other investments	9	197	(295)
Profit (loss) before taxes		**545,958**	**348,534**
Income taxes	7.1	(6,742)	2,111
Net profit (loss)		**539,216**	**350,645**
Basic and diluted earnings per share – euros	20	0.858	0.558

To be read with the attached notes to the Individual Financial Statements

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

Euro thousand

	Notas	2017	2016
Net profit (loss)		**539,216**	**350,645**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	4.2	(1,257)	(641)
Related tax	7.3	283	144
		(974)	**(497)**
Items that may be reclassified to profit or loss			
Change in fair value of available-for-sale financial assets	15	-	297
Related tax	7.3	-	(67)
		-	**230**
Other comprehensive income, net of taxes		**(974)**	**(267)**
Total comprehensive income for the year		**538,242**	**350,378**

To be read with the attached notes to the Individual Financial Statements

BALANCE SHEET AS AT 31 DECEMBER 2017 AND 2016

Euro thousand

	Notes	2017	2016
Assets			
Tangible assets	10	1,137	725
Intangible assets	11	4,347	1,221
Investment property	12	2,470	2,470
Investments in subsidiaries	13	665,016	665,016
Loans to subsidiaries	14	652,370	500,840
Available-for-sale financial assets	15	-	80
Deferred tax assets	7.3	4,677	5,600
Other debtors	16	19,367	19,367
Total non-current assets		**1,349,384**	**1,195,319**
Income tax receivable	7.4	1,090	73
Loans to subsidiaries	14	192,880	93,445
Trade debtors, accrued income and deferred costs	16	17,535	15,288
Cash and cash equivalents	17	35,451	120,910
Total current assets		**246,956**	**229,716**
Total assets		**1,596,340**	**1,425,035**
Shareholders' equity and liabilities			
Share capital	19.1	629,293	629,293
Share premium	19.1	22,452	22,452
Own shares	19.2	(6,060)	(6,060)
Other reserves	19.3	-	-
Retained earnings	19.4	903,853	745,814
Total shareholders' equity		**1,549,538**	**1,391,499**
Employee benefits	4.2	18,899	18,745
Provisions for risks and contingencies	22	13,403	5,464
Deferred tax liabilities	7.3	1,250	584
Total non-current liabilities		**33,552**	**24,793**
Trade creditors, accrued costs and deferred income	23	13,249	8,743
Borrowings	21	1	-
Total current liabilities		**13,250**	**8,743**
Total shareholders' equity and liabilities		**1,596,340**	**1,425,035**

To be read with the attached notes to the Individual Financial Statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

Euro thousand

	Notes	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Shareholders' equity
Balance as at 1st January 2016		**629,293**	**22,452**	**(6,060)**	**(230)**	**562,201**	**1,207,656**
Change in fair value of available-for-sale financial assets							
- Gross amount	15				297		297
- Deferred tax	7.3				(67)		(67)
Remeasurements of post-employment benefit obligations							
- Gross amount	4.2					(641)	(641)
- Deferred tax	7.3					144	144
Other comprehensive income		-	-	-	230	**(497)**	**(267)**
Net Profit in 2016						350,645	350,645
Total comprehensive income		-	-	-	230	**350,148**	**350,378**
Dividend payment						(166,535)	(166,535)
Balance as at 31st December 2016		**629,293**	**22,452**	**(6,060)**	-	**745,814**	**1,391,499**
Change in fair value of available-for-sale financial assets							
- Gross amount	15						-
- Deferred tax	7.3						-
Remeasurements of post-employment benefit obligations							
- Gross amount	4.2					(1,257)	(1,257)
- Deferred tax	7.3					283	283
Other comprehensive income		-	-	-	-	**(974)**	**(974)**
Net profit in 2017						539,216	539,216
Total comprehensive income		-	-	-	-	**538,242**	**538,242**
Dividend payment	19.5					(380,203)	(380,203)
Balance as at 31st December 2017		**629,293**	**22,452**	**(6,060)**	-	**903,853**	**1,549,538**

To be read with the attached notes to the Individual Financial Statements

CASH FLOW STATEMENT

FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

Euro thousand

	Notes	2017	2016
Operating activities			
Cash received from customers and other debtors		22,896	23,696
Cash paid to suppliers		(27,355)	(21,848)
Cash paid to employees		(16,343)	(12,796)
Cash generated from operations	**18**	**(20,802)**	**(10,948)**
Interest and other similar costs paid	5	(839)	(212)
Income taxes		2,269	753
Cash flow from operating activities		**(19,372)**	**(10,407)**
Investment activities			
Disposal of investments in subsidiaries	13	-	306,460
Repayment of loans and capital contributions from subsidiaries	14	12,595	53,595
Disposals of tangible assets	10	-	2
Disposals of available-for-sale financial assets	15	187	-
Interest received	8	1,840	4,636
Dividends received	8	567,309	280,000
Loans and capital contributions given to subsidiaries	14	(263,560)	(184,530)
Acquisition of tangible assets	10	(627)	(302)
Acquisition of intangible assets	11	(3,899)	(632)
Acquisition of other financial assets		(105)	-
Cash flow from investment activities		**313,740**	**459,229**
Financing activities			
Received from loans	21	1	-
Interest and similar income received	5	375	353
Repayment of loans	21	-	(161,852)
Dividends paid	19.5	(380,203)	(166,535)
Cash flow from financing activities		**(379,827)**	**(328,034)**
Net changes in cash and cash equivalents		**(85,459)**	**120,788**
Cash and cash equivalents changes			
Cash and cash equivalents at the beginning of the year		120,910	122
Net changes in cash and cash equivalents		(85,459)	120,788
Cash and cash equivalents at the end of the year	**17**	**35,451**	**120,910**

To be read with the attached notes to the Individual Financial Statements

1. Activity

Jerónimo Martins, SGPS, S.A. (JMH) is the parent Company of Jerónimo Martins Group (Group). Its activity consists mostly of managing its investment portfolio. The activities of the Group and its performance during the year 2017 are detailed in Chapter II of this Annual Report.

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

Share Capital: 629,293,220 euros

Registered at the Commercial Registry Office and Tax Number: 500100144

JMH has been listed on the Euronext Lisbon since 1989.

The Board of Directors approved these Individual Financial Statements on 27 February 2018.

2. Accounting policies

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

2.1 Basis for preparation

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

The Individual Financial Statements of JMH were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), as at 31 December 2017.

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

The preparation of Financial Statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on the Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. However, Management firmly believes that the estimates and assumptions adopted do not involve significant risks that may, over the course of the coming financial year, cause material adjustments in the value of the assets and liabilities (note 2.8).

2.1.1 New standards, amendments and interpretations adopted by JMH

In 2017 and 2018, the EU issued the following Regulations, which were adopted by JMH from January 1, 2017:

EU Regulation	IASB Standard or IFRIC Interpretation endorsed by EU	Issued in	Mandatory for financial years beginning on or after
Regulation no. 1989/2017	IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (amendment)	January 2016	1 January 2017
Regulation no. 1990/2017	IAS 7 Statement of Cash Flows: Disclosure Initiative (amendment)	January 2016	1 January 2017
Regulation no. 182/2018	Annual Improvements to IFRS's 2014–2016 Cycle: IFRS 12 Disclosure of Interests in Other Entities (amendment)	December 2016	1 January 2017

JMH adopted the new amendments, with no significant impact on its Individual Financial Statements.

2.1.2 New standards, amendments and interpretations endorsed by EU but not effective for the financial year beginning 1 January 2017 and not early adopted

The EU endorsed, between January 2016 and February 2018, several new standards and amendments, issued by the International Accounting Standards Board (IASB), to be applied in subsequent periods:

EU Regulation	IASB Standard or IFRIC Interpretation endorsed by EU	Issued in	Mandatory for financial years beginning on or after
Regulation no. 1905/2016	IFRS 15 Revenue from Contracts with Customers (new)	May 2014	1 January 2018
Regulation no. 2067/2016	IFRS 9 Financial Instruments (new)	July 2014	1 January 2018
Regulation no. 1986/2017	IFRS 16 Leases (new)	January 2016	1 January 2019
Regulation no. 1987/2017	IFRS 15 Revenue from Contracts with Customers: Clarifications (amendment)	April 2016	1 January 2018
Regulation no. 1988/2017	IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (amendment)	September 2016	1 January 2018
Regulation no. 182/2018	Annual Improvements to IFRS's 2014–2016 Cycle: IFRS 1 First-Time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures (amendment)	December 2016	1 January 2018

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

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

IASB issued in 2014, 2016 and 2017 the following standards, amendments and interpretations that are still pending endorsement by the EU:

IASB Standard or IFRIC Interpretation	Issued in	Mandatory for financial years beginning on or after
IFRS 14 Regulatory Deferral Accounts (New)	January 2014	To be decided[1]
IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendment)	September 2014	To be decided[2]
IFRS 2 Share-based Payment: Classification and Measurement of Transactions (amendment)	June 2016	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration (new)	December 2016	1 January 2018
IAS 40 Investment Property: Transfers (amendment)	December 2016	1 January 2018
IFRS 17 Insurance Contracts (new)	May 2017	1 January 2021
IFRIC 23 Uncertainty over Income Tax Treatments (new)	June 2017	1 January 2019
IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation (amendment)	October 2017	1 January 2019
IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures (amendment)	October 2017	1 January 2019
Annual Improvements to IFRS's 2015–2017 Cycle: IFRS 3 Business Combinations; IFRS 11 Joint Arrangements; IAS 12 Income Taxes and IAS 23 Borrowing Costs (amendment)	December 2017	1 January 2019

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

The Management is currently evaluating the impact of adopting these new standards, amendments and interpretations to standards already in place, and so far does not expect a significant impact on JMH Individual Financial Statements.

2.1.4 Change of accounting policies

In addition to the above, JMH has not changed its accounting policies during 2017, 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 the functional currency (euro) at the exchange rate prevailing on the transaction date.

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

2.3 Investments and loans to subsidiaries

Subsidiaries are all entities over which JMH has control, JMH controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and when it has the ability to affect those returns through its power over the entity.

Investments and loans to subsidiaries are stated at cost. When so justified, adjustments for impairment losses are set up, namely when the financial shareholdings register significant deterioration in their financial position and the impairment tests performed by JMH conclude that it is necessary to recognise impairment losses in respect of investments and other net assets (note 2.5).

2.4 Financial assets

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

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

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

Financial assets at fair value through profit or loss

A financial asset is recognised in this category if it was classified as held for trading or is designated as such on initial recognition. Financial assets are held for trading if acquired with the principal intention of being sold in the short term. This category also includes those derivatives that do not qualify for hedge accounting.

The gains and losses of changes in the fair value of financial assets measured at fair value through profit and loss are recognised as net financial costs in the results of the year in which they occur, where interest received and dividends are also included.

Loans and receivables

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

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

Available-for-sale financial assets

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

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

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

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

2.5 Impairment

2.5.1 Impairment of non-financial assets

Except for investment property (note 12) and deferred tax assets (note 7.3), all other JMH assets, essentially investments in subsidiaries, are considered at each balance sheet date in order to assess for indicators of possible impairment losses. If such indicators exist, the asset's recoverable amount is estimated.

In the impairment tests for investments in subsidiaries, the inputs of these valuations for calculation of the value in use are determined by past performance and the expectation of market development for each business area. Based on future cash flow projections, for a five-year period, and on medium and long-term plans approved by the Board of Directors.

The recoverable amount of assets with indicators of potential impairment loss is determined annually. Whenever the carrying value of an asset exceeds its recoverable amount, its value is reduced to the recoverable amount and the impairment is recognised in the income statement.

Determining the recoverable amount of assets

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

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

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

Reversal of impairment losses

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

2.5.2 Impairment of financial assets

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

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

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

Loans to subsidiaries

The impairment test for loans to subsidiaries is held simultaneously with the impairment test to investments in subsidiaries. The investment considered for comparison with the calculated value in use considers the historical cost of the subsidiary and the loans. An impairment loss on loans to subsidiaries will only be recognised after the total investment in the subsidiary is fully covered by an impairment loss.

Available-for-sale financial assets

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

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. Financial difficulties of the debtor;
III. Probability of the debtor's bankruptcy.

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

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

2.6 Revenue recognition

Services rendered

Revenues from services rendered are recognised as income in accordance with their stage of completion as at the balance sheet date.

2.7 Segment information

Given that JMH's main activity consists of the management of equity holdings, it does not make sense to report the operating segments related information in these Individual Financial Statements. Detailed information is presented in the Group Consolidated Financial Statements.

2.8 Critical accounting estimates and judgments made in preparation of Financial Statements

Tangible and intangible assets and investment property

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

Fair value of financial instruments

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

Impairment in investments and loans to subsidiaries

As a rule, according to IFRS an investment is recorded as impaired when the carrying amount of the investment exceeds the present value of future cash flows. Calculating the present value of estimated cash flows and the decision to consider an asset as impaired involves judgment and substantially relies on Management analysis of the future development of its subsidiaries. When measuring impairment, market prices are used if they are available, or other valuation parameters are used, based on the information available from the subsidiaries. JMH considers the capacity and intention to retain the investment for a reasonable period of time that is sufficient to predict recovery of the fair value up to (or above) the carrying amount, including an analysis of factors such as the expected results of the subsidiary, the economic environment, and the status of the sector.

Deferred taxes

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

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

	Impact on JMH accounts	
	Income statement	**Other comprehensive income**
Rate increase of 1 p.p.	137	63

A positive amount means a gain in JMH accounts.

Impairment losses of clients and debtors

Whenever there is impairment losses risk on clients and debtors, Management maintains impairment losses, in order to reflect the estimated losses resulting from clients' inability to make payments on the required dates and for the contracted amounts. When evaluating the reasonability of the adjustment for the impairment losses, Management bases its estimates on an analysis of the ageing of the accounts receivable from its clients, its historical experience of write-offs, the client's credit history and changes in the client's payment terms.

If the client's financial conditions deteriorate, impairment losses and actual write-offs may be higher than expected.

Pensions and other long-term benefits granted to employees

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

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

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

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

- Narrow range [1.10% - 1.50%]
- Extended range [0.90% - 1.70%]

Based on these results, JMH has decided to reduce its discount rate from 1.40% to 1.30%.

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	1.30%	0.50%	(722)	772
Salary growth rate	3.00%	0.50%	36	(34)
Pension growth rate	3.00%	0.50%	735	(687)
Life expectancy	TV 88/90	1 year	1,190	(1,135)

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. Changes to estimates of potential losses on proceedings under way may affect future results.

2.9 Fair value of financial instruments

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

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

In the case of more complex derivatives, advanced valuation models are used. These models include assumptions and data that are not directly observable in the market and for which JMH uses estimates and internal assumptions.

Cash and cash equivalents, debtors and accruals

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

Available-for-sale financial assets

Listed financial assets are recognised in the balance sheet at their fair value.

Borrowings

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

Creditors and accruals

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

2.10 Fair value hierarchy

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

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

	2017	Level 1	Level 2	Level 3
Assets measured at fair value				
Available-for-sale financial assets				
Equity investments	-	-	-	-
Investment property	2,470	-	-	2,470
Total assets	**2,470**	**-**	**-**	**2,470**
Liabilities measured at fair value				
Total liabilities	**-**	**-**	**-**	**-**

	2016	Level 1	Level 2	Level 3
Assets measured at fair value				
Available-for-sale financial assets				
Equity investments	80	80	-	-
Investment property	2,470	-	-	2,470
Total assets	2,550	80	-	2,470
Liabilities measured at fair value				
Total liabilities	-	-	-	-

2.11 Financial instruments by category

2017	Borrowings and accounts receivable	Available-for-sale financial assets	Other financial liabilities	Total financial assets and liabilities	Non financial assets or liabilities	Total assets and liabilities
Assets						
Cash and cash equivalents	35,451	-	-	**35,451**	-	**35,451**
Available-for-sale financial assets	-	-	-	**-**	-	**-**
Loans to subsidiaries	845,250	-	-	**845,250**	-	**845,250**
Trade debtors, accrued income and deferred costs	35,390	-	-	**35,390**	1,512	**36,902**
Other non-financial assets	-	-	-	**-**	678,737	**678,737**
Total assets	**916,091**	**-**	**-**	**916,091**	**680,249**	**1,596,340**
Liabilities						
Borrowings	-	-	1	**1**	-	**1**
Trade creditors, accrued costs and deferred income	-	-	6,857	**6,857**	6,392	**13,249**
Other non-financial liabilities	-	-	-	**-**	33,552	**33,552**
Total liabilities	**-**	**-**	**6,858**	**6,858**	**39,944**	**46,802**

2016	Borrowings and accounts receivable	Available-for-sale financial assets	Other financial liabilities	Total financial assets and liabilities	Non financial assets or liabilities	Total assets and liabilities
Assets						
Cash and cash equivalents	120,910	-	-	**120,910**	-	**120,910**
Available-for-sale financial assets	-	80	-	**80**	-	**80**
Loans to subsidiaries	594,285	-	-	**594,285**	-	**594,285**
Trade debtors, accrued income and deferred costs	32,735	-	-	**32,735**	1,920	**34,655**
Other non-financial assets	-	-	-	**-**	675,105	**675,105**
Total assets	**747,930**	**80**	**-**	**748,010**	**677,025**	**1,425,035**
Liabilities						
Borrowings	-	-	-	**-**	-	**-**
Trade creditors, accrued costs and deferred income	-	-	3,514	**3,514**	5,229	**8,743**
Other non-financial liabilities	-	-	-	**-**	24,793	**24,793**
Total liabilities	**-**	**-**	**3,514**	**3,514**	**30,022**	**33,536**

3. Operating costs

Costs of services rendered

The costs of services rendered correspond to the costs incurred by each one of JMH departments in rendering technical and specialised services to its subsidiaries.

Administrative costs

The administrative costs shown in the income statement include, among others, the costs incurred by each of the departments of JMH not corresponding to services rendered, as well as the non-deductible VAT arising from the application of the effective allocation method.

Other operational costs

Other operational costs includes the costs not related with the services rendered to its subsidiaries and the costs not related with the role as Holding of the Group.

Operational costs by nature

	2017	2016
Supplies and services	21,464	14,659
Rents	1,214	1,133
Staff costs	15,873	12,219
Depreciations and amortizations	570	416
Other operational (profit) loss	4,810	3,438
Total	**43,931**	**31,865**

4. Employees

4.1 Staff costs

	2017	2016
Wages and salaries	10,183	8,201
Social security	1,885	1,551
Employee benefits (see note 4.2)	835	968
Other staff costs	2,970	1,499
Total	**15,873**	**12,219**

Other staff costs include labour accident insurance, social responsibility costs, training costs, and indemnities, among others. The number of employees at the end of 2017 was 139 (2016 was 122). The average number of employees during the year was 134 (116 in 2016).

4.2 Employees benefit

Post-employment benefits (retirement)

Defined contribution plans

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

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

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

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

Defined benefit plans

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

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

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

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

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

Other benefits

Seniority awards

The programme of seniority awards existing in JMH comprises a component of defined contribution and a defined benefit.

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

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

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

Amounts of employee benefits in the balance sheet:

	2017	2016
Retirement benefits - Defined contribution plan	-	-
Retirement benefits - Defined benefit plan paid for by the Company	17,927	17,894
Seniority awards	972	851
Total	**18,899**	**18,745**

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

	Income statement		Other comprehensive income	
	2017	2016	2017	2016
Retirement benefits - Defined contribution plan	445	323	-	-
Retirement benefits - Defined benefit plan paid for by the Company	240	309	1,257	641
Seniority awards	150	336	-	-
Total	**835**	**968**	**1,257**	**641**

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	
	2017	2016	2017	2016	2017	2016
Balance as at 1 January	**-**	-	**17,894**	18,385	**851**	538
Interest costs	-	-	240	309	13	10
Current service cost	445	323	-	-	4	65
Actuarial (gains) losses						
Changes in demographic assumptions	-	-	-	-	-	-
Changes in financial assumptions	-	-	819	492	41	18
Changes in experience	-	-	438	149	92	243
Contributions or retirement pensions paid	(445)	(323)	(1,464)	(1,441)	(29)	(23)
Balance as at 31 December	**-**	-	**17,927**	17,894	**972**	851

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

	2017	2016
Mortality table	TV 88/90	TV 88/90
Discount rate	1.30%	1.40%
Pension and salaries growth rate	3.00%	2.50%

The mortality assumptions used are those most commonly adopted in Portugal and are based on actuarial advice in accordance with published statistics. The sensitivity analyses made to the assumptions is stated in note 2.8.

Expected future payments

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

	1 year	1 to 5 years	5 to 10 years
Retirement benefits - Defined benefit plan paid for by the Company	1,388	4,823	4,279
Seniority awards	54	395	522
Total	**1,442**	**5,218**	**4,801**

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.

	2017	2016
Interest expense	-	(133)
Interest received	180	154
Fair value of financial instruments that do not qualify to hedge accounting	(470)	-
Other financial costs and gains	(307)	(126)
Net financial costs	**(597)**	**(105)**

Interest expenses includes the interest related with loans measured at amortised cost. The fair value of financial instruments that do not qualify to hedge accounting refers to a derivative instrument contracted to hedge the currency exchange risk of an intercompany loan provided to a subsidiary in foreign currency. 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:

	2017	2016
Buildings – third parties	64	19
Buildings – group	475	517
Vehicles – third parties	587	536
IT equipment – third parties	27	39
Total	**1,153**	**1,111**

Apart from the costs above, there were occasional rentals throughout the year that amounted EUR 61 thousand (2016: EUR 22 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:

	2017	2016
Payments in less than 1 year	373	354
Payments between 1 and 5 years	476	419
Total future payments	**849**	773

All the contracts may be cancelled upon the payment of a penalty. At the end of 2017, the liabilities arising from penalty clauses were EUR 66 thousand (2016: EUR 74 thousand).

7. Taxes

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

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

Deferred tax is calculated in accordance with the balance sheet liability method on temporary differences between the carrying amount of assets and liabilities and the respective tax base.

The measurement of deferred tax assets and liabilities should reflect the tax consequences that would follow from the manner in which the Company estimates, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities. The rate used to determine deferred tax is that in force during the period when temporary differences are reversed.

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

For all transactions that incorporate uncertainty regarding their tax treatment and for all tax litigation, an assessment is made on the probability of outcome, setting up provisions for the amounts estimated to represent future disbursements (whenever the probability of outcome is above 50%), or, proceeding with the payment, whenever it is considered to be the best way to protect the JMH's interest.

7.1 Income tax

	2017	2016
Current tax		
Current tax of the year	3,450	1,370
Adjustment to prior year estimation	20	(2)
	3,470	**1,368**
Deferred tax		
Temporary differences originated or reversed in the year	(1,872)	743
	(1,872)	**743**
Other Gains (losses) related with taxes		
Impact of changes in estimates for tax litigations	(8,340)	-
	(8,340)	**-**
Total income tax	**(6,742)**	**2,111**

7.2 Reconciliation of effective tax rate

	2017	2016
Profit/loss before taxes	545,958	348,534
Income tax 22.5% rate	(122,841)	(78,420)
Tax effect from:		
Non-taxable or non-recoverable results	125,588	81,260
Changes in estimates for tax litigations	(8,340)	-
Non-deductible expenses	(499)	(339)
Change in income tax rate	-	(117)
Adjustment to prior year estimation	20	(2)
Results subject to special taxation	(670)	(271)
Income tax for the year	**(6,742)**	**2,111**
Effective tax rate	**1.23%**	**(0.61%)**

In 2017, the Corporate Income Tax rate (CIT) applied to companies operating in Portugal was 21% (in 2016 it was 21%). For companies with a positive tax result, there is a surcharge of 1.5% regarding municipal tax, and an additional state tax that varies between 3%, 5% and 7%, for taxable profits higher than EUR 1,500 thousand, EUR 7,500 thousand and EUR 35,000 thousand respectively.

JMH's effective tax rate is significantly influenced by the fiscal effect of the dividend income received from subsidiaries, as well the disposal of shareholdings in subsidiaries in 2016. This income is not subject to taxation according with the current tax legislation.

7.3 Deferred tax assets and liabilities

Deferred taxes are presented in the balance sheet as follows:

	2017	2016
Deferred tax assets	4,677	5,600
Deferred tax liabilities	(1,250)	(584)
Total	**3,427**	**5,016**

	01/01/2017	Impact on results	Impact on equity	31/12/2017
Deferred tax assets				
Revaluation of available for sale financial assets	867	(867)	-	-
Employee benefits	4,218	(249)	283	4,252
Provisions and adjustments above tax limits	515	(90)	-	425
	5,600	**(1,206)**	**283**	**4,677**
Deferred tax liabilities				
Update of assets to fair value	(178)	3	-	(175)
Other temporary differences	(406)	(669)	-	(1,075)
	(584)	**(666)**	**-**	**(1,250)**
Net change in deferred tax	**5,016**	**(1,872)**	**283**	**3,427**

	01/01/2016	Impact on results	Impact on equity	31/12/2016
Deferred tax assets				
Revaluation of available for sale financial assets	824	110	(67)	867
Employee benefits	4,258	(184)	144	4,218
Provisions and adjustments above tax limits	414	101	-	515
	5,496	**27**	**77**	**5,600**
Deferred tax liabilities				
Update of assets to fair value	(178)	-	-	(178)
Other temporary differences	(1,122)	716	-	(406)
	(1,300)	**716**	**-**	**(584)**
Net change in deferred tax	**4,196**	**743**	**77**	**5,016**

7.4 Receivable or payable income tax

Income tax reflected on the balance sheet is as follows:

	2017	2016
Income tax receivable	1,090	73
Income tax payable	-	-
Total	**1,090**	**73**

Since 1st January 2014, JMH has integrated a group of companies taxed according with the Special Group Taxation Regime (RETGS), as the dominant Company of the group. In addition to JMH, the taxation group is currently composed of the following companies:

- Recheio, SGPS, S.A.
- Recheio Cash & Carry S.A.
- Imocash – Imobiliário de Distribuição, S.A.
- Larantigo – Sociedade de Construções, S.A.
- Masterchef, S.A.
- Caterplus – Comercialização e Distribuição de Produtos de Consumo, Lda.
- Jerónimo Martins – Serviços, S.A.
- Desimo – Desenvolvimento e Gestão Imobiliária, Lda.
- Jerónimo Martins – Agro-Alimentar, S.A.
- Jerónimo Martins – Lacticínios de Portugal, S.A.
- Best-Farmer - Actividades Agro-pecuárias, S.A.
- Seaculture – Aquicultura, S.A.

7.5 Unrecognised deferred taxes on tax losses

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

Expiring date	2017	2016
2022	1,331	-
Total	**1,331**	-

8. Gains (losses) in subsidiaries

	2017	2016
Dividends received	567,309	280,000
Interest from loans granted	1,911	4,472
Disposal of subsidiaries	-	75,530
Total	**569,220**	**360,002**

Gains in the disposal of subsidiaries are related with the disposal of a subsidiary in September 2016, as referred in note 13.

9. Gains (losses) in other investments

Rents received for the lease of investment property are recognised as gains in other investments in the income statement in the period to which they relate.

	2017	2016
Rents from investment property	195	196
Fair value adjustment in available-for-sale financial assets	2	(491)
Total	**197**	**(295)**

10. Tangible assets

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

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

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

Repairs and maintenance costs that do not extend the useful life of these assets are charged directly to the income statement during the financial period in which they are incurred.

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

	%
Buildings and other constructions	10
Tools	25
Transport equipment	25
Office equipment	10-25
Other tangible assets	10

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

10.1 Changes occurred during the year

Gross assets

	01/01/2017 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2017 Closing balance
Buildings and other constructions	344	278	-	-	622
Transport equipment	88	-	-	-	88
Tools and utensils	2	-	-	-	2
Office equipment	2,587	346	(1)	-	2,932
Other tangible assets	389	3	-	-	392
Tangible assets in progress	-	-	-	-	-
	3,410	**627**	**(1)**	**-**	**4,036**

Accumulated depreciation and impairment

	01/01/2017 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2017 Closing balance
Buildings and other constructions	121	50	-	-	171
Transport equipment	58	19	-	-	77
Tools and utensils	2	-	-	-	2
Office equipment	2,178	146	(1)	-	2,323
Other tangible assets	326	-	-	-	326
	2,685	**215**	**-**	**-**	**2,899**
Net book value	**725**				**1,137**

10.2 Changes occurred in the previous year

Gross assets

	01/01/2016 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2016 Closing balance
Buildings and other constructions	256	88	-	-	344
Transport equipment	142	-	-	(54)	88
Tools and utensils	2	-	-	-	2
Office equipment	2,232	214	(2)	143	2,587
Other tangible assets	389	-	-	-	389
Tangible assets in progress	143	-	-	(143)	-
	3,164	**302**	**(2)**	**(54)**	**3,410**

Accumulated depreciation and impairment

	01/01/2016 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2016 Closing balance
Buildings and other constructions	88	33	-	-	121
Transport equipment	90	22	-	(54)	58
Tools and utensils	2	-	-	-	2
Office equipment	2,057	121	-	-	2,178
Other tangible assets	326	-	-	-	326
	2,563	**176**	**-**	**(54)**	**2,685**
Net book value	**601**				**725**

10.3 Equipment under financial lease

At the end of 2017 and 2016, there was no equipment under financial lease.

10.4 Guarantees

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

11. Intangible assets

Intangible assets are stated at acquisition cost net of accumulated amortisation and impairment losses.

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

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

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

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

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

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

	%
Development expenditure	20-33.33
Computer software	33.33

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

Intangible assets are made up of development expenses and include expenses incurred with the implementation of information system platforms.

11.1 Changes occurred during the year

Gross assets

	01/01/2017 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2017 Closing balance
Development expenses	2,024	375	-	-	2,399
Intangible assets in progress	515	3,106	-	-	3,621
	2,539	**3,481**	**-**	**-**	**6,020**

Accumulated amortisation and impairment

	01/01/2017 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2017 Closing balance
Development expenses	1,318	355	-	-	1,673
	1,318	**355**	**-**	**-**	**1,673**
Net book value	**1,221**				**4,347**

11.2 Changes occurred in the previous year

Gross assets

	01/01/2016 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2016 Closing balance
Development expenses	1,387	515	-	122	2,024
Intangible assets in progress	122	515	-	(122)	515
	1,509	**1,030**	**-**	**-**	**2,539**

Accumulated amortisation and impairment

	01/01/2016 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2016 Closing balance
Development expenses	1,078	240	-	-	1,318
	1,078	**240**	**-**	**-**	**1,318**
Net book value	**431**				**1,221**

12. Investment property

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

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

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

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

For this purpose, an estimation of the market rent is used, considering all the endogenous and exogenous variables of the asset under valuation, and a yield that reflects the risk of the market of which that asset is a part, as well as the characteristics of the asset itself.

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.

JMH owns a property, which was partially rented to a Group Company generating profits in the amount of EUR 195 thousand (2016: EUR 196 thousand). This property is valued at its market value, according to an independent valuation, and is recorded at EUR 2.470 thousand (2016: EUR 2.470 thousand).

In 2017, JMH incurred expenses regarding this property in the amount of EUR 4 thousand (2016: EUR 4 thousand), recognised in results in other operating costs.

13. Investments

13.1 Investments in subsidiaries

The equity holdings in subsidiaries correspondes to investments in the acquisition of shareholdings in the companies listed in note 27.

	2017	2016
Net value at 1 January	**665,016**	667,946
Increases	-	-
Decreases	-	(123,956)
Provisions reduction	-	121,026
Net value at 31 December	**665,016**	665,016

In September 2016, JMH sold 100% of the share capital of its subsidiary Monterroio – Industry & Investments B.V. ("Monterroio") to Sociedade Francisco Manuel dos Santos B.V. (SFMS). This transaction included the shareholding (EUR 2,930 net of impairment losses adjustment), supplementary capital contributions (EUR 138,000 thousand) and shareholders loans that existed at date (EUR 90,000 thousand) - see note 14.1. -, representing a net cash flow received of EUR 306,460 thousand, and an income of EUR 75,530 thousand.

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

In December 2016, JMH reacquired indirect control of Jerónimo Martins – Restauração e Serviços, S.A. (100%) and Hussel Ibéria – Chocolates e Confeitarias, S.A. (51%), as result of the share buy back of said investments by the subsidiary Tagus – Retail & Services Investments B.V..

At the beginning of 2016, the net amount in investments in subsidiaries reflected the deduction of EUR 121,026 thousand regarding impairment losses (note 22), amount used to consider the disposal of Monterroio on September 2016.

14. Loans

14.1 Loans to subsidiaries

Non-current loans	2017	2016
Net value as at 1 January	**500,840**	664,050
Increases	154,050	112,060
Decreases	(2,520)	(47,270)
Disposal of business units (shareholders loans)	-	(90,000)
Disposal of business units (supplementary capital contributions)	-	(138,000)
Net value as at 31 December	**652,370**	500,840

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	2017	2016
Net value as at 1 January	**93,445**	**27,300**
Increases	109,510	72,470
Decreases	(10,075)	(6,325)
Net value as at 31 December	**192,880**	**93,445**

Current loans are liable to interest rates at normal market levels.

15. Available-for-sale financial assets

	2017	2016
BCP shares	-	3,936
Fair value adjustment (note 22)	-	(3,856)
Total	**-**	**80**

In February 2017, JMH disposed the total shares held in Millennium BCP for the total amount of EUR 187 thousand. This operation generated a gain of EUR 2 thousand in the income statement.

As at 31 December 2016, all 74,643 shares in the Company's portfolio, were marked to market (level 1 of fair value hierarchy) according to the price on Euronext Lisbon as at 31 December 2016 of Euro 1.071 per share.

In 2016 the changes in the fair value of these assets of negative EUR 194 thousand were recognised in profit and loss accounts. In 2016, this profit and loss heading included also EUR 297 thousand, transferred from Other reserves, which refers to fair value adjustments registered in previous years.

16. Trade debtors, accrued income and deferred costs

Subsidiaries and debtor balances are amounts to be received regarding services rendered by JMH in the ordinary course of 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.

	2017	2016
Non current		
Other debtors (collateral deposits)	19,367	19,367
Total	**19,367**	**19,367**
Current		
Subsidiaries	11,025	9,036
Other debtors	432	194
Taxes receivable	1,100	1,119
Accrued income	4,523	4,131
Deferred costs	455	808
Total	**17,535**	**15,288**

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 to its subsidiary Jeronimo Martins Colombia, SAS. These deposits will be released on loans repayment date.

Amounts recognised in subsidiaries refers mainly to invoices issued to Group Companies relating to various services provided, in the amount of EUR 3,708 thousand (2016: EUR 2,465 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 7,180 thousand (2016: 6,505 thousand).

Accrued income refers mainly to EUR 4,425 thousand (2016: EUR 3,997 thousand) regarding the rendering of technical and administrative services to subsidiaries not yet invoiced and EUR 70 thousand (2016: EUR 70 thousand) of interest receivable.

Deferred costs include EUR 43 thousand (2016: EUR 7 thousand) of issuance costs of commercial paper, and EUR 412 thousand (2016: EUR 801 thousand) of other costs relating to future periods, paid in 2017 or when not paid, already charged by the competent entities.

17. Cash and cash equivalents

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

	2017	2016
Bank deposits	35,441	120,901
Cash and cash equivalents	10	9
Total	**35,451**	**120,910**

18. Cash generated from operations

	2017	2016
Net results	**539,216**	**350,645**
Adjustments for:		
Income tax	6,742	(2,111)
Depreciation and amortization	570	416
Net financial costs	597	105
(Gains) losses on subsidiaries	(569,220)	(360,002)
(Gains) losses on other investments	(197)	295
(Gains) losses on disposal of tangible assets	-	-
	(22,292)	**(10,652)**
Changes in working capital:		
Trade debtors, accrued income and deferred costs	(1,457)	(1,470)
Trade creditors, accrued costs and deferred income	4,451	1,544
Provisions and employee benefits	(1,504)	(370)
Cash generated from operations	**(20,802)**	**(10,948)**

19. Capital and reserves

Share capital

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

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

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

Payable and receivable dividends

Payable dividends are recognised as a liability in JMH financial statements in the period in which they are approved by the shareholders for distribution.

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

19.1 Share capital and share premium account

The authorised share capital is represented by 629,293,220 ordinary shares (2016: 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 2017, no changes occurred in the amount of EUR 22,452 thousand showed in share premium in 2016.

19.2 Own shares

At 31 December 2017, JMH held 859,000 own shares, acquired in 1999 at an average price of 7.06 euros per share. There were no transactions in 2017.

19.3 Other reserves

	Available-for-sale financial assets	Total
Balance as at 1 January 2016	**(230)**	**(230)**
Change in fair value of available-for-sale financial assets		
- Gross value	297	297
- Deferred tax	(67)	(67)
Balance as at 1 January 2017	**-**	**-**
Change in fair value of available-for-sale financial assets		
- Gross value	-	-
- Deferred tax	-	-
Balance as at 31 December 2017	**-**	**-**

19.4 Retained earnings

As at 31 December 2017 the total amount of retained earnings was EUR 903,853 thousand (2016: EUR 745,814 thousand), resulting from profit generated in the financial year and previous years.

Of this amount. EUR 315,747 thousand (2016: EUR 316,721 thousand) are not able to be distributed, as provided in articles 32, 218, 295, 296 and 324 of the Commercial Companies Code.

19.5 Dividends

According with the decision made at the April 6th 2017 General Shareholders Meeting, the amount of EUR 380.203 thousand was distributed to Jerónimo Martins shareholders in May 2017.

In accordance with the results appropriation proposal described in point 8 included in the Management Report chapter, which is integrated in the consolidated annual report, the Board of Directors proposes to the shareholders the distribution of the amount EUR 385,230 thousand, which corresponds to a dividend per share of EUR 0.613 (excluding own shares in the portfolio).

20. Earnings per share

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

20.1 Basic and diluted earnings per share

	2017	2016
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)	**539,216**	**350,645**
Basic and diluted earnings per share – euros	**0.858**	**0.558**

21. Borrowings

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

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

This note provides information on the terms of loan contracts and other forms of financing. For further details regarding the Company's exposure to interest rates see note 30.

21.1 Current and non-current loans

	2017	2016
Non-current loans		
Bank loans – commercial paper	-	-
Total	**-**	**-**
Current loans		
Bank loans – commercial paper	-	-
Bank loans	1	-
Total	**1**	**-**

21.2 Loan terms and maturities

	Average rate	2017	Payable in less than 1 year	Payable between 1 and 5 years
Bank loans		1	1	-
Bank loans – commercial paper		-	-	-
Total	0.60%	**1**	1	-

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 115,994 thousand (2016: EUR 116,000 thousand).

21.3 Bank loans: commercial paper

There are several issued bank loans in the form of a commercial paper programme, in the global amount of EUR 235,000 thousand (2016: EUR 155,000 thousand), with variable interest rate. At the end of 2017, no amount of these credit lines was being used (2016: EUR 0 was being used).

21.4 Financial debt

	2017	2016
Non-current loans	-	-
Current loans	1	-
Interest accruals and deferrals	(113)	(77)
Bank deposits	(35,441)	(120,901)
Total	**(35,553)**	**(120,978)**

22. Provisions and adjustments to the net realisable value

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

Restructuring provision

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

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

Provision for other risks and contingencies (Legal claims)

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

2017	Opening balance	Set up and reinforced	Used and reversed	Closing balance
Investments in subsidiaries	-	-	-	-
Available-for-sale financial assets	3,856	-	3,856	-
Total adjustments to the net realisable value	**3,856**	**-**	**3,856**	**-**
Other risks and contingencies	5,464	8,340	(401)	13,403
Total provisions	**5,464**	**8,340**	**(401)**	**13,403**

2016	Opening balance	Set up and reinforced	Used and reversed	Closing balance
Investments in subsidiaries	121,026	-	(121,026)	-
Available-for-sale financial assets	3,662	194	-	3,856
Total adjustments to the net realisable value	**124,688**	**194**	**(121,026)**	**3,856**
Other risks and contingencies	5,016	448	-	5,464
Total provisions	**5,016**	**448**	-	**5,464**

The adjustment for available-for-sale financial assets was reduced in 2017, considering the disposal of Millennium BCP shares (as referred in note 15).

The adjustment in investment in subsidiaries was reduced in 2016, due to the disposal of the investment in its subsidiary Monterroio (as referred in note 13.1.).

The heading other risks and contingencies consists of provisions for possible compensation to be paid by JMH regarding guarantees provided in business sales agreements entered into over the last few years and provisions for litigation processes where there are no prospects for resolution in less than one year.

23. Trade creditors, accrued costs and deferred income

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

Suppliers and other creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

	2017	2016
Subsidiaries	1,662	1,254
Other trade creditors	2,690	1,604
Other non-trade creditors	48	14
Taxes payable	687	413
Accrued costs	8,146	5,442
Deferred income	16	16
Total	**13,249**	**8,743**

Accrued costs includes salaries and wages payable in the amount of EUR 5,689 thousand (2016: EUR 4,800 thousand), and EUR 2,457 thousand (2016: EUR 642 thousand) regarding various costs (utilities, insurances, consultants, rents, among others), relating to 2017 and not invoiced by the respective entities prior to the end of the year.

24. 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 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.

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.

Derivatives held for trading

Although derivatives entered by JMH 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.

There were no outstanding derivative financial instruments as at 31 December 2017 or 31 December 2016.

Impacts on Financial Statements:

	2017	2016
Fair value of the financial instruments at 1 January	**-**	-
(Receivings) Payments made during the year	470	-
Fair value of financial instruments that do not qualify to hedge accounting (P&L)	(470)	-
Fair value of the financial instruments at 31 December	**-**	-

In 2017, JMH entered into currency forward derivative in order to hedge the foreign exchange risk of loans granted to subsidiaries in foreign currency. The derivative financial instrument had a negative impact in the income statement in the amount of EUR 470 thousand.

25. Guarantees

The bank guarantees are as follows:

	2017	2016
Guarantees for the Tax Authority	14,404	14,623
Financing bank guarantees	16,676	18,974
Other guarantees provided	1,432	1,426
Total	**32,512**	**35,023**

26. Contingencies, contingent assets and contingent liabilities

Contingent assets are potential JMH assets that result from past events, but whose recognition depends on the occurrence or not of one or more future events that are not under its control.

Disclosure is made in the notes when it becomes probable that future economic benefits will be received by JMH. It is recognized in the Individual Financial Statements when it becomes virtually certain to be received.

Contingent liabilities correspond to potential obligations as result of past events and whose recognition depends on the occurrence or not of one or more uncertain future events not wholly within the control of JMH. They may also represent present obligations as result of past events, which are not recognized in the Financial Statements, because its payment is not probable, or it is not possible to obtain a reliable value estimation.

JMH discloses in the notes whenever the probability of future disbursement is not considered remote. It is recognized, or a provision is setup, when it becomes probable that economic benefits will be paid, and its value can be estimated with some degree of reliability.

Contigent liabilities

There are several relevant disputes pending resolution. With respect to these issues, the Board of Directors, supported by the opinion of its tax and legal advisors considers that there is enough ground for its appeal in court, assesses the outcome of each proceedings, and for those where the Board estimates that a future cash outflow may occur. a provision is taken (note 22):

- The Portuguese Tax Authorities have informed 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 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 a 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, and an amount of tax estimated of EUR 6,800 thousand.

27. Subsidiaries and available-for-sale financial assets

The direct investments owned by JMH, as at 31 December 2017, 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	179	159	65
Jerónimo Martins Serviços. S.A.	a)	Lisbon	100.00%	50	6,834	450	(70)
Eva – Soc. Invest. Mobiliários e Imobiliários. Lda.	a)	Funchal	5.61%	28	3,331	2,047	1,061
Friedman – Soc. Invest. Mobiliários e Imobiliários. Lda.	a)	Funchal	100.00%	5	181	162	7
Warta – Retail & Services Investments B.V.	a)	Amsterdam	100.00%	18	548,303	545,747	343,607
Tagus – Retail & Services Investments B.V.	a)	Amsterdam	100.00%	18	1,536,316	1,536,261	251,965
New World Investments B.V.	a)	Amsterdam	100.00%	18	330,333	330,173	(29,617)
Origins – Agro Business Investments B.V.	a)	Amsterdam	100.00%	18	24,565	24,560	(21)

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.

As referred in note 15, JMH disposed the Millennium BCP shares in February 2017.

28. 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 2017 are those mentioned in notes 28 and 30 of Chapter III of the Group Consolidated Annual Report.

29. 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.

29.1 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 2017, nor are there any open amounts between them as at 31 December 2017.

29.2 Transactions with other related parties

29.2.1 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, Legal Affairs, Internal Audit, Commercial, Corporate Communications and Responsibility, Financial Control, Business Development, International Expansion and Strategy, Fiscal Affairs, Risk Management, Logistics and Supply Chain, Marketing and Consumer, Financial Operations, Quality and Private Brand Development, Operations Quality and Food Safety, 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, increased in 2017 to EUR 19,095 thousand (2016: EUR 18,740 thousand).

29.2.2 Financial services

The JMH Financial Operations Department centralises part of the Group Companies' financial management.

This management includes acting on behalf of the Companies in the negotiation and contracting of debt conditions and application of funds with banks and other financial institutions. The purpose of this centralised management is to obtain more favourable conditions for funding and applications than would be obtained if negotiated on an individual basis. This centralised management is remunerated for this service, which amounted to EUR 1,469 thousand in 2017 (2016: EUR 1,535 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 505 thousand in 2017 (2016: EUR 522 thousand).

29.2.3 Lease of property

JMH develops its activity in premises rented from subsidiaries, which represented in 2017 costs of EUR 475 thousand (2016: EUR 517 thousand).

As mentioned in note 12, JMH owns a property which is partially rented out to a Group Company, and generated profits in 2017 in the amount of EUR 195 thousand (2016: EUR 196 thousand).

29.2.4 Loans (current and non-current loans)

JMH granted loans to subsidiaries, which generated interest in the amount of EUR 1,911 thousand (2016: EUR 4,472 thousand).

29.2.5 Staff related costs

As a Group, Jerónimo Martins 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 2017, total costs incurred with services rendered by personnel from other companies amounted to EUR 8,079 thousand (2016: EUR 7,202 thousand).

29.2.6 Open balances as at 31st December 2017

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.	15,705	-	15	19	-	267	-
Caterplus – Com. Dist. Produtos de Consumo, Lda.	-	-	71	1	-	-	-
Desimo – Desenv. Gestão Imobiliária, Lda.	-	-	19	-	-	-	-
Escola de Formação Jerónimo Martins, S.A.	-	-	1	-	-	-	-
Friedman - Soc. Inv. Mobiliários e Imobiliários, Lda.	-	170	-	-	-	-	-
Hussel Ibéria – Chocolates e Confeitaria, S.A.	-	-	3	-	-	3	-
Imocash – Imobiliário de Distribuição, S.A.	-	-	865	13	-	-	-
Imoretalho – Gestão de Imóveis, S.A.	-	-	3	51	-	-	-
João Gomes Camacho, S.A.	-	-	46	4	-	-	-
Jerónimo Martins - Agro-Alimentar, S.A.	3,540	-	46	3	-	-	-
Jeronimo Martins Colombia, S.A.S.	-	-	6	-	-	-	-
Jerónimo Martins - Lacticínios de Portugal, S.A.	16,955	-	14	17	-	719	-
Jeronimo Martins Polska S.A.	-	-	9	2,094	-	19	-
Jerónimo Martins – Restauração e Serviços, S.A.	2,180	-	6	2	-	-	-
Jerónimo Martins Serviços, S.A.	-	500	8	-	-	35	2,790
JMR – Gestão Empresas Retalho, SGPS, S.A.	141,370	-	-	164	-	-	-
JMR - Prestação de Serviços para a Distribuição, S.A.	-	-	184	46	-	72	-
Larantigo - Sociedade de Construções, S.A.	-	-	-	-	-	26	-
Lidinvest - Gestão de Imóveis, S.A.	-	-	-	2	-	-	-
Lidosol II – Distrib. Produtos Alimentares, S.A.	-	-	131	9	-	-	-
Masterchef, S.A.	-	-	-	-	-	204	-
New World Investments B.V.	-	362,450	-	-	-	-	-
Origins - Agro Business Investments B.V.	-	24,620	-	-	-	-	-
Pingo Doce – Distribuição Alimentar, S.A.	-	-	2,304	1,602	-	25	-
Recheio - Cash & Carry, S.A.	-	-	7,047	381	16	16	-
Recheio, SGPS, S.A.	11,195	-	244	15	-	-	-
Seaculture – Aquicultura, S.A.	1,935	-	2	2	-	236	-
Tagus - Retail & Services Investments B.V.	-	63,750	1	-	-	-	-
Warta - Retail & Services Investments B.V.	-	200,880	-	-	-	-	-
Subtotal	192,880	652,370	11,025	4,425	16	1,662	2,790
Other related parties							
JMDB - Repr. e Distribuição Marcas, Lda.	-	-	21	-	-	2	-
Marismar Aquicultura Marinha S.A.	-	-	2	-	-	-	-
Unilever Fima, Lda	-	-	-	-	-	5	-
Soc. Francisco Manuel Santos SGPS, S.E.	-	-	5	-	-	-	-
Subtotal	-	-	28	-	-	7	-
Total	**192,880**	**652,370**	**11,053**	**4,425**	**16**	**1,669**	**2,790**

29.2.7 Open balances as at 31st December 2016

Company	Current Loans	Non-current loans	Accounts receivable	Accrued income	Deferred income	Accounts payable	Accrued costs
Subsidiary Companies							
Best-Farmer - Actividades Agro-Pecuárias, S.A.	855	-	1	2	-	113	-
Caterplus – Com. Dist. Produtos de Consumo, Lda.	-	-	-	1	-	56	-
Desimo – Desenv. Gestão Imobiliária, Lda.	-	-	6	-	-	-	-
Friedman - Soc. Inv. Mobiliários e Imobiliários, Lda.	-	170	-	-	-	-	-
Imocash – Imobiliário de Distribuição, S.A.	-	-	764	14	-	-	-
Imoretalho – Gestão de Imóveis, S.A.	-	-	3	49	-	43	-
João Gomes Camacho, S.A.	-	-	38	8	-	-	-
Jerónimo Martins - Agro-Alimentar, S.A.	2,160	-	56	3	-	124	-
Jeronimo Martins Colombia, S.A.S.	-	-	6	-	-	-	-
Jerónimo Martins - Lacticínios de Portugal, S.A.	8,065	-	10	9	-	653	-
Jeronimo Martins Polska S.A.	-	-	500	1,574	-	21	-
Jerónimo Martins – Restauração e Serviços, S.A.	1,420	-	-	-	-	-	-
Jerónimo Martins Retail Services S.A.	-	-	250	-	-	-	-
Jerónimo Martins Serviços, S.A.	-	500	-	-	-	131	2,486
JMR – Gestão Empresas Retalho, SGPS, S.A.	59,405	-	32	213	-	-	-
JMR - Prestação de Serviços para a Distribuição, S.A.	-	-	24	56	-	63	-
Larantigo - Sociedade de Construções, S.A.	-	-	2	-	-	-	-
Lidinvest - Gestão de Imóveis, S.A.	-	-	-	3	-	-	-
Lidosol II – Distrib. Produtos Alimentares, S.A.	-	-	63	1	-	-	-
Masterchef, S.A.	-	-	-	-	-	13	-
New World Investments B.V.	-	221,450	-	-	-	-	-
Origins - Agro Business Investments B.V.	-	11,570	-	-	-	-	-
Pingo Doce – Distribuição Alimentar, S.A.	-	-	790	1,665	-	32	-
Recheio - Cash & Carry, S.A.	-	-	6,315	386	16	5	-
Recheio, SGPS, S.A.	21,270	-	176	12	-	-	-
Seaculture – Aquicultura, S.A.	270	-	-	1	-	-	-
Tagus - Retail & Services Investments B.V.	-	65,250	-	-	-	-	-
Warta - Retail & Services Investments B.V.	-	201,900	-	-	-	-	-
Subtotal	93,445	500,840	9,036	3,997	16	1,254	2,486
Other related parties							
Jerónimo Martins – Dist. Prod. Consumo, Lda.	-	-	24	-	-	-	-
Fima - Produtos Alimentares, S.A.	-	-	-	-	-	4	-
Subtotal	**-**	**-**	**24**	**-**	**-**	**4**	**-**
Total	**93,445**	**500,840**	**9,060**	**3,997**	**16**	**1,258**	**2,486**

29.2.8 Remuneration paid to Directors

	2017	**2016**
Salaries and cash awards	1,329	1,239
Retirement benefits	299	213
	1,628	**1,452**

The Board of Directors of the Company consists of 9 Members. The remuneration shown includes the amounts paid to the members of the Board of Directors that work on the Audit comitee, which annual amount was of EUR 60 thousand (2016: EUR 48 thousand).

The remuneration of the Members of the Board of Directors and of the Supervisory Board is stated in the Consolidated Annual Report, under the Corporate Governance Chapter.

The retirement benefits granted to the Directors correspond to post-employment benefits and are part of the plans described in note 4.2.

30. Financial risks

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. Certain types of exposure are managed using financial derivative instruments.

The activity in this area is carried out by the Financial Operations Department. It is responsible, with the cooperation of the financial areas of the Group´s companies, for identifying and assessing risks and for executing the hedging of financial risks, by following the guidelines set out in the Financial Risk Management Policy.

30.1 Market risk (price risk)

As a result of its investment in Millennium BCP (BCP), JMH was exposed until February 2017 to the risk of change in the stock price.

30.2 Interest rate risk (cash flow and fair value)

All financial liabilities are directly or indirectly indexed to a reference interest rate which exposes JMH 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.

30.3 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 2017 and 2016:

		2017	2016
Rating company	**Rating**	**Balance**	Balance
Standard & Poor's	[A+ : AA]	20	-
Standard & Poor's	[BBB+ : A]	7	13,030
Standard & Poor's	[BB+ : BBB]	1,286	107,058
Standard & Poor's	[B+ : BB]	23	778
Standard & Poor's	[B]	10	-
Moody's	[Caa2 : Caa1]	43	24
Fitch's	[A- : A+]	34,023	-
Fitch's	[BBB- : BBB+]	16	-
Fitch's	[B- : BB-]	13	-
	Not Available	-	11
Total		**35,441**	120,901

The ratings shown correspond to those given by Standard and Poor's, Moody's and Fitch's. The maximum exposure to credit risk at 31 December 2017 and 2016 is the financial assets carrying value.

30.4 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

2017	Less than 1 year	1 to 5 years	More than 5 years
Borrowings			
Bank loans	1	-	-
Commercial paper	-	-	-
Creditors	4,400	-	-
Operational lease liabilities	373	476	-
Total	**4,774**	**476**	**-**

2016	Less than 1 year	1 to 5 years	More than 5 years
Borrowings			
Bank loans	-	-	-
Commercial paper	-	-	-
Creditors	2,872	-	-
Operational lease liabilities	354	419	-
Total	**3,226**	**419**	**-**

31. 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 to the External Auditor and Statutory Auditor in 2017 was EUR 110 thousand, of which EUR 87 thousand correspond to statutory audit of the accounts, while the remaining EUR 15 thousand are related to human resources support services. In addition, EUR 8 thousand was paid to the former External Auditor (PricewaterhouseCoopers & Associados, SROC, Lda.) for certification services of carbon footprint calculation and access to a tax database;

c) Note 29 of the Notes to the Financial Statements include 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. 27 February 2018

The Certified Accountant **The Board of Directors**

Building a better
working world

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(Translation from the original Portuguese language. In case of doubt, the Portuguese version prevails.)

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Jerónimo Martins, S.G.P.S., S.A. (the Entity), which comprise the Balance Sheet as at 31 December 2017 (showing a total of 1.596.340 thousand euros and a total equity of 1.549.538 thousand euros, including a net profit for the year of 539.216 thousand euros), the Statement of Income by Functions, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of Jerónimo Martins, S.G.P.S., S.A. as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

1. Investments in subsidiaries and loans to subsidiaries

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The total amount of investment in subsidiaries and loans to subsidiaries recognized in the individual financial statements of Jerónimo Martins, S.G.P.S., S.A., as at 31 December 2017, amounts to 1.317.386 thousand euros. As disclosed in the Notes 2.3 to the financial statements, the investments in subsidiaries and loans to subsidiaries are recorded at cost and at each balance sheet date are analysed	Our audit procedures included: ▸ Understanding and evaluating controls over the Investments in Subsidiaries and loans to subsidiaries process; ▸ Obtaining impairment tests performed by management to the investments in subsidiaries and loans to subsidiaries and confirmation of the assumptions used with the business plans approved by the Board;

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
in order to identify any indicators of possible impairment losses. When indicators are identified, the recoverable amount of the assets is tested by the management, using the discounted cash flow method. The valuation data used to calculate the value in use, are supported by either the past performance and market development expectations for each of the investments, in accordance with the discounted cash flow projections, discount rates and perpetuity growth rates. Due to the relevance of the amounts involved, as well as the complexity and judgment inherent in the model adopted for the impairment assessment, we consider that the valuation of investments in subsidiaries and loans to subsidiaries has been a material matter for the purposes of our audit.	▸ Performing analysis, with the support of internal specialists, of the assumptions and methodologies used by the management, namely the impairment test model, the discount rates and perpetuity growth rates; ▸ Performing substantive procedures regarding impairment indicators on investments in subsidiaries and loans to subsidiaries, namely by comparing the equity of the subsidiaries or the value in use obtained through the models prepared by the Management with the amounts recorded in the financial statements; and ▸ Review of the amounts of impairment losses recognized by the Entity regarding investments in subsidiaries and loans to subsidiaries and evaluation of its reasonableness. We have also verified the adequacy of the disclosures presented in the financial statements.

Responsibilities of management and the Audit Committee for the financial statements

Management is responsible for:

- the preparation of financial statements that presents a true and fair view of the Entity´s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as endorsed by the European Union;
- the preparation of the Management Report, including the Corporate Governance Report in accordance with the laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Entity´s ability to continue as a going concern.

The Audit Committee is responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the Audit Committee, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- we also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the Management Report with the financial statements, and the verifications under nr. 4 and nr. 5 of article 451 of the Commercial Companies Code and the verification that the Non-Financial information was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Entity, we have not identified any material misstatement.

On the Non-Financial information set out in article 66-B of the Commercial Companies Code

Pursuant to article 451, nr. 6 of the Commercial Companies Code, we inform that the Entity included in the Management Report the Non-Financial information of the set out in article 66-B of the Commercial Companies Code.

On the Corporate Governance Report

Pursuant to article 451, nr. 4 of the Commercial Companies Code, in our opinion, the Corporate Governance Report includes the information required to be provided by the Entity as per article 245-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of the said article.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as auditors of the Entity for the first time in the shareholders' general meeting held on 06 April 2017 for the ongoing mandate from 2017 to 2018;
- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work we have not identified any material misstatement to the financial statements due to fraud;
- We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the Audit Committee of the Entity on February 26, 2018; and
- We declare that we have not provided any prohibited services as described in article 77, nr. 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Entity in conducting the audit.

Lisbon, 05 March 2018

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

João Carlos Miguel Alves (ROC nº 896)
Registered with the Portuguese Securities Market Commission under license nr. 20160515

Independent Limited Assurance Report

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

To the Board of Directors of Jerónimo Martins, S.G.P.S., S.A.,

Introduction

1 We were engaged by the Board of Directors of Jerónimo Martins, S.G.P.S., S.A. ("Jerónimo Martins" or "Company") to perform a limited assurance engagement on the indicators identified in the paragraph 4 below, which integrate the sustainability information included in Chapter 5. "Corporate Responsibility in Value Creation" of the Annual Report 2017, relating to the year ended in December 31, 2017, prepared by the Company for the purpose of communicating its annual sustainability performance.

Responsibilities

2 It is the responsibility of the Board of Directors to prepare the indicators identified in the paragraph 4 below, included in Chapter 5. "Corporate Responsibility in Value Creation" of the Annual Report 2017, in accordance with the instructions and criteria disclosed on it and based on the sustainability reporting guidelines "Global Reporting Initiative" ("GRI"), version G4, and the maintenance of an appropriate system of internal control to enable the adequately preparation of the mentioned information.

3 Our responsibility is to issue a limited assurance report, which is professional and independent, based on the procedures performed and specified in the paragraph below.

Scope

4 The work performed was conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance engagements other than audits or reviews of historical financial information", issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the indicators, identified in the subchapter 11. "Table of Indicators", of Chapter 5. "Corporate Responsibility in Value Creation" of the Annual Report 2017, as "✓ Indicator verified by an external third party" are free from material misstatement. For this purpose the above mentioned work included:

5 For this purpose the above mentioned work included:

(i) Inquiries to management and senior officials responsible for areas under analysis, with the purpose of understanding how the information system is structured and their awareness of issues included in the report;

(ii) Identification of the existence of internal management procedures leading to the implementation of economic, environmental and social policies;

(iii) Testing, on a sampling basis, the efficiency of processes and systems in place for collection, consolidation, validation and reporting of the performance information previously mentioned, through calculations and validation of reported data;

(iv) Confirmation that operational units follow the instructions on collection, consolidation, validation and reporting of performance information;

(v) Execution of substantive procedures, on a sampling basis, in order to collect evidence of the reported information;
(vi) Comparison of financial and economic data included in the sustainability information with the audited by the external auditor, in the scope of the legal review of Jerónimo Martins's financial statements for the year ended in December 31, 2017;
(vii) Verification that the indicators identified in the paragraph 4 above, included in Chapter 5. "Corporate Responsibility in Value Creation" of the Annual Report 2017, are based on the GRI guidelines, when applicable.

6 The procedures performed were more limited than those used in an engagement to obtain reasonable assurance and, therefore, less assurance was obtained than in a reasonable assurance engagement.

7 We believe that the procedures performed provide an acceptable basis for our conclusion.

Quality and independence

8 We apply the International Standard on Quality Control 1 (ISQC1) and, accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

9 We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and of the ethics code of the Institute of Statutory Auditors.

Conclusion

10 Based on the work performed, nothing has come to our attention that causes us to believe that the indicators identified in the paragraph 4 above, included in Chapter 5. "Corporate Responsibility in Value Creation" of the Annual Report 2017, relating to the year ended in December 31, 2017, were not prepared, in all material respects, in accordance with the instructions and criteria disclosed on it and based on the GRI guidelines, version G4.

Restriction on use

11 This report is issued solely for information and use of the Board of Directors of the Company for the purpose of communicating its annual sustainability performance in the Chapter 5. "Corporate Responsibility in Value Creation" of the Annual Report 2017, and should not be used for any other purpose. We will not assume any responsibility to third parties other than Jerónimo Martins by our work and the conclusions expressed in this report, which will be attached to the Company's Annual Report 2017.

March 5, 2018

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

António Brochado Correia, R.O.C.

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