2013

JERÓNIMO MARTINS

ANNUAL REPORT

JERÓNIMO MARTINS

INNOVATION, FROM THE LATIN *INNOVARE*
New idea, method or device.

SUSTAINABILITY, FROM THE LATIN *SUSTENTARE*
The ability to preserve, care for.

INNOVATION IN SUSTAINABILITY
We continuously strive to find new ideas and processes that allow us to do more with less.

To satisfy the needs of the present without compromising the satisfaction of the needs of generations to come.

JERÓNIMO MARTINS

2013

WE'VE GOT FIGURES TO SHOW STORIES TO TELL

ANNUAL
REPORT
2013

1 2 3

CORPORATE GOVERNANCE

CORPORATE RESPONSIBILITY IN VALUE CREATION

INDIVIDUAL ANNUAL REPORT

4 5 6

MESSAGE FROM THE CHAIRMAN

In this which is the last message I shall write to the Shareholders of Jerónimo Martins within the scope of the Annual Report, above all, I would like to express the confidence I feel with regard to the future of the Group that I led for 46 years.

I cannot hide my pride when looking at what we were able to build and to the experience, knowledge and competence within Jerónimo Martins today.

In fact, the Group I am leaving is financially very robust, it has highly qualified and competent human resources and its top management has a profound knowledge of the businesses and the relevant sectors together with strong leadership skills.

With over 220 years of history, this is a Group which is still passionate about growth and has an unshakeable vocation for leadership in the markets where it operates.

In Portugal, the birthplace of the entire activity, it now has well-established businesses with robust market positions, and in Poland, it continues to be determined to execute the ambitious expansion plan, which will lead to Biedronka having three thousand stores at the end of 2015. In Colombia, it also had a positive start-up and is currently enthusiastic and determined in the mission of making its third operations platform another successful case.

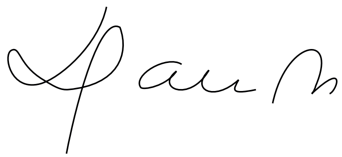
The challenges that are on the horizon are complex and will require the Management to be very strict, focused and determined. However, I know that the Group is prepared for whatever it may be up against. Without arrogance, but with the self-confidence of one who has the know-how, the human capital and the financial muscle to continue delivering its commitments.

It is not by chance that Forbes magazine puts Jerónimo Martins in 16th place on its annual list of the "The World's 100 Most Innovative Companies". Or that it occupies 67th position in the 2014 Global Powers of Retailing ranking, compiled by consultant Deloitte and "Stores" magazine.

It was an honour and a privilege for me to lead so very, many men and women who, throughout almost five decades, with their intelligence, efforts and loyalty, contributed towards making Jerónimo Martins the Group it is today.

I could not, therefore, leave without firstly leaving them this note of thanks. Which, naturally, I also extend to the Shareholders for the trust they always placed in the leadership of Jerónimo Martins. I should like to thank the analysts and financial community in general for their interest in our story and, in many cases, their profound knowledge of our activity.

Many thanks to you all,



ALEXANDRE SOARES DOS SANTOS
21st February, 2014

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

At the Jerónimo Martins Group, 2013 will primarily be remembered as the year in which we opened the first stores and the first Distribution Centre in Colombia.

In fact, on 13th March 2013, in the presence of the President of the Republic of Colombia, Juan Manuel Santos, we officially inaugurated, in the city of Pereira, the first Ara store and the first logistics warehouse in that country, as well as other four points of sale also in the cities of Santa Rosa and Arménia, located in the Coffee Belt.

In a country in which the majority of employment is "informal" and the unemployment rate is over 10%, by the end of December the Jerónimo Martins Group had created 371 new jobs.

At the end of the year, after around nine and a half months of trading, the Ara brand was already highly renowned in the region in which it is present and was strongly associated with "low prices" by the consumer. This is a very important achievement in such an intense market in terms of promotions and one in which retail banners use all the means of attraction at their disposal to fight for the consumers' available income, especially at the two points in the month when salaries are paid.

At the end of December, around 65% of all the Fast Moving Consumer Goods suppliers operating in Colombia were already working with Ara. For the suppliers in that country, implementing our business model was a huge stimulus to innovation and development, especially regarding logistics. Jerónimo Martins' entry into the market was very well received, the vast majority of its business partners having invested in transforming and changing their processes, in order to start delivering goods on pallets and in cardboard display boxes, instead of the traditional plastic transport boxes.

2013 was a year for major learning in a market that was almost completely unknown to us, but which, even so, brought us great moments of happiness, such as the average of over three thousand customers on the store-opening days (similar to the openings of Biedronka stores) and having managed to achieve our expansion plan for the first year of operations. Ara and Hebe, our Health & Beauty retail chain in Poland, are the Jerónimo Martins Group's two "new businesses", whose joint sales totalled 80 million euros in 2013.

In Poland - our most important market - we very carefully carried out the store openings and remodelling planned for 2013, having closed the year with a further 268 Biedronka stores, deducting the closures, and another two Distribution Centres.

During the year, our Polish chain added a billion euros to the sales posted in 2012. In total, sales increased 15% to 7.7 billion euros, with a like-for-like (LFL) growth of 4.2%, which shows the clear slowdown in private consumption in Poland, a country where the unemployment rate continues to be above 13%.

The consolidation operation, which began at the end of 2012 with the Auchan Group's acquisition of the Metro Group's Real hypermarkets, 58 of which are in Poland, was completed in 2013. Together, the sales of the two chains pushed Auchan to second place in the ranking of the largest retailers in the Polish market, behind Biedronka and ahead of Tesco.

The slowdown in the consumption growth in Poland, together with the rapid growth in proximity and convenience retail, heightened the competitive environment in the country, where the various chains strongly increased their promotional activity.

As such, as from July, Biedronka also reinforced its investment in price competitiveness, by launching a new communications strategy, which joined appealing opportunities for immediate discounts together with the Everyday Low Price concept, which was highly visible within the store.

I believe this attack is strategic for Biedronka's medium to long-term performance and for reinforcing the consumers' perception of its price leadership. The year closed with approximately 1.2 billion customer visits, which is proof of the strength of the Biedronka brand: 51% notoriety; 76% of Polish people use Biedronka as their main store and 93% made purchases at least once from this chain (data from PRM market research).

Biedronka's increasing size and its strong commitment to permanently incorporating changes and bringing innovation to its consumer service led to the launch of mobile payments in October. Consumers were quite highly receptive and in the first month alone after its implementation, over 40 thousand transactions were recorded through this system.

Despite being aware of the challenges posed by the economy and by the market, Biedronka remains totally convinced of the appropriateness of its model: leadership in efficiency in order to be cost leader, linked to the practice of very competitive and differentiating salary and compensation policies (the minimum wage at Biedronka is 25% higher than the national minimum wage).

As the largest and most important Company in the Jerónimo Martins Group, in terms of its contribution towards sales and results, in 2013, Biedronka was and will continue to be our main priority and the number one destination of our investment capacity.

The second largest Company in the Group, Pingo Doce, had an especially successful year in 2013, taking into account the extremely demanding climate caused by the severe economic recession in Portugal.

Compared to the marginal drop of 0.5% in the LFL sales in 2012, in 2013 Pingo Doce posted a 3.6% LFL increase (excluding fuel) in sales, whilst at the same time its total sales growth was 3.9%, exceeding 3.1 billion euros.

This is a very positive performance, which is the result of the reinforcement of the banner's market share, which it won through its strong commercial and promotional activity.

In my message to the Shareholders and Investors in last year's Annual Report, I clearly stated that in Portugal we would continue to focus on defending Pingo Doce's market share, as well as on creating conditions for the future sustainability of the chain's competitive position in the market. That is what we did and the results appeared.

Recheio once again demonstrated the robustness and resilience of its business model, presenting a 1.6% sales growth in a market in which there was a sharper fall in both the HoReCa channel and in Traditional Retail. As a total for the year, Recheio accumulated 805 million euros of sales, which is the result of the increase in the number of customers won.

In summary, for Jerónimo Martins, 2013 was a year of contradictory feelings: on the one hand, the joy of reinforcing our internationalisation and the solid growth in tough times; on the other hand, some frustration for not having managed to exceed the 12 billion euros of sales, despite coming very close.

Nevertheless, EBITDA increased 5.1% to 777 million euros, with gearing at 21%, which is proof of the solidity of our balance sheet and of how we are prepared to face the future.

A final note before ending. On 18th December 2013, following Alexandre Soares dos Santos' resignation from the position, at the Shareholders' Meeting I was elected as Chairman of the Board of Directors of the Jerónimo Martins Group.

I should like to thank my father for his vision, courage and wisdom, which marked the building of this legacy over the last 46 years, the responsibility for which has been entrusted to me.

I should like to thank the other Shareholders for the trust they have placed in me and to state my total commitment to the profitable and sustainable growth of the Jerónimo Martins Group.

PEDRO SOARES DOS SANTOS
17th February, 2014

This Annual Report of the Jerónimo Martins Group covers the period from 1st January 2013 to 31st December 2013 and includes the areas of Distribution and Services in Portugal, in Poland and in Colombia, reporting the results of the entities directly held by the Group.

From 1st January 2013, as a consequence of the change in the International Accounting Standards adopted by the European Union, the Group began consolidating its interests in Unilever Jerónimo Martins and Gallo Worldwide using the equity method.

The financial performance of this business area is covered in point 3.2.3. of Chapter II – Net Consolidated Results (Consolidated Management Report – Value Creation and Growth) and in Chapter III (Consolidated Financial Statements).

This report is also available online in www.jeronimo-martins.pt

1

THE JERÓNIMO MARTINS GROUP

1

THE JERÓNIMO MARTINS GROUP

We've innovated healthy nutrition

We have taken 1,878 tonnes of sugar out of the market, in three years.

Innovation

Innovation in product ingredient formulas.

Ongoing investment in vegetarian ready meals.

Development of Private Brand products for those with specific needs.

2013

Promoting Good Health through Food

Milk Start

In conjunction with Danone and Lubella, we created a food solution to combat nutritional deficiencies in children in Poland.

Gluten-free custard tarts

Pura Vida Range

Creation of a range of food products for people with special dietary needs, as well as more natural and healthy alternatives.

-49.6

tonnes of salt in three years

-67.6

tonnes of fat in three years

1. PROFILE AND STRUCTURE

Food Distribution Group, with market leadership positions

1.1. IDENTITY AND RESPONSIBILITIES

PORTFOLIO

Jerónimo Martins is a Food Distribution Group, with market leadership positions in Poland and Portugal. In March 2013, the Jerónimo Martins Group inaugurated its first stores in Colombia, the third geographic region in which it currently operates. In 2013, it achieved sales of 11.8 billion euros (65% in Poland and 35% in Portugal), an EBITDA of 777 million euros (77% in Poland and 23% in Portugal). In total, the Group employs 76.810 people, having ended the year with a market capitalisation of 8.945 billion euros on the NYSE Lisbon Euronext.

In Poland, **Biedronka**, a chain of food stores whose positioning combines the quality of its assortment and store environment with the practice of everyday low prices, is the Retail Food sales leader with 2,393 stores spread across the country. At the end of 2013, the Company reached 7.7 billion euros in sales, recording around 1.2 billion customer tickets. Also in Poland, since May 2011, the Group has a chain in the drugstore sector under the **Hebe** banner, which has 104 stores, including 36 Apteka Na Zdrowie pharmacies. This new business concept is based on the offer of high quality products and services at very competitive prices. This quality is based on a combination of a pleasant store environment with the best reference brand products, and specialised advice in various areas.

In Portugal, the Jerónimo Martins Group holds a leading position in Food Distribution, having reached a combined turnover of 4.0 billion euros in 2013. It operates with the banners **Pingo Doce** (363 supermarkets in mainland Portugal and 13 on the island of Madeira) and **Recheio** (36 cash & carries and three Food Service platforms in mainland Portugal and one cash & carry and one Food Service platform on the island of Madeira), being the leader in the Supermarket and Cash & Carry markets. In 2013, **Caterplus**, a Food Service operator with national coverage, was integrated into Recheio.

Also in Portugal, Jerónimo Martins has been investing in developing new projects that are complementary to the Food Retail business, through the **Refeições no Sítio do Costume** Restaurants and Take Away within Pingo Doce, Petrol Stations and **Bem-Estar** stores, as well as through the **New Code** (adults and children's clothing) and **Spot** (shoes and accessories) banners.

Jerónimo Martins is also the largest manufacturing Group of fast-moving consumer goods in Portugal, through its partnership with Unilever for the areas of Food, Personal Care, Home Care and Out-of-Home Consumption, operating under the Company **Unilever Jerónimo Martins**. This Company maintains its leadership position in the Margarines, Iced Tea, Ice-Creams and Washing Detergent markets, among others.

Also within the area of Manufacturing, the partnership with Unilever is extended to **Gallo Worldwide**, operating in the Olive Oil and Vegetable Oil business. In 2013, Gallo Worldwide sold to 30 countries, including Portugal, and Gallo became the 3rd largest olive oil brand in the world.

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

Jerónimo Martins Distribuição de Produtos de Consumo, which is the representative in Portugal of international food product brands, some of which are market leaders in the fast-moving food market.

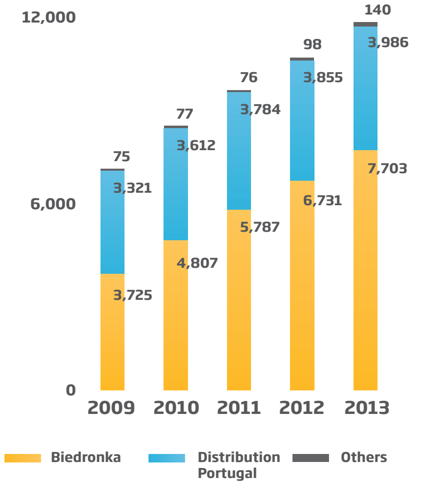
Hussel, a Specialised Retail chain selling chocolates and confectionary, with 25 stores at the end of 2013.

Jerónimo Martins Restauração e Serviços is engaged in the development of projects in the Restaurant services sector and, at the end of 2013, included the Jeronymo chain of kiosks and coffee shops with 14 points of sale; the Olá chain of ice-cream parlours, with 32 stores, five of which are franchised; and a Jeronymo Food with Friends restaurant.

1.2. OPERATING AND FINANCIAL INDICATORS

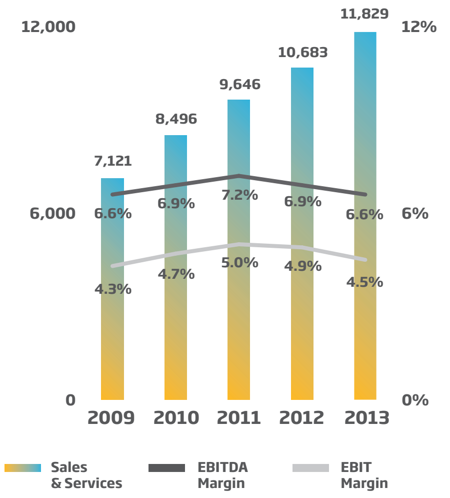
SALES & SERVICES*

€' 000,000



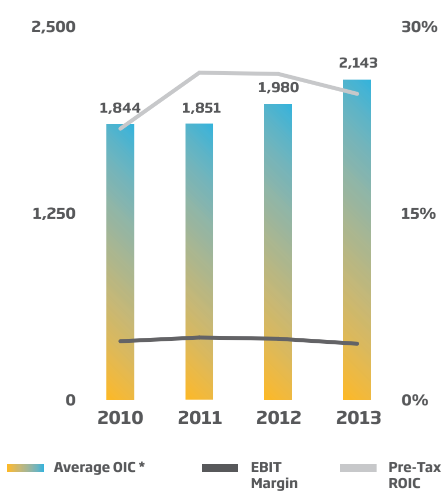
SALES, EBITDA MARGIN & EBIT MARGIN*

€' 000,000



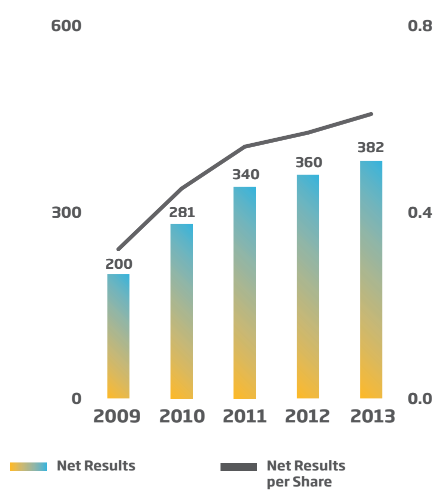
PRE-TAX ROIC*

€' 000,000



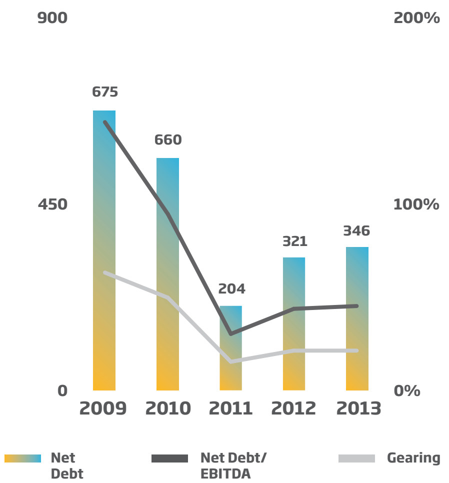
NET RESULTS AND NET RESULTS PER SHARE

€' 000,000

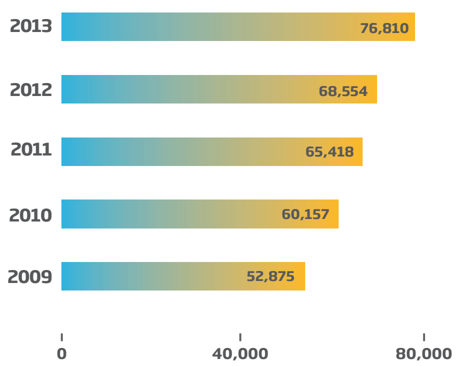


NET DEBT*

€' 000,000



EMPLOYEES*

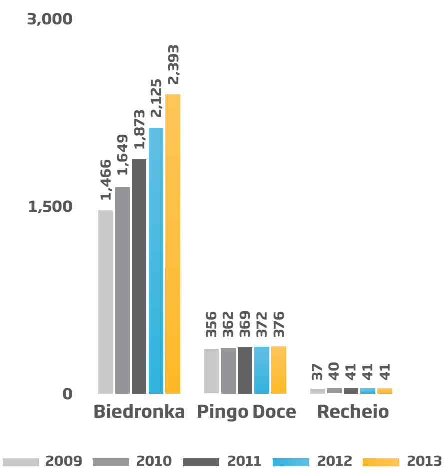


* Restated figures - Manufacturing is now accounted using the equity method and not included in the figures in the tables.

1.
PROFILE AND STRUCTURE

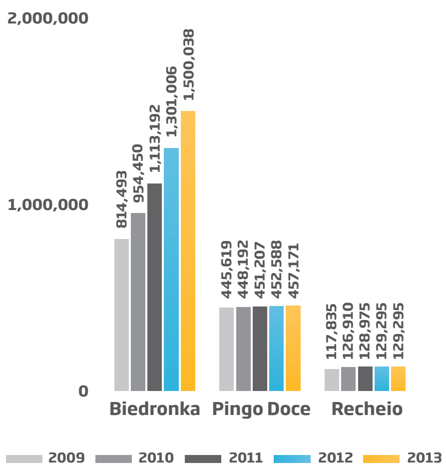
Achieved sales of 11.8 billion euros and an EBITDA of 777 million euros

NUMBER OF STORES



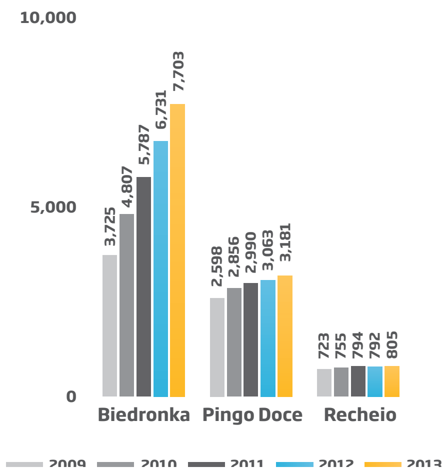
SALES AREA

sqm



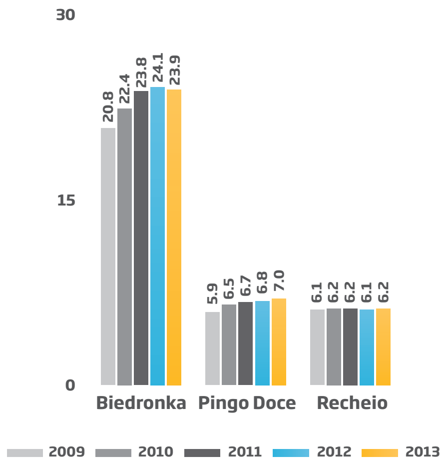
SALES

€' 000,000

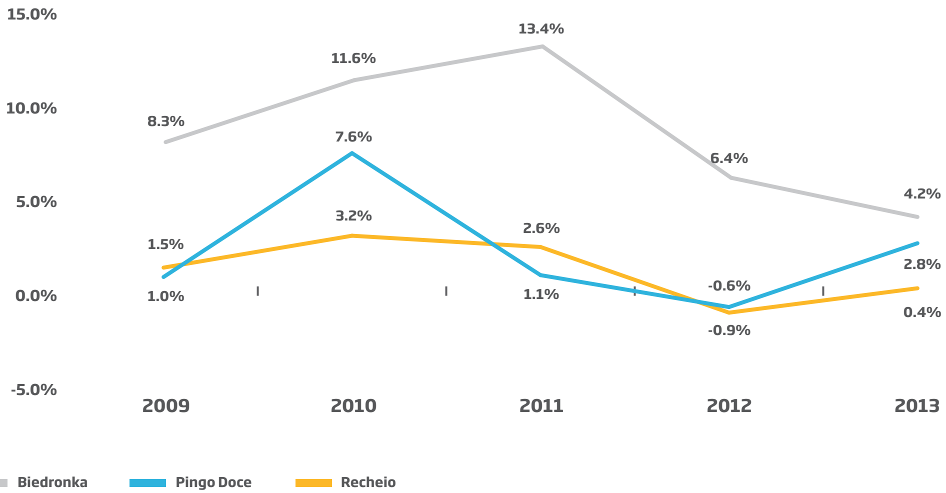


SALES / sqm

Local currency ('000)

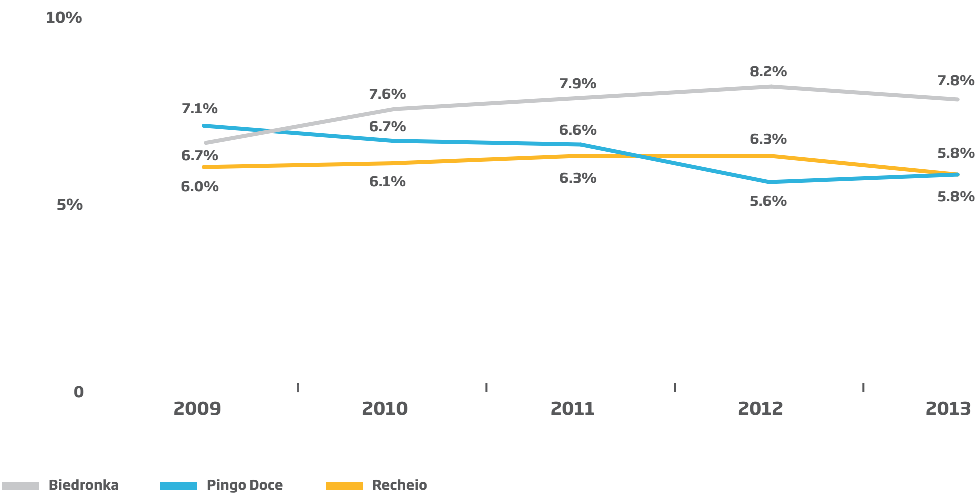


LFL SALES GROWTH



EBITDA MARGIN

% of Sales



1.
PROFILE & STRUCTURE

1.3.
CORPORATE BODIES
AND STRUCTURE

1.3.1.
CORPORATE BODIES

ELECTION DATE:
10^{TH} APRIL, 2013

COMPOSITION OF THE BOARD OF DIRECTORS ELECTED FOR THE TERM 2013-2015

PEDRO MANUEL DE CASTRO SOARES DOS SANTOS

CHAIRMAN OF THE BOARD OF DIRECTORS SINCE 18^{TH} DECEMBER 2013 AND CHIEF EXECUTIVE OFFICER

54 years old

Chief Executive Officer of the Group since April 2010

Chairman of the Corporate Governance and Corporate Responsibility Committee since 18^{th} December 2013

Member of the Board of Directors since 1995

ELÍSIO ALEXANDRE SOARES DOS SANTOS

CHAIRMAN OF THE BOARD OF DIRECTORS UP TO 18^{TH} DECEMBER 2013

79 years old

Chairman of the Corporate Governance and Corporate Responsibility Committee from April 2010 to December 2013

Chairman of the Group since 1996

ALAN JOHNSON

58 years old

Chief Financial Officer since January 2012

Member of the Board of Directors since March 2012

ANDRZEJ SZLĘZAK

51 years old

Member of the Corporate Governance and Corporate Responsibility Committee since April 2013

Member of the Board of Directors since April 2013

ANTÓNIO MENDO CASTEL-BRANCO BORGES [1]

64 years old

Member of the Board of Directors from March 2012 to August 2013

ANTÓNIO PEDRO DE CARVALHO VIANA-BAPTISTA

56 years old

Member of the Audit Committee since April 2010

Member of the Board of Directors since April 2010

FRANCISCO SEIXAS DA COSTA

65 years old

Member of the Corporate Governance and Corporate Responsibility Committee since April 2013

Member of the Board of Directors since April 2013

1. PROFILE & STRUCTURE

1.3. CORPORATE BODIES AND STRUCTURE

1.3.1. CORPORATE BODIES

ELECTION DATE:
10TH APRIL, 2013

JOSÉ MANUEL DA SILVEIRA E CASTRO SOARES DOS SANTOS

51 years old

Member of the Corporate Governance and Corporate Responsibility Committee since April 2010

Member of the Board of Directors since 2004

SÉRGIO TAVARES REBELO

54 years old

Member of the Audit Committee since April 2013

Member of the Board of Directors since April 2013

HANS EGGERSTEDT

75 years old

Chairman of the Audit Committee since 2007

Member of the Board of Directors since 2001

NICOLAAS PRONK

52 years old

Member of the Board of Directors since 2007

STATUTORY AUDITOR AND EXTERNAL AUDITOR

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

Palácio Sottomayor,
Rua Sousa Martins, 1 - 3rd Floor,
1050-217 Lisbon

Represented by:
Abdul Nasser Abdul Sattar, R.O.C.[2]

Substitute:
José Manuel Henriques Bernardo

COMPANY SECRETARY

Henrique Manuel da Silveira e Castro Soares dos Santos

Substitute:
Carlos Miguel Martins Ferreira

CHAIRMAN OF THE SHAREHOLDERS' MEETING

João Vieira de Castro[3]

SECRETARY OF THE SHAREHOLDERS' MEETING

Tiago Ferreira de Lemos

[1] The Director António Mendo Castel-Branco Borges passed away on 25th August 2013.
[2] Until January, 9th 2014. As from that date, the Statutory Auditor and External Auditor representative was replaced by José Pereira Alves or by António Joaquim Brochado Correia.
[3] The Chairman of the Shareholders' Meeting resigned from office on 17th December 2013.

1.3.2.
BUSINESS STRUCTURE

JERÓNIMO MARTINS

2013 SALES
11,829 MILLION EUROS

2013 EBITDA
777 MILLION EUROS

POLAND

DISTRIBUTION

100%

BIEDRONKA
Convenient Discount

HEBE
Drugstore

PORTUGAL

DISTRIBUTION

51%

PINGO DOCE
Supermarkets

100%

RECHEIO
Cash & Carry

MANUFACTURING

45%

UNILEVER
JERÓNIMO MARTINS

GALLO WORLDWIDE

SERVICES

100%

JMDPC

JMRS

HUSSEL
(51%)

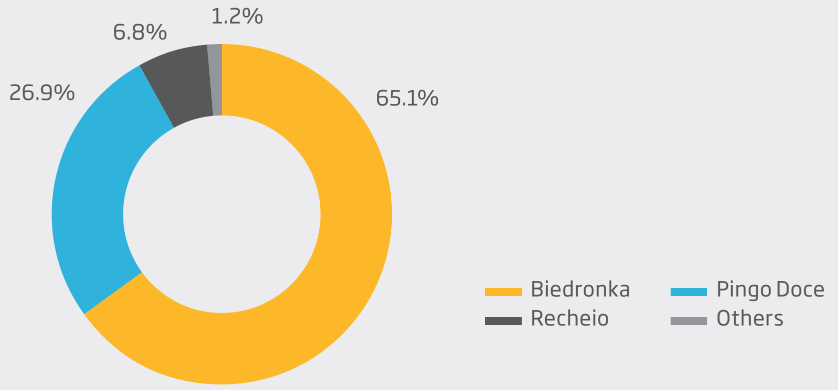
COLOMBIA

DISTRIBUTION

100%

ARA
Proximity Food Store

SALES BY BUSINESS AREA 2013



EBTIDA BY BUSINESS AREA 2013

	EBITDA	% TOTAL
BIEDRONKA	600	77.2%
PINGO DOCE	183	23.5%
RECHEIO	47	6.0%
OTHERS	-53	-6.8%
JM	**777**	**100.0%**

1. PROFILE AND STRUCTURE

Pedro Manuel de Castro Soares dos Santos as Chairman of the Board of Directors

1.3.3. MANAGEMENT STRUCTURE

Leading the management structure of Jerónimo Martins, SGPS, S.A. is the Board of Directors, which in 2013 began by being comprised of the Chairman at that time, Alexandre Soares dos Santos and 10 Directors, one of whom was the Chief Executive Officer. However, during the year, E. Alexandre Soares dos Santos resigned from office as Chairman of the Board of Directors and the Director António Mendo Castel-Branco Borges passed away.

Due to these facts, an Extraordinary General Meeting of the Shareholders of Jerónimo Martins took place on 18th December 2013, where the decision was made to nominate Pedro Manuel de Castro Soares dos Santos as Chairman of the Board of Directors, accumulating this role with that of Chief Executive Officer, and to reduce the number of members of the Board of Directors to nine.

At the end of the year, the Board of Directors thus comprised of the Chairman and Chief Executive Officer, Pedro Soares dos Santos, and eight Directors.

There is a Managing Committee supporting the Chief Executive Office in the daily management of the Company's businesses, which is comprised of the Chief Executive Officer himself and members representing the following areas: Financial's, Strategy and Innovation, Operations, Human Resources, Communications and Corporate Responsibility, and Legal Affairs, namely: Chief Financial Officer - Alan Johnson, Chief Strategy & Innovation Officer – Nuno Abrantes; Chief Operations Officer - Pedro Pereira da Silva (also Country Manager for Poland and Portugal); Chief People Officer - Marta Lopes Maia; Chief Communications & Corporate Responsibility Officer - Sara Miranda; and Chief Legal Officer – Carlos Martins Ferreira.

The structure of Jerónimo Martins, SGPS, S.A., the Group's Holding, also includes the Functional Divisions, which provide support and advice to the Board of Directors, the Managing Committee, the Audit Committee and other specialised Committees and to the other Group companies, on each area's specific issues.

The Functional Divisions are organised into specific areas, as follows: Internal Audit, Legal Affairs, Corporate Communications and Responsibility, Financial Control and Taxation, Environment and Food Safety, Private Brand Quality and Development, Strategy and International Expansion, Financial Operations, Human Resources, Investor Relations, Institutional Relations, Safety, Information Security and Information Systems. The activities of these Functional Divisions are described in the Corporate Governance chapter of this report.

In operational terms, Jerónimo Martins, SGPS, S.A. includes three distinct business segments: **i.** Distribution; **ii.** Manufacturing; and **iii.** Marketing, Representations and Restaurant Services.

In the Distribution segment, 2013 saw the start-up of the Group's operations in Colombia, with the opening of the first Ara stores and the first Distribution Centre in the Pereira region; and the integration of Caterplus as a Food Service unit into Recheio Cash & Carry, S.A., previously part of Jerónimo Martins Distribuição de Produtos de Consumo, Lda.

The following operational banners are also part of this segment: Biedronka and Hebe in Poland; Pingo Doce and Recheio in Portugal. Each Company's business management is run by the respective Managing Committee, chaired by a Managing Director and comprised of the Managers of the main functional areas: Operations, Commercial, Marketing, Human Resources, Financial and Logistics.

In the Companies in the Distribution segment, the Operations Division is organized by regions. As an example, at Biedronka and Pingo Doce – the Group's largest Companies – the Marketing, Operational Control, Human Resources, Health and Safety at Work, Maintenance and Technical Issues functions are part of each Regional Operations Division. These areas have a direct report to the Regional Operations Manager and a functional report to the respective Functional Divisions, thereby ensuring greater proximity to the business and the consumer.

The Manufacturing segment is comprised of Unilever Jerónimo Martins, Lda. and Gallo Worldwide, Lda.

The management structure of Unilever Jerónimo Martins, Lda. is based on a Management Board, comprised of managers nominated by the partners Jerónimo Martins and Unilever. Reporting to this entity is a Managing Committee which is made up of the Business Units of Food, Home and Personal Care and Out-of-Home Divisions, as well as the Functional Divisions of Sales, Human Resources, Supply Chain (which encompasses Purchasing, Planning, Logistics, Customer Service, Quality Control and Production Units), Financial, Legal, Communications and Information Systems.

The management structure of Gallo Worldwide, Lda. has its own Management Board, comprised of members nominated by the partners Jerónimo Martins and Unilever. Reporting to this entity is a Managing Committee, which is comprised of the following Functional and Business Divisions: Financial, Human Resources, Customer Service and Information Systems, Sales (Domestic Market), Marketing, Purchasing and Planning, Manufacturing and Logistics, and Exports.

Included in the Services segment are Jerónimo Martins Distribuição de Produtos de Consumo, Lda., Jerónimo Martins Restauração e Serviços, S.A. and Hussel Ibéria Chocolates e Confeitaria, S.A.. The various Companies are responsible for the business operation and management of the business, whilst Jerónimo Martins Distribuição de Produtos de Consumo, Lda. provides its sister companies with Financial, Information Systems, Human Resources and Logistic services.

2. STRATEGIC POSITIONING

Satisfy the needs and expectations of its stakeholders

2.1. MISSION

Jerónimo Martins is an international Group with its head office in Portugal, operating in Food Distribution and Manufacturing, aiming to satisfy the needs and expectations of its stakeholders and the legitimate interests of its shareholders in the short, medium and long-term, whilst simultaneously contributing towards the sustainable development of the regions in which it operates.

As key pillars for its mission, Jerónimo Martins adopts continuous and sustainable value creation and growth, within the scope of its approach to Corporate Responsibility.

Jerónimo Martins' Corporate Responsibility focuses on its contribution towards improving the quality of life in the communities where the Group operates, by providing healthy products and food solutions, being actively responsible in its purchases and sales, defending human rights and working conditions and stimulating a fairer and more balanced social structure, as well respecting the environment and natural resources.

2.2. STRATEGIC VISION

CREATING VALUE AND GROWTH

The Group's strategic guidelines for creating value are based on four aspects:

1. Continuous promotion of sustainable growth;
2. Careful risk management to preserve the value of its assets and reinforce the robustness of its balance sheet;
3. Maximising the effect of scale and synergies;
4. Encouraging innovation and a pioneering spirit as factors for developing competitive advantages.

These four aspects aim to achieve the following strategic objectives:

- To reach and consolidate a leadership position in the markets where it operates;
- To build and develop strong and responsible banners and brands;
- To ensure the balanced growth of the sales and profitability of its business units.

In pursuing these objectives, the Group Companies carry out their activity using the following guidelines:

- Strengthening their price competitiveness and value proposition;
- Improving their operational efficiency;
- Incorporating permanent technological upgrading;
- Identifying opportunities for profitable growth.

2.3. OPERATING PROFILE

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

The Group offers close-by, convenient food solutions for all consumers, at very competitive prices, which requires maximum cost-effective structures. All our value propositions are marked by strong differentiation in three fundamental aspects: **i.** variety and quality of fresh foods, **ii.** strong brands and **iii**. quality store environment.

Our formats' success leverages on our market leadership. Leadership in a mass-market approach is linked to a relevant size, essential for creating economies of scale, which enables us to be cost leaders and to offer the best prices. It is also leadership that enables us to create notoriety and trust, essential for building a lasting relationship with our consumers.

3. AWARDS AND RECOGNITION

CORPORATE

- Achieved 16th position on the list of "**The World's 100 Most Innovative Companies**", by the North American "Forbes" magazine;
- Jumped five positions to 76th place in the 250 greatest worldwide retail companies in the overall "**Global Powers of Retailing 2013**" ranking, promoted by the consultants Deloitte in partnership with the North American "Stores" magazine;
- Award for "**Best Leader in the Management of a Private Company**", for the Group's Chief Executive Officer, Pedro Soares dos Santos, in the 5th edition of the Best Leader Awards, an annual initiative by Leadership Business Consulting;
- "**Best Investor Relations Strategy Awar**d", attributed at the 26th edition of the Investor Relations & Governance Awards, promoted by the consultants Deloitte in partnership with the "Diário Económico" daily newspaper;
- "**Best Investor Relations Officer**" (Cláudia Falcão) awarded at the 26th edition of the Investor Relations & Governance Awards, promoted by Deloitte in partnership with the "Diário Económico" daily newspaper;
- "**Sustainable Development**" prize in the Hypermarkets and Retail sector, an initiative by the consultants, Heidrick & Struggles and the "Diário Económico" daily newspaper;
- "**European Business Awards**" prize in the Environment and Corporate Responsibility category, awarded for the Social Emergency Fund, created with the aim to help employees facing economic difficulties;
- "**Excellence in Internal Communication**" prize, in the "Strategy Integrated in Internal Communication" category, awarded in Portugal by the 2012 Internal Communication Observatory;
- International distinction for the "Snack" newsletter in the "**Internal Electronic Newsletter**" category of the FEIEA Grand Prix, an annual initiative by the Federation of European Business Communicators Association.

BIEDRONKA

- **Considered to be the 9th largest company in Central and Eastern Europe**, in Coface's "TOP 500 CEE" ranking;
- 12th position in the "**TOP 500 companies in Central Europe**" ranking compiled by the consultants Deloitte;
- Leader in the "**Food Market**" ranking which includes 400 retail and wholesale chains;
- 4th position in the ranking of the **largest Polish companies**, compiled by the weekly newspaper, "Polityka";
- Achieved the 4th position in the ranking of the **largest Polish companies**, compiled by the Polish daily newspaper, "Rzeczpospolita";
- Reached the 4th position in the ranking of the **largest Polish companies**, compiled by "Forbes" magazine;
- Obtained 4th position on the **List of the largest Polish companies**, compiled by the "Gazeta Finansowa" publication;
- "**Best Expansion Retailer of the Year**", award attributed as part of the Forum Shopping Centre Award competition;
- "**Superbrand**" awards in the "Shopping" and "Superbrands Created in Poland" categories;
- The Biedronka brand occupied the 3rd position in the "**Rzeczpospolita**" daily newspaper ranking of the most valuable Polish brands;
- Biedronka was ranked first in the **Top Brand survey in the Retail Chain category**. The survey is carried out on a monthly basis by "Press" magazine and Media Monitoring Press Service;
- "**Effie**" award in the "Retail" category for the "Let yourself be surprised by Biedronka's Quality"campaign;
- "**Success Code**" prize in the "Business" category, awarded by the "Wprost" weekly newspaper for the policy of cooperation with Polish suppliers. As part of this competition, the company also received recognition for its corporate responsibility activities carried out in partnership with diocese branches of Caritas Polska;
- "**Service Quality Stars**" prize in the "Supermarkets" category awarded as part of the Polish Service Quality Programme;
- Held the 13th position in the "**Employer of the Year**" ranking, compiled by AIESEC (International Student's Association);
- The Gold Emblem of "**Trusted Brand Award 2013**" in the "Food Store" category and Emblem of "The Most Environmentally Friendly Brand", awarded as part of the 13th edition of the consumer's European Trusted Brands Survey organised by the Reader's Digest.
- "**Manager Award**" awarded to Tomasz Suchański by Publishing Manager Business Magazine;
- Tomasz Suchański, CEO of Biedronka, was honoured with the Hermes statuette in the **Trade Personality** category, by "Poradnik Handlowca" magazine;
- "**Employer Branding Stars**" prize, in the "Best Internal Campaign for Employer Branding" category, for the awareness building campaign that was part of the "Let's take care of health together" programme (free checkups for employees), awarded by the HRstandard.pl portal;

- Recognition in the "**Sustainable Development Leaders**" competition, awarded by "Forbes" magazine and the consultants PwC, for activities developed in the field of waste management;
- The campaign "Let's read the labels", developed together with the Institute of Food and Nutrition, was distinguished within the "**Corporate Social Responsibility Report", issued by the weekly financial newspaper "Finansowa**";
- "**Leader in Quality for Consumers Grand Prix**" awarded by the economic supplement of the "Dziennik Gazety Prawnej – Strefa Gospodarki" daily newspaper;
- "**Sport Business Award**" prize in the "Sponsorship Project" category, awarded by the organisers of UEFA Euro 2012.

PINGO DOCE

- The brand was considered the **leader of low prices** in a study carried out at the end of the year by DECO, a Portuguese association for consumer protection;
- In 2013, the Pingo Doce private wine brands were awarded a total of **nine medals at the *Mondial de Bruxelles* and the International Wine Challenge.**

RECHEIO

- "**Distribution Master – Wholesale Brands**" prize in the 22nd edition of the "Masters of Distribution" awards, awarded on an annual basis by the specialized magazine, "Distribuição Hoje".

JERÓNIMO MARTINS DISTRIBUIÇÃO DE PRODUTOS DE CONSUMO

- "**Masters of Distribution**" award in the grocery category – Crackers, Biscuits and Cakes, for the Special K Biscuit Moments Strawberry product;
- **Best Global Brands** (Interbrand): **Kellogg's** in 30th position and **Heinz** in 53rd position in the Top 100 ranking;
- **Best Global Green Brands** (Interbrand): **Kellogg's** in the 38th position of the Top 50 ranking;
- **Brand Footprint** (Kantar World Panel): **Heinz** in the 26th position of the Top Global 50 ranking.

2

CONSOLIDATED MANAGEMENT REPORT

2

CONSOLIDATED MANAGEMENT REPORT

CREATING VALUE AND GROWTH

We've innovated the efficiency of natural resources

In the stores we created teams responsible for saving water, which resulted in a reduction of 274 thousand m^3 of water (the equivalent of 110 Olympic swimming pools) in three years.

Waste Management

26

Million kWh of electricity saved

The energy teams made it possible to save over 26 million kWh, which is the equivalent of the consumption of over 7,000 Portuguese homes throughout the year.

Respecting the Environment

Installation of Capsule Containers (to collect coffee capsules and others) in 250 Pingo Doce stores.

Eco-design of packaging

Concept of the Private Brand packaging with environmental concerns – minimising the packaging material used, better use of space during transport and consequently, a decrease in emissions per product unit.

WEEE Project (Waste Electric and Electronic Equipment) and Light bulbs:
collection of small used domestic appliances and light bulbs for dismantling and recycling.

Oil bank

The Oil bank project generated the collection of 1.8 thousand tonnes in just three years. Pingo Doce was the first Distribution banner to provide this service to its customers

Second generation of eco-stores in Poland geared towards reducing water and energy consumption and towards waste management.

Reduction of emissions

Gradual replacement of vehicles with hybrid lorries. Backhauling operations enabled a saving of 16 million kms and avoided the emission of 15.7 tonnes of CO_2 in three years.

Eco-Stores

1. KEY FACTS OF THE YEAR

FIRST QUARTER

- Start-up of the operations in Colombia (inauguration of the first five Ara stores, a Distribution Centre, in the region of Pereira, and the central offices in Bogotá)
- Opening of 22 Biedronka stores
- Opening of three Hebe stores
- Opening of one Pingo Doce store
- Launch of the *Poupa Mais* card at Pingo Doce

SECOND QUARTER

- Opening of 40 Biedronka stores
- Opening of six Hebe stores
- Opening of nine Ara stores
- JMDPC starts representing the Bergen brand
- Election of the Members of the Corporate Bodies for the term 2013-2015

THIRD QUARTER

- Opening of 66 new Biedronka stores
- Inauguration of two Distribution Centres in Poland, which represent the Company's 11th and 12th regions
- Opening of nine Hebe stores
- Opening of 14 Ara stores
- Opening of one Pingo Doce store

FOURTH QUARTER

- Opening of 152 Biedronka stores
- Opening of 18 Hebe stores
- Inauguration of the 100th Hebe store
- Opening of eight Ara stores
- Opening of two Pingo Doce stores
- JMDPC begins a partnership with The Hershey Company to represent the brands in its portfolio
- Election of Pedro Soares dos Santos as the new Chairman of the Board of Directors

2. 2013 ENVIRONMENT

2.1. INTERNATIONAL MACROECONOMIC ENVIRONMENT

According to the IMF World Economic Outlook (WEO) published in October 2013, the global economy registered GDP growth of 2.9% in 2013, which was slightly lower than the 3.2% achieved in 2012.

GDP growth in the advanced economies was 1.2% and for emerging and developing economies it reached 4.5%, registering decreases of 30 b.p. and 40 b.p. respectively. As for per capita production, both types of economy registered declines compared to the same period of the previous year, but nevertheless present positive figures: advanced economies showed growth of 0.7% (-20 b.p. compared to 2012), while emerging and developing economies grew by 3.5% (-40 b.p. compared to 2012).

Throughout 2013, the US stayed at the centre of events. Although the economy was not immune to the effects of fiscal consolidation, tax increases and cuts in Government spending, domestic demand continued to be a strong driver of economic growth, and contributed considerably to GDP growth of 1.6%, still quite significantly below the 2012 figure of 2.8%.

China saw GDP growth of 7.6%. This represented a slight slowing down of the economy compared to 2012, brought about particularly by reduced demand for exports and more restrictive credit terms. Economic growth was essentially underpinned by investment.

The Eurozone saw a contraction of GDP by 0.4%, representing a slight improvement of 20 b.p. compared to the previous year, having achieved growth only in the second quarter of 2013 after six quarters of contraction.

Unemployment rates in the advanced economies remained practically unchanged at about 8%, although there were variations between different geographical areas. By way of example, unemployment rates in the United States dropped to 7.6% (vs. 8.1% in the previous year) but went up to 12.3% in the Eurozone (compared to 11.4% in the previous year).

The impact of the slowing growth in the emerging economies was reflected in commodity prices, particularly for metals. Food prices dropped, while energy prices remained high. The pronounced drop in the price of metals can be explained not only by a constantly increasing supply of mined metals in recent years, but also by signs of a slowing down of the real estate sector in China. Growth in demand for oil slowed, particularly in China, India and the Middle East. Despite the fact that coal and natural gas prices have registered a decline, oil prices remained above 105 dollars a barrel, a reflection of several interruptions to supply and geopolitical uncertainties in the Middle East and Africa.

Inflationary pressure was, in general, moderate. In line with the slowdown in economic activity, inflation declined in the emerging and developing economies.

Consumer prices in advanced economies increased by 1.4% in 2013, 60 b.p. below recorded values for 2012. The emerging and developing economies saw growth of 6.2% in 2013, which was 10 b.p. higher than that recorded the previous year.

2.2. SECTOR AND MARKET ENVIRONMENT

2.2.1. KEY FACTS IN THE FOOD DISTRIBUTION SECTOR

During 2013, the global economy continued to grow modestly. Europe stayed in recession, growth in the US remained limited and the main emerging markets faced slower growth. Meanwhile, the global financial markets experienced considerable volatility, a reaction to the impact and uncertainty caused by potential shifts in US monetary policy, Japan's new exchange rate policy and the instability of the Chinese financial system.

According to recent research, the consumer confidence index for developed markets like the US and Europe returned to positive values at the end of 2013, although it continues to be negative for the emerging economies in the Asia-Pacific region. However, weak improvements on the labour market combined with unemployment rates that are still historically high continue to give rise to uncertainty about the future.

Following the financial crisis of 2008, consumers are still spending very cautiously and constantly aware of savings strategies. According to a recent online study by Nielsen, over 70% of consumers still feel they are in a climate of recession, and are buying less than five years ago. With clients more sensitive to pricing, retailers have strengthened their investments in promotions, which had an impact on sales volumes but also put additional pressure on profit margins.

Last year, loyalty programmes continued to present a successful model for deepening the consumer relationship. These programmes have two key functions: on the one hand, consumers are rewarded for loyalty, and on the other, retailers obtain additional information about the type of products that make up the shopping basket, and about the effectiveness of given promotions.

Both social networks and mobile technology are having a significant and growing impact on retail companies, as consumers are using these channels increasingly to support their buying decisions. Searching for discounts, online promotions and price and product comparisons were among the key tools used by consumers when rationalizing their buying. Retailers sought to strengthen their presence in these channels to reach more consumers and explore new business areas.

With regard to store formats, the year was characterised by a greater trend towards opening proximity and convenience stores, to the detriment of larger format stores.

Growth opportunities in the Food Distribution sector during 2013 were driven by global expansion, in an attempt to compensate for stagnant or slow growth in domestic markets. With this in mind, retailers opted for different market entry strategies, among them franchising, licensing or joint ventures as an alternative or complement to expanding their own networks.

2.2.2. POLAND

MACROECONOMIC ENVIRONMENT

According to the most recent economic forecasts published by the Organisation for Economic Co-operation and Development (OECD), the Polish economy continued to slow down in 2013, with GDP growth slowing to 1.4%. Despite continued improvement, Polish GDP per capita still remains among the lowest in the region, and 35% below the average for European Union countries.

Unemployment rates have risen constantly since 2008. They reached 12.8% in 2012 and according to the most recent estimates 13.5% in 2013.

As a result of the slowing economy, tax revenue decreased in 2013 compared to 2012. In order not to exceed one of the constitutionally established limits for public debt, the Government was forced to propose budgetary amendments. Looking at the public accounts, the debt/GDP ratio increased to levels near 55%, which represented an increase of 2 p.p. compared to the previous year.

In the foreign exchange market, the average exchange rate of the zloty against the euro was 4.1971 in 2013, compared to 4.1847 in 2012.

Inflation levels for the Polish economy reached historical lows in 2013. Price increases in the economy were at 0.9%, compared to 3.7% in 2012, and the inflation rate for food products was 2.0%, compared to 4.3% in 2012. This trailing off of inflation, combined with lower levels of economic growth, led the Polish Monetary Policy Council to lower its base rate from 4.25% to 2.5%, its lowest ever, through several cuts between January and July 2013.

MODERN FOOD RETAIL

According to PMR Research, the Modern Food Retail Market grew by 1.5% in 2013. After the slow down during the initial months of the year, there were some signs of recovery towards the end of the year, in line with the global economic recovery.

Consumers became even more price sensitive and rationalised their buying, particularly for non-food products. The significant deceleration in economic growth which took place between the second half of 2012 and the first half of 2013 had an adverse impact on the Food Retail market, with many operators (especially in the Hypermarket sector) registering falling revenue. Negative sentiments persisted throughout the second half of 2013. Consumers were more cautious and concentrated their efforts to seek out ever lower prices, while remaining loyal to their favourite products but avoiding impulse purchases.

The falling revenue of some of the main Retail operators provoked intense promotional activity, starting in May 2013. The majority of them opted in to this type of activity and very few operators remained complacent.

The rise in living costs encouraged clients to save on local travel, which made the location factor even more important.

Consumption of Private Brands increased by 17% compared to the previous year, a development driven by the economic climate and households rationalising their spending. Consumers rate the cost/benefit ratio as the main factor influencing their buying decisions.

In the Food Retail market, the number of Modern Distribution stores continued to increase, particularly on the Discount format. The number of franchised establishments also grew, with an expected overall increase of 4,000 stores. There was, however, a reduction in the total number of establishments operating in the Polish food market, with most closures affecting independent stores.

Consequently, the Modern Distribution share of the total Food Distribution market continued to grow, with the Jerónimo Martins Group consolidating its leadership position.

HEALTH AND BEAUTY RETAIL

According to PMR the Polish Health and Beauty market grew by 3.5% in 2013 compared to 2012. The increase in sales was boosted mainly by three distribution channels: i. chains specialising in health and beauty products (driven by the main operators in the market such as Rossmann and Super-Pharm, as well as by new operators like Hebe, of the Jerónimo Martins Group); ii. discount stores; and iii. online stores.

Consumers are ever more cautious and more aware of the available offering, with a perceivable shift in consumption towards specialised retailers who offer a wider product range combined with quality and attractive pricing. On the other hand, cosmetic products are also being bought together with products usually purchased in Discount stores. Over the past three years, the growing importance of online distribution channels has been equally patent. According to PMR, these channels averaged growth of 20% per year over this period. Convenience, ease of access to low prices and potential time savings are all factors that determine the choice of this kind of operator.

2013 was a year of strong consolidation in Polish Health and Beauty Retail. The aggressive expansion strategy pursued by Hebe and other chains, including the main operator in the market (Rossmann), together with the increased number of Discount stores led to a significant drop in the numbers of traditional health and beauty stores, which proved unable to present a competitive value proposition faced with these operators. As a result of the consolidation processes, penetration of the organised chains increased to 45% of the total market, equalling growth of 6 p.p. compared to 2012. The 10 largest chains hold 37% of the market, with the share of the main operator at nearly 24%.

2.2.3. PORTUGAL

MACROECONOMIC ENVIRONMENT

According to the Winter Bulletin of Banco de Portugal (the Portuguese Central Bank), the economy contracted by 1.5% in 2013, following a 3.0% decline in 2012.

Domestic demand (-2.7%), particularly when referring to private consumption (-2.0%) and public consumption (-1.5%) continued to be curtailed by the process of adjusting the Portuguese economy implemented through the Economic and Financial Assistance Programme (PAEF). The reduction of domestic demand was also driven by a strong reduction in investment (-8.4%).

The momentum of exports in recent years translated into significant gains in market share, partially explained by a diversification of markets which allowed Portuguese exports to perform better in 2013 than those of most Eurozone countries (+5.9%). In spite of this, the approximate 40% increase in sales of energy goods as a result of bringing a new Galp refining unit in Sines into operation is noteworthy, contributing 1.4 p.p. to the increase in exports.

The economy outperformed most forecasts from official sources, thanks mainly to the developments in domestic demand during the second half of the year, which paved the way for net job creation in the final months of the year and broke the cycle of repeatedly increasing unemployment rates observed since 2008.

The fairly significant reduction in the active population (-2.0%) is worthy of note, and is a reflection of the large migration flows of the past two years (121 thousand people in 2012) and the high rate of long-term unemployment, whereby those with no employment prospects reaching pre-retirement age end up opting for inactivity.

It should be noted that the 0.3% inflation rate recorded in 2013 (2.8% in 2012) is, to a large extent, the result of the fading impact of certain fiscal consolidation measures implemented in 2012, such as the increase in indirect taxation (VAT on gas and electricity) and price increases for some goods and services subject to regulation (healthcare and public transport). Additionally, there was a reduction in the price of energy goods, in line with euro oil price developments.

Despite the fact that disposable household income continues to shrink, uncertainty about the future has brought savings rates to record high levels.

Access to bank financing for households and companies remained fairly restricted, with banks demanding high risk rates, and frequently a need to provide real guarantees.

The European Central Bank cut its interest rate by 0.5%, bringing it down to 0.25%, a record low. That led to record low levels for Euribor interest rates, which allowed households with bank loans to benefit from a reduction in average costs for mortgages.

The interest rates associated with the Portuguese government debt recorded a downward trend throughout the first half of 2013 in the different maturities. This trend was reversed during the first months of the second half of the year as a result of political instability, which would however abate by the end of the year.

2013 saw improved confidence levels among consumers and other economic agents, a result of the economic climate and a more positive outlook for the financial situation both of the country and of households.

The number of insolvencies shrunk for the first time since 2008, affecting over 5,670 businesses in 2013 (6,277 in 2012) according to Instituto Informador Comercial (IIC).

According to the latest Government forecasts, unemployment levels should reach an average annual rate of 17.4% for 2013 (15.7% in 2012), which is still significantly lower than initial forecasts.

The Government estimates a general government deficit for 2013 of 5.5% of GDP, compared to 6.4% in 2012. For 2013, government debt is expected to reach 127.8% of GDP (124.1% in 2012).

MODERN FOOD RETAIL

Similarly to previous years, 2013 was characterised by a contraction in economic activity. In spite of successive pieces of news indicating the first signs of recovery, 2013 still ended as a difficult year for Portuguese families, with high unemployment rates and the implementation of various restrictive measures which led to further reductions to disposable income among consumers.

As a consequence, private consumption declined anew in 2013, although less significantly than in the previous year. This decline was particularly noticeable for consumer durables, which are more sensitive to economic cycles, while there was a slight increase in food consumption.

Portuguese households maintained some restrictive behaviour in terms of consumption as a measure to combat the crisis, similarly to those adopted in recent years. Behaviours worth mentioning are a more rational approach and a focus on purchasing essential products, leaving out anything considered "excessive", as well as a strong focus on prices and on special offers. In addition to proximity, the price/promotion factor became even more important in the choice of store for food and hygiene purchases.

This year, beyond communications focused on the price factor, the strong promotional activities of the Modern Food Retail banners was one of the factors boosting this sector, which recorded growth of 1.8% over the year. Nonetheless, over 50 new store openings were recorded in the Modern Food Retail sector, a continuation of the trend observed last year.

By way of conclusion, the main banners fought to win and retain their clients and their market position in a highly competitive environment, where Pingo Doce came out with a strengthened market share in 2013.

WHOLESALE MARKET

The negative trend for invoiced volumes continued for all wholesale operators in 2013, estimated at -5%. This result reflects the continuous loss of sales recorded in recent years in the HoReCa channel and in Traditional Retail. The company's total number of stores remained stable, with only one new store opening on the south bank of the River Tagus, under the Poupança banner, and one new distribution platform for the Spanish company Coviran in Sintra.

According to data from Nielsen (Nielsen Scan Trends), Traditional Retail recorded a 2.0% decrease in sales, compared to 2012, continuing the trend of share loss in the fast-moving consumer goods (FMCG) sector that has been recorded in recent years. The Traditional Retail share for 2013 was 8.1%, versus 8.6% in 2012.

2. 2013 ENVIRONMENT

The HoReCa channel, which recorded a sharp downturn in 2012 due to VAT increases, continued this negative trend in 2013 and presented a variation of -5.8% in turnover compared to the previous year, according to INE's accrued indicator to November. The continued reduction in purchasing power among Portuguese families was directly reflected in reduced consumption out of home, particularly of restaurant services.

2.2.4. COLOMBIA

MACROECONOMIC ENVIRONMENT

According to the Colombia National Administrative Department of Statistics the inflation rate for 2013 was 1.9%, significantly lower than the 3.0% target set by the Colombian Central Bank, while food inflation measured 0.9%. For the main cities in the Coffee Belt, where the Jerónimo Martins Group is present, inflation was lower than the national rate: Manizales (1.7%), Pereira (1.2%) and Armenia (1.2%).

For the last three quarters of the year, the Colombian Central Bank maintained its reference interest rate at 3.25%, in line with market expectations.

The most recent data shows signs of slight economic recovery in Colombia, with GDP registering growth of 5.1% in the third quarter, while growth estimates for 2013 average 4.1%.

The downward trend for unemployment continued throughout 2013, and the unemployment rate reached 8.5% in November. Unemployment rates are higher than the national average in the Coffee Belt: Armenia (13.7%, the city with the second highest rate), Pereira (11.7%) and Manizales (10.8%).

The average exchange rate of the Colombian peso against the euro was 2,482 in 2013, compared to 2,311 in 2012, which means a devaluation of 7.4%.

MODERN FOOD RETAIL

In 2013, 415 Retail stores were opened (+9% compared to 2012). The number of Discount and Convenience stores grew by 10% (+383 stores), the number of Supermarkets by 6% (+25 stores) and the number of Hypermarkets by 2% (+seven stores). The growing number of Discount stores was attributed to the players Superinter, Surtimax and D1.

Traditional Retail continued to strengthen its position on the Colombian market in 2013, and recorded greater increases in volume and value than the Modern Retail sector: the figures for increase in value were 8.5% for Traditional versus 5.6% for Modern Retail; and for volume 5.3% for Traditional versus 3.8% for Modern Retail.

Preliminary data from the Colombian National Retail Federation (FENALCO) predicts growth of 4.2% for the sector (3% in 2012), which is in line with other estimates predicting significant growth for the sector in 2013. Additionally, the market research company Mercado Raddar reported that consumption among Colombian families had increased by 8.1% in their accrued data to November. *

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

3. GROUP PERFORMANCE

3.1. MAIN PROJECTS OF 2013

2013 was a year of important challenges for all business areas of the Jerónimo Martins Group. This was the case for Poland, where there was a slowdown of the macroeconomic environment throughout the year; in Portugal, where consumption remained low; and in Colombia, where the first stores were opened and were the object of the local consumers' first reactions.

All the defined strategies and objectives were, in general, implemented and achieved by the Management Teams, duly monitored by the Board of Directors, which performed its oversight of the business management activities without any constraints.

All the defined objectives for the year in the various business areas were based on the long-term sustainable growth of the Group, characterised by three important strategic priorities in 2013:

i. Reinforcement of the competitive positions and increase of market shares;

ii. Execution of the Investment Programme to drive the expansion in Poland;

iii. Start-up of operations in Colombia.

3.1.1. REINFORCEMENT OF THE COMPETITIVE POSITIONS AND INCREASE OF MARKET SHARES

In Poland, for Biedronka, 2013 began with all stores prepared in terms of layout and equipment for an improved operation of the Perishables categories. These categories continue to represent a path towards growth for the Company and respond to a growing demand from consumers due to the increased importance of these products in the Polish food basket. Continuing the improvement carried out in all the stores in 2012, by the end of 2013, bakery equipment was functioning in 1,680 Biedronka stores, enabling them to offer fresh bread several times a day. This not only proved to be important for the growth of that category, but it also contributed towards strengthening the convenience position that the banner's stores aim to consolidate.

The Perishables categories recorded growth trends that were above the Company's average and represented 18.4% of Biedronka's sales in 2013 (16.3% in 2012).

Biedronka maintained price leadership as a fundamental aspect of its presence in the Polish market.

Following the intensification of the promotional activity recorded in the middle of the year, from July on, Biedronka complemented its EDLP (Every Day Low Price) strategy by reinforcing its promotional approach, thus mitigating the potential risk of a deterioration of its price perception. The Company considered this to be a strategic investment to strengthen its leadership on the Polish market and in terms of consumer preference, who immediately recognised the improvement of quality and intensity of the promotions.

As a result of responding to the needs and preferences of the consumers, Biedronka recorded an increase in its market share.

In Portugal, after over 10 years of complete focus on EDLP, Pingo Doce continued implementing the strategy launched in May 2012, when it introduced a new price positioning with an intense promotional component. The impact on the sales was highly positive, as was the consumer's perception of the competitiveness of the prices.

Throughout the year, in a harsh economic context impacting consumption, Pingo Doce managed to meet the needs of consumers by means of promotional campaigns in categories and products that are key to consumers' food basket. This orientation towards the needs of consumers guaranteed the success of the business throughout the year, with an increase of Pingo Doce's market share.

In 2013, Recheio continued operating on a market that was under a great deal of pressure in both the HoReCa and Traditional Retail channels. The Company successfully invested in the increase of its client base, which compensated for a drop in the average purchase per client.

As fundamental elements to strengthen its competitive position, Recheio applied promotional initiatives and its knowledge of the preferences and needs of its main clients.

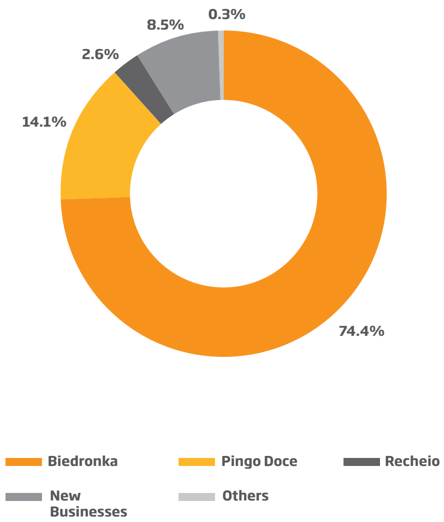
The Cash & Carry Company of the Group increased its market share in 2013, reinforcing its leadership position.

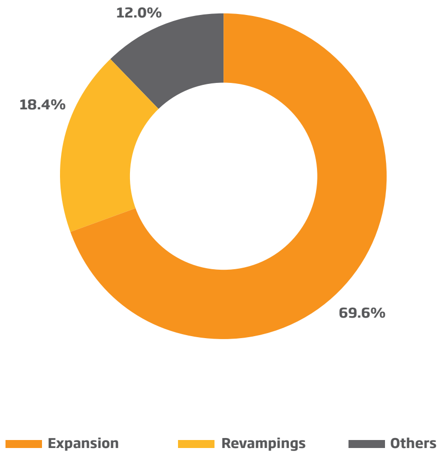
3.1.2. EXECUTION OF THE INVESTMENT PROGRAMME TO DRIVE THE EXPANSION IN POLAND

Along with the excellence of the store operations, which always focus on the needs of the consumer, investment is central to the growth strategy of the Jerónimo Martins Group, taking into account the commitment to maximising value creation and the determination to guarantee leadership positions in the markets in which it operates.

In 2013, as in previous years, the largest portion of the Group's investment was on expansion, totalling 70% of the total invested amount (54% in the previous year). This demonstrates the Group's determination to continue guaranteeing the sustainable growth of its operations.

An important factor in the investment programme of 2013 was the launch of operations in a new country, Colombia, where the first 36 stores were inaugurated between March and December. Another highlight of the year was the expansion of the Hebe chain in Poland with 36 new stores.





3. GROUP PERFORMANCE

Opening of new stores in partnership with third parties

Despite the fact the Group invested in the foundations of its future growth, Biedronka remained the main priority of the investment programme, representing 74% of the total of 540 million euros invested in 2013 and 79% of the investment dedicated to expansion, with the inauguration of 280 stores and two new Distribution Centres, creating two new logistics regions.

In Portugal, Pingo Doce opened four stores, thus strengthening its national presence and Hussel opened one store.

In 2013, the Group inaugurated 371 stores and ended the year with 3,172 stores, the majority of these (2,846) being Food Retail stores.

	New Stores		Revampings[1]		Closed Stores	
	2013	2012	2013	2012	2013	2012
Biedronka	280	263	115	106	12	11
Pingo Doce	4	3	5	4	0	0
Recheio	0	0	1	1	0	0
Ara	36	0	0	0	0	0
Hebe	36	25	0	0	0	0
Other Businesses[2]	15	14	7	3	9	36

[1] Only includes the revampings that implied the closing of the food selling area, with exception for Recheio.
[2] Including the stores NewCode, Spot, ElectricCo, Bem Estar, Refeições no Sítio do Costume, Postos de Combustível, Jeronymo, Kropka Relaks, Olá, Hussel, Chilli´s and Jeronymo Food with Friends.

The opening of the 100th Hebe store in December is worth noting, taking the total number of Hebe stores to 104 units at the end of the year.

The opening of new stores in partnership with third parties has been the focus of increased attention from the Group, as a means to push forward the inauguration of stores in locations where this potential would otherwise not be harnessed, as well as optimising the invested capital.

In 2013, two of the four Pingo Doce stores and 15 Biedronka stores were opened under third-party management.

Part of the investment in 2013 (96 million euros) was channelled towards logistics, in order to provide support for the Group's strong organic growth. In addition to two Distribution Centres in Poland and the Distribution Centre opened in Colombia (along with the launch of operations in the country) an important investment was made in logistics for Pingo Doce, with the opening of the Distribution Centre of the Algarve at the beginning of 2014.

Another significant part (172 million euros) was channelled towards the maintenance and refurbishment of the stores, 62% of which was aimed at the Polish Food Retail operations. Despite the immediate negative impact of the refurbishments in the year in which they are carried out because of the closure of the stores for a period of circa 45 days, these investments play a fundamental role in the sustainable growth of like-for-like sales, by guaranteeing the continual adaptation of the stores layout and environment to consumption trends, as well as to the growing expectations of the consumers.

Business Area (million euros)	2013			2012		
	Expansion[1]	Others[2]	Total	Expansion[1]	Others[2]	Total
Biedronka	296	106	402	222	175	398
Stores	233	101	334	182	163	345
Logistics and Head Office	63	5	68	41	12	53
Pingo Doce	36	41	76	13	30	42
Stores	10	37	47	10	28	39
Logistics and Head Office	26	3	29	2	1	4
Recheio	2	12	14	0	4	4
Colombia	32	1	34	4	1	5
Stores	29	0	29	2	0	2
Logistics and Head Office	3	1	4	2	1	3
Total Food Distribution	365	161	526	240	210	449
Hebe	9	3	12	8	1	9
Services & Others	2	0	2	0	0	0
Total JM	**376**	**164**	**540**	**248**	**210**	**458**
% of EBITDA	**48.4%**	**21.2%**	**69.5%**	**33.5%**	**28.5%**	**62.0%**

[1] New Stores and New Distribution Centres.
[2] Revampings, Maintenance and Others.

The focus on growth and investment in developing new growth opportunities does not neglect the thorough and ongoing analysis of the profitability of each store or business, in standalone terms. In this respect, a set of stores in the Restaurants and Services area was closed because they did not meet the expectations of value creation of Jerónimo Martins.

3.1.3.
START-UP OF OPERATIONS IN COLOMBIA

Following the decision taken in 2011 to enter a new market and the transfer in 2012 of a team dedicated to this project, the first stores opened in the Colombian market in 2013.

In the first quarter of 2013, as a consequence of the work carried out throughout 2012 (preparation of the launch of the brand, assortment, store layout, among others), Jerónimo Martins inaugurated, in March, its first five stores and the first Distribution Centre in Colombia. Over the following months of the year, another 31 stores were opened.

Initial studies point to a very positive acceptance of the Ara brand by the Colombian consumer, which also reflects the commitment to the development of a concept that is truly "Colombian" and that addresses the needs of local consumers.

One of the Company's major initial priorities was developing the Private Brand, as well as encouraging consumers to try it. Ara's Private Brand achieved a share above 20% of the Company's sales, confirming, so far, the brand's good acceptance and also the local consumers' focus on value.

In its network of stores, the Company applied three different sizes for its stores in its first year of operation (>500 sqm, 350-500 sqm and <300 sqm). The aim of these different approaches is to gain an understanding of how the influence areas of a location work on this new market.

The assortment mainly consists of Food products, but the Non-Food area is being used to attract consumers to the larger stores.

The price positioning is very competitive and, from the start, a fundamental pillar of the value proposition.

The first year of operations represents a key phase of the project where we continue to learn about the Colombian consumer and build strong partnerships with suppliers and service providers.

3.2.
CONSOLIDATED ACTIVITY IN 2013

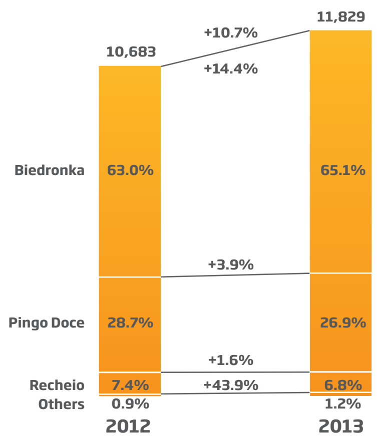
3.2.1.
CONSOLIDATED SALES

(million euros)	2013		2012		Δ %		LFL
		% Total		% Total	Zloty	Euro	
Sales & Services							
Biedronka	7,703	65.1%	6,731	63.0%	15.0%	14.4%	4.2%
Pingo Doce (store sales)	3,181	26.9%	3,063	28.7%		3.9%	2.8%
Recheio	805	6.8%	792	7.4%		1.6%	0.4%
Mkt, Repr. and Rest. Services	78	0.7%	87	0.8%		-10.7%	-0.1%
Others & Cons. Adjustments	63	0.5%	10	0.1%		n.a.	n.a.
Total JM	**11,829**	**100%**	**10,683**	**100%**		**10.7%**	**3.5%**

3. GROUP PERFORMANCE

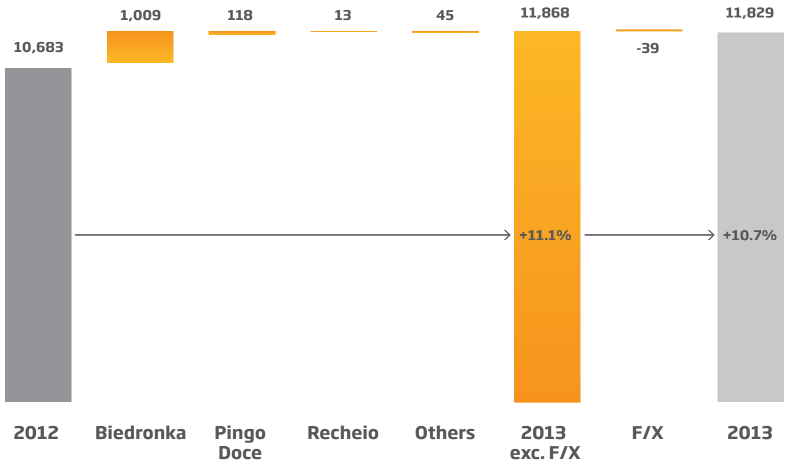
CONSOLIDATED SALES

(million euros)



CONTRIBUTION TO CONSOLIDATED SALES GROWTH

(million euros)



The Group's sales reached 11.8 billion euros, representing an increase of 10.7% compared to 2012, +11.1% excluding the exchange rate effect.

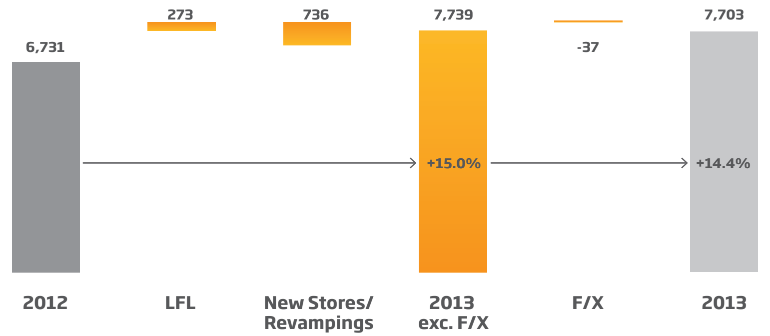
In a year in which a slowdown of growth of the economy was recorded in Poland and in which the consumption levels in Portugal remained depressed, the Group's like-for-like sales increased by 3.5%, resulting from the positive contribution from all the business areas. This performance was mainly the effect of good volume growth, given that the inflation recorded in the basket was considerably lower than in the previous years.

In Poland, retail sales increased by 2.6%, a reduction compared to the growth rate of 4.4% recorded in 2012. This performance took place in a context of deceleration of the economic growth and in which consumers demonstrated increased discipline and prudence in their buying patterns.

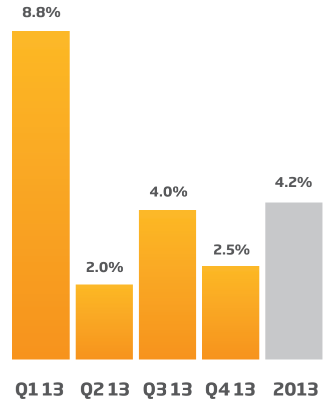
In 2013, a significant deceleration of food price inflation was recorded in the market, standing at 2.0% compared to 4.3% in the previous year.

In addition to the economic slowdown in certain product categories, the intensification of promotional campaigns carried out by Food Retail operators from the middle of the year, also contributed towards this deceleration.

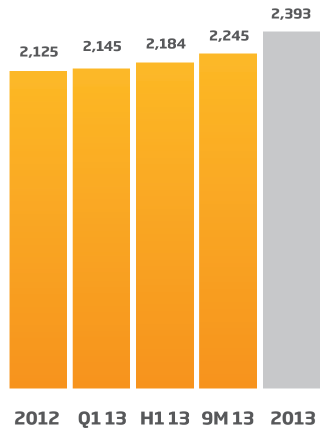
BIEDRONKA – NET SALES
(million euros)



BIEDRONKA
LIKE-FOR-LIKE SALES GROWTH
(Local Currency)



BIEDRONKA
NUMBER OF STORES



In Poland, Biedronka sales grew by 15.0% (constant exchange rate), with an increase of 4.2% in like-for-like sales and with the execution of the expansion plan that led to the opening of 280 new stores.

The Company's sales totalled 7.7 billion euros, thus strengthening its leadership position on the Polish market.

Throughout 2013, Biedronka consolidated its growth strategy in the Perishables area, supported by the new layout of the stores that was carried out in the previous year, while at the same time maintaining its focus on the quality of the Private Brand assortment and on its price leadership on the market.

From the end of the second quarter of 2013, the Polish Food Retail market became more competitive, with a high level of promotions. For the consumer, in a weaker economic environment, prices and convenience remained the main factors of choice when selecting the preferred place to shop, but the "promotions" aspect took on higher relevance in the purchasing decision process.

In this context, as from July, Biedronka decided to complement its Every Day Low Price positioning with strong promotions, in order to strengthen its leadership and price perception.

The like-for-like performance of 4.2% included a basket inflation of +0.6% (+3.0% in 2012), reflecting the slowdown recorded on the market and the promotional efforts launched by Biedronka in July. This performance reflects the growth in the volumes and of a positive evolution in terms of the number of visits (+2.0%) as well as of the value of the average basket (+2.1%).

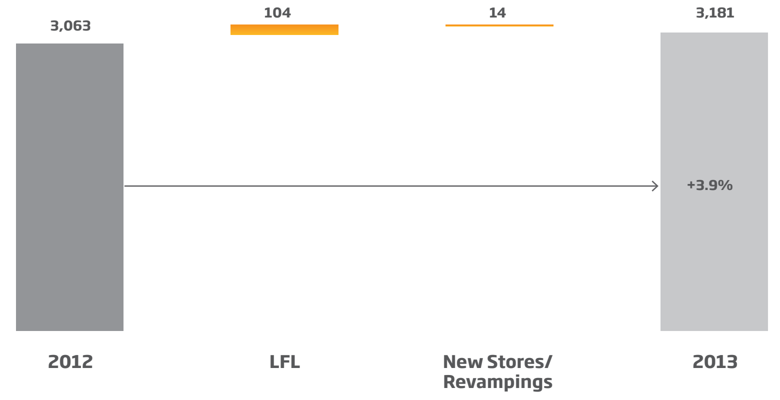
The programme to open stores played a fundamental role in the overall achieved growth. Biedronka inaugurated 280 stores in 2013, representing a net increase of 268 stores, as 12 locations were closed.

Due to highly adverse climatic conditions during the first quarter of 2013, the construction works were somewhat delayed, leading to a large proportion of the openings taking place in the second half of the year.

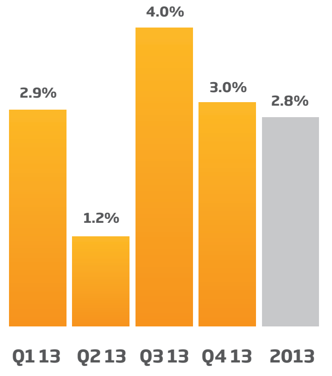
In Portugal, the economy showed signs of stabilising during the year and the Food Retail sales increased by 1.1% (-1.6% in 2012). Despite this improvement, consumers remained sensitive to the price factor and the Food Retail market remained characterised by high levels of promotional activity throughout the year.

3. GROUP PERFORMANCE

PINGO DOCE – NET SALES
(million euros)



PINGO DOCE
LIKE-FOR-LIKE SALES GROWTH



In Portugal, the new price strategy of Pingo Doce, implemented in May 2012, led to improved sales performance, which grew by 3.9% to 3.2 billion euros, +2.8% on a like-for-like basis.

The banner invested in promotions throughout 2013, with a high level of acceptance from the consumers and that contributed towards the strong evolution of the volumes sold by the Company.

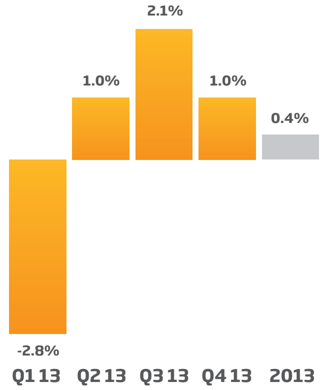
In terms of the expansion programme, Pingo Doce inaugurated four stores, occupying urban locations where it aims to reinforce its presence, with two stores under its management and two more under third-party management.

Recheio's sales increased 1.6% in 2013. Both the HoReCa channel and the Traditional Retail channel recorded a contraction, but Recheio, supported by its competitive position, increased the number of its clients, thus compensating for weaker consumption levels.

PINGO DOCE - NUMBER OF STORES

RECHEIO – NET SALES
(million euros)

RECHEIO
LIKE-FOR-LIKE SALES GROWTH



In Poland, in 2013, Hebe's sales totalled 59 million euros. Throughout the year, the Company adjusted its business model and reinforced its network of stores with 36 new locations, ending the year with a total of 104 stores, of which 36 are pharmacies.

Ara, in Colombia, inaugurated its first five stores in March and ended the year with a total of 36 stores. In its first 10 months of business, the Company's sales totalled 21 million euros.

3.2.2. CONSOLIDATED OPERATING RESULTS

(million euros)	2013		2012*		13/12
		%		%	Δ%
Net Sales & Services	**11,829**		**10,683**		**10.7%**
Gross Margin	2,541	21.5%	2,346	22.0%	8.3%
Operating Costs	-1,763	-14.9%	-1,606	-15.0%	9.8%
EBITDA	**777**	**6.6%**	**740**	**6.9%**	**5.1%**
Depreciation	-249	-2.1%	-221	-2.1%	12.7%
EBIT [1]	**528**	**4.5%**	**518**	**4.9%**	**1.8%**

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

* Restated values – see details in Note 1.

3. GROUP PERFORMANCE

Consolidated EBITDA in the year was 777 million euros, a growth of 5.1%.

(million euros)	2013		2012		
		% Total		% Total	Δ%
Biedronka	600	77.2%	552	74.7%	8.7%
Pingo Doce (store sales)	183	23.5%	171	23.1%	6.9%
Recheio	47	6.0%	50	6.8%	-6.4%
Others & Cons. Adjustments	-53	-6.8%	-34	-4.6%	56.2%
Consolidated EBITDA	**777**	**100%**	**740**	**100%**	**5.1%**

The EBITDA margin of the Group was 6.6% of sales, 30 b.p. below the level in 2012 (6.9%).

Biedronka's investments to reinforce its price position together with the investment made in new businesses, Ara in Colombia and Hebe in Poland, contributed to this decline in the consolidated EBITDA margin.

Biedronka remains the largest contributor to the Group's EBITDA growth and it more than compensates the dilution effect of the new businesses. At the end of 2013, Biedronka represented 77% of EBITDA generated by the Group.

Despite the decision to invest in pricing, along with the execution of a demanding investment programme (280 new stores, 115 revampings and two new Distribution Centres), Biedronka maintained a strong EBITDA performance level that rose by 8.7%, reaching 7.8% of sales (8.2% in 2012).

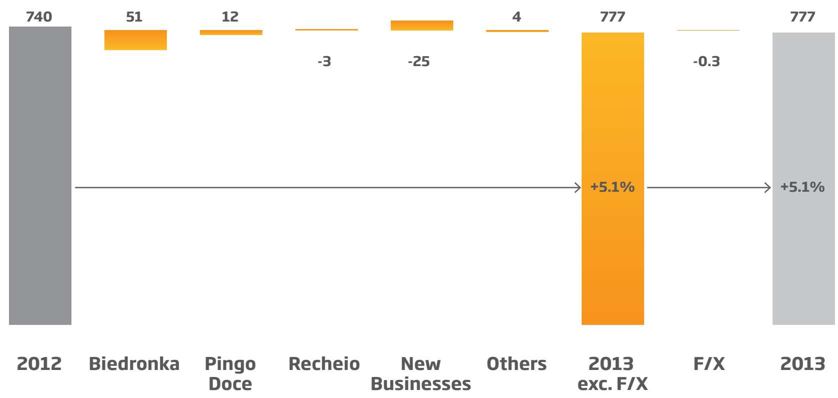
In 2013, Pingo Doce continued to invest in its price positioning with an impact on its total margin. However, the cost rationalization efforts initiated in 2012 continued to benefit the Company which, together with the strong sales performance, resulted in an improved EBITDA margin to 5.8%, compared to 5.6% in 2012. The EBITDA generated in 2013 grew 6.9% to 183 million euros.

Recheio, operating in a market that contracted again in 2013, invested in sales campaigns which increased its customer base and supported its main customers, strengthening the Company's market leadership. The Company's EBITDA totalled 47 million euros, a drop of 6.4% compared to the previous year, with a margin of 5.8%.

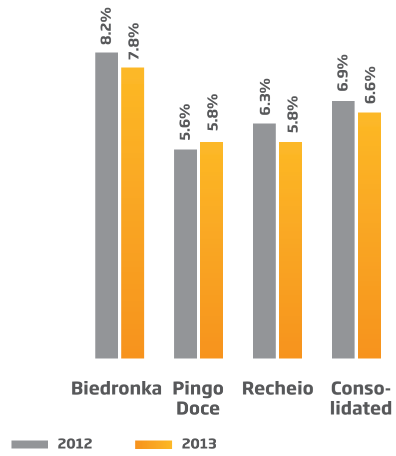
The new businesses, Ara and Hebe, generated negative EBITDA of 42 million euros, in line with what was expected at this stage of their life cycles.

CONTRIBUTION TO CONSOLIDATED EBITDA GROWTH

(million euros)



EBITDA MARGIN



3.2.3.
NET CONSOLIDATED RESULT

(million euros)	2013		2012*		13/12
		%		%	Δ%
EBIT [1]	**528**	**4.5%**	**518**	**4.9%**	**1.8%**
Net Financial Results [2]	-39	-0.3%	-30	-0.3%	30.1%
Profit in Associated Companies	19	0.2%	13	0.1%	41.6%
Non Recurrent Items [3]	-4	0.0%	-19	-0.2%	-76.8%
EBT	**503**	**4.3%**	**483**	**4.5%**	**4.3%**
Taxes	-111	-0.9%	-116	-1.1%	-4.7%
Net Profit	**393**	**3.3%**	**366**	**3.4%**	**7.2%**
Non Controlling Interest	-10	-0.1%	-6	-0.1%	75.4%
Net Profit attr. to JM	**382**	**3.2%**	**360**	**3.4%**	**6.0%**
EPS (euro)	0.61		0.57		6.0%

[1] The EBIT shown in the "Net Consolidated Result" table does not include non-recurrent operational items which appear itemised in the "Statement by Functions" under Exceptional Operating Profit/Loss and are included in the Operating Result shown therein.

[2] The Financial Result presented in the table "Net Consolidated Result" include the Profit in Associated Companies as reported in the "Statement by Functions".

[3] Non Recurrent Items presented in the table "Net Consolidated Result" include the Exceptional Operating Results and Gains/Losses on Other Investments as reported in the "Statement by Functions".

* Restated values - see details in Note 1.

The net result attributable to Jerónimo Martins grew 6.0%, reaching 382 million euros, up 4.1% excluding non-recurring items.

The Group's financial costs amounted to 39 million euros, an increase of nine million euros, due to a reduction in interest income, the higher level of average net debt in the year, and to the negative exchange rate effect of the zloty.

The Profit in Associated Companies that mainly comprises the results of Unilever Jerónimo Martins (attributable to Jerónimo Martins) totalled 19 million euros. The increase of six million euros compared to 2012 does not only reflect a slight improvement in the operational performance, but also the result of the restructuring of the manufacturing activities underway.

3.2.4.
CASH FLOW

(million euros)	2013	2012*
EBITDA	777	740
Interest Payment	-22	-17
Income Tax	-121	-97
Funds From Operations	**635**	**626**
Capex Payment	-512	-483
Δ Working Capital	68	78
Others	-1	-11
Free Cash Flow	**190**	**210**

* Restated values - see details in Note 1.

The Cash Flow from Operations in the year amounted to 635 million euros, slightly ahead of previous year, with the continued good performance in all the Group's business areas.

The Free Cash Flow was 190 million euros, 20 million euros lower than the previous year, due to a higher level of capex payments with the opening of more stores in Poland and the investments in Colombia.

3. GROUP PERFORMANCE

3.2.5. CONSOLIDATED BALANCE SHEET

The strong financial position of the company is reflected in the level of gearing, which at the end of 2013 was 21.0%, in line with 2012.

(million euros)	2013	2012*
Net Goodwill	648	655
Net Fixed Assets	2,940	2,711
Total Working Capital	-1,686	-1,615
Others	92	72
Invested Capital	**1,995**	**1,823**
Total Borrowings	688	660
Leasings	6	18
Accrued Interest & Hedging	20	15
Marketable Sec. & Bank Deposits	-368	-372
Net Debt	**346**	**321**
Non Controlling Interests	267	290
Share Capital	629	629
Retained Earnings	753	582
Shareholders Funds	**1,649**	**1,502**
Gearing	21.0%	21.4%

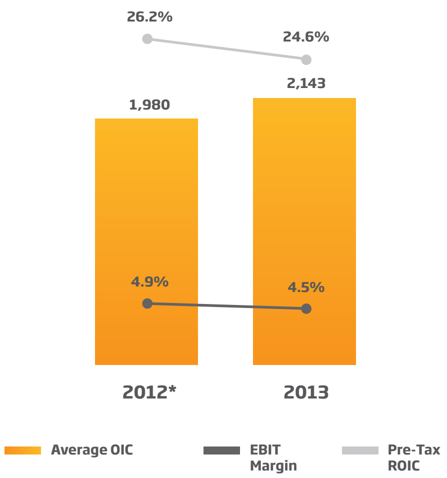
* Restated values - see details in Note 1.

3.2.6. RETURN ON INVESTED CAPITAL

In 2013, the Group's Pre-Tax ROIC was 24.6%. It is important to note that despite the investment made in two new businesses and in a year in which both Pingo Doce and Biedronka made significant investments in pricing, the Group maintained a strong return on the invested capital.

PRE-TAX ROIC

(million euros)



* Restated values - see details in Note 1.

3.2.7. DEBT BREAKDOWN

The Group's average net debt during 2013 was higher than in the previous year, and was 346 million euros at the end of 2013 (321 million euros at the end of 2012).

Of the total loans of 688 million euros in financial liabilities, 53.5% represent long-term financing with an average maturity of 2.2 years.

(million euros)	2013	2012*
Long Term Debt	**368**	**565**
as % of Total Borrowings	*53.5%*	*85.6%*
Average Maturity (years)	*2.2*	*2.2*
Bond Loans	225	403
Private Placement	*0*	*81*
Fair value adjustment	0	-3
Commercial Paper	0	50
Other LT Debt	143	35
Short Term Debt	**320**	**95**
as % of Total Borrowings	*46.5%*	*14.4%*
Total Borrowings	**688**	**660**
Average Maturity (years)	*1.3*	*2.0*
Leasings	*6*	*18*
Accrued Interest & Hedging	20	15
Marketable Securities & Bank Deposits	-368	-372
Net Debt	**346**	**321**
% Debt in Euros (Financial Debt + Leasings)	65.7%	92.9%
% Debt in Zlotys (Financial Debt + Leasings)	28.0%	6.6%
% Debt in Pesos (Financial Debt + Leasings)	6.4%	0.5%

* Restated values - see details in Note 1.

In 2013, the JMR – Gestão de Empresas de Retalho, SGPS, S.A. bond loan, issued in December 2012, was renegotiated, reducing the applicable spread by 125 b.p. for each interest coupon. The amount of the loan was also reduced by 25 million euros through the acquisition and cancellation of bonds of that amount.

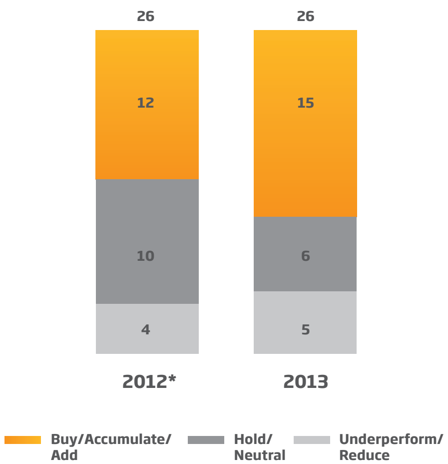
3.2.8.
JERÓNIMO MARTINS IN THE CAPITAL MARKETS

In 2013 the main Portuguese stock index (PSI-20) increased by 16.0%, the best performance since 2009. Despite falling 7.4% in the first six months of 2013, with the year's record low on 3 July, this negative trend was reversed during the second semester, permitting the PSI-20 to end the year with a strong performance.

The price of Jerónimo Martins shares at the end of 2013 was 2.6% below the price at the end of 2012. However, the average share price appreciated 13.1% in 2013, compared to average recorded in the previous year. Jerónimo Martins ended the year with a market capitalisation of 8.9 billion euros, with a weight of 12.3% on the PSI-20 index. The performance of Jerónimo Martins shares in 2013 was below the average of the companies considered as benchmarks – Ahold, BIM, Carrefour, Casino, Colruyt, Delhaize, Dia, Magnit, Metro, Sainsbury, Tesco, Walmart and X5 – which recorded an average appreciation of 25.5%.

See the Corporate Governance chapter of this Report for more detailed analysis of the share performance.

NUMBER OF RECOMMENDATIONS



In 2013, three investment houses began the coverage of Jerónimo Martins (Caixa BI, Raymond James and VTB Capital) and another three ceased covering the Company (Macquarie, MainFirst Bank and Renaissance Capital). Thus, at the end of 2013 and as in the previous year, 26 analysts covered Jerónimo Martins. At the end of the year, 15 of the 26 analysts had a positive recommendation on the security, six had a neutral recommendation and five had a negative recommendation. At the end of 2013, the average target price of the analysts was 16.19 euros, which corresponds to a potential increase compared to the closing price on 31st December 2013 of 13.9%.

JERÓNIMO MARTINS FINANCIAL PERFORMANCE 2009-2013

Balance Sheet (million euros)	2013	2012*	2011*	2010*	2009*
Net Goodwill	648	655	627	653	643
Net Fixed Assets	2,940	2,711	2,386	2,286	2,079
Total Working Capital	-1,686	-1,615	-1,495	-1,394	-1,178
Others	92	72	107	148	197
Invested Capital	**1,995**	**1,823**	**1,626**	**1,692**	**1,741**
Net Debt	346	321	204	560	675
Total Borrowings	688	660	676	764	777
Leasings	6	18	38	71	84
Accrued Interest	20	15	14	25	31
Marketable Securities and Bank Deposits	-368	-372	-524	-300	-217
Non Controlling Interests	267	290	301	287	288
Equity	1,383	1,212	1,121	845	778

3. GROUP PERFORMANCE

Income Statement (million euros)	2013	2012*	2011*	2010*	2009*
Net Sales & Services	**11,829**	**10,683**	**9,646**	**8,496**	**7,121**
EBITDA	**777**	**740**	**693**	**590**	**469**
EBITDA margin	6.6%	6.9%	7.2%	6.9%	6.6%
Depreciation	-249	-221	-206	-188	-165
EBIT	**528**	**518**	**487**	**403**	**304**
EBIT margin	4.5%	4.9%	5.0%	4.7%	4.3%
Financial Results	-39	-30	-30	-45	-47
Profit in Associated Companies	19	13	17	23	22
Non Recurrent Items[1]	-4	-19	-11	-10	-7
EBT	**503**	**483**	**463**	**371**	**272**
Taxes	-111	-116	-106	-71	-48
Net Income	**393**	**366**	**357**	**300**	**223**
Non Controlling Interests	-10	-6	-17	-19	-23
Net Income attributable to JM	**382**	**360**	**340**	**281**	**200**

[1] Non Recurrent Items include the Exceptional Operating Losses and Gains in Others Investments as presented in the Income Statement by Functions and detailed in the notes to Consolidated Accounts.

Market Ratios (million euros)	2013	2012*	2011*	2010*	2009*
Total Shares	629,293,220	629,293,220	629,293,220	629,293,220	629,293,220
Own Shares	859,000	859,000	859,000	859,000	859,000
EPS (EUR)	0.61	0.57	0.54	0.45	0.32
Share Price at the Lisbon Stock Exchange					
High (EUR)	18.47	15.62	14.34	12.58	7.05
Low (EUR)	13.61	11.87	10.64	6.33	3.07
Average (EUR)	15.51	13.71	12.33	8.63	4.97
Closing at year end (EUR)	14.22	14.60	12.79	11.40	6.99
Market Capitalisation (31 Dec) (EUR 000,000)	8,945	9,188	8,049	7,174	4,396

* **Note 1** - According to the accounting standards adopted by the European Commission, the Group is consolidating its interest in Unilever Jerónimo Martins and Gallo Worldwide using the equity method from 1 January, 2013. If the Group had adopted this standard in the preparation of the consolidated financial statements for the years 2009-2012, the financial statements would be as presented.

4.1. DISTRIBUTION POLAND

4.1.1. BIEDRONKA

2013 was yet another year of focused efforts to expand Biedronka's chain that ended the year with a network of 2,393 stores. Biedronka continued its development, using the tools that strengthened its leading position. As an efficient distribution chain is critical to maintain the competitiveness of our store network, we inaugurated two new Distribution Centres in Lubartów and in Gdańsk in order to reinforce the existing base.

Biedronka Stores

Strenghtening our commitment with everyday low prices we carried out special campaigns offering strong promotional actions on selected products or entire categories. This was an important move in 2013 and addressed the consumers' needs and expectations.

By consistently pursuing a strategy based on low prices, high product quality and the proximity of Biedronka stores, our chain has strengthened its position as market leader and we were proud to report a dynamic sales growth in all quarters in 2013. Our continuous growth, despite a difficult macroeconomic situation and uncertainty regarding consumer behaviour, enables us to be optimistic about accomplishing our further-reaching plans which call for, among other things, operating 3,000 stores by 2015.

MISSION

Biedronka is a retail chain providing a range of carefully selected, high quality products that satisfy daily dietary needs, at everyday low prices, and focusing on consumer satisfaction. All employees must ensure that the Company operates with high efficiency and low costs.

2013 PERFORMANCE

In Poland, 2013 was marked by challenges in the Polish macroeconomic environment and changes in the competitive landscape. The growth rates of GDP, private consumption and retail sales all slowed down during the year. In this context of an economic slowdown, consumers became more price-sensitive and competitors became more price-focused.

Biedronka initiated the year focused on strengthening its leadership and was able to achieve its main goals for 2013: increasing market share through a like-for-like performance above the market, consolidating the Fresh Focus strategy introduced in 2012 and delivering an ambitious expansion plan that included two new Distribution Centres and 280 new stores.

Within this context, Biedronka posted a strong performance in 2013. Sales grew 15% in zlotys and 4.2% on a like-for-like basis, which means that Biedronka outperformed the market and consolidated its leadership position, since the Food Retail market in Poland grew by 2.6% in 2013.

Biedronka basket inflation remained low in 2013, at 0.6%. When excluding the effect of inflation, Biedronka performance was even stronger in comparison with the Food Retail market, considering that food inflation in the country reached 2.0%, which confirms the robust performance despite the challenging environment.

Towards the end of the second quarter the Food Retail market in Poland became more price-competitive with many promotions taking place. Some competitors, after several quarters of sales decline, took actions to improve their short-term performance, announcing strong campaigns focused on price for a large range of products. In the context of a weaker economic environment, price gained even more relevance and promotions became more important for the Polish consumer.

Biedronka's strategic priority continued to be the increase of sales profitably and sustainably. Biedronka rapidly responded to consumers' needs and reinforced its price offer, maintaining the Everyday Low Price strategy and supplemented this with more intense promotional campaigns. Hence, the Company reinforced its price leadership. As a consequence, in 2013 Biedronka continued to be the clear leader in the Polish market, gaining market share.

4. BUSINESS AREAS PERFORMANCE

Over the year, the strategy of Biedronka campaigns was built on four pillars: price, quality, fresh products and adaptation to the Polish market. However, from the second quarter on, the communication was even more focused on price and promotional activity, in order to respond to a more competitive environment. The communication inside the store also reflected this new context, becoming more promotion oriented. Another important reinforcement of Biedronka's price communication was dedicated product campaigns promoting selected Private Brand categories.

Perishables remain a key pillar for the Company, as this category has been increasing its importance in the Polish consumer's food habits. The priority for 2013 was to consolidate the positioning achieved on the previous year after the layout conversion programme, giving more visibility to Perishables. Throughout the year, Biedronka continuously provided a more attractive offer in the Fruits & Vegetables and Fish categories. There were also regular in&out campaigns in the Meat category. By the end of 2013, baking facilities were functioning in 1,680 Biedronka stores, providing fresh bread several times per day, which contributes for higher attractiveness of the store and to increasing the weight of this category. As a result, the specialized Perishables grew above the Company's average and increased its proportion of Biedronka's sales by 1.2 p.p..

To support this evolution, 2013 was also the year for strengthening the partnership with Perishables suppliers. Biedronka carried out initiatives to reinforce long-term relationships, maintaining the preference for Polish suppliers. The vast majority of the Fresh products are sourced by local business partners.

The Non-Food in&out campaigns, which had been reduced during the store layout conversion programme in 2012, made an important contribution to the sales growth. Strong promotional campaigns were implemented in this area and the Non-Food category increased its weight on sales by 1 p.p..

In 2013, the Company was very focused on the continuous development of the assortment and 300 new products were launched to replace others in the assortment. The packaging was also renewed in more than 500 Private Brand products, which means that for the consumer the majority of Private Brand assortment was improved. It is worth mentioning the introduction of 20 new products in the Ready Meals category, in order to respond to new consumptions trends.

Private Brand products continued to be one of the Company's strategic pillars, with Polish consumers recognizing their quality and price competitiveness. In 2013 the weight on sales of Private Brand was 51.3%, 3 p.p. lower than in 2012, mainly due to the increasing weight of Perishables.

The Company continued to be fully committed to the expansion plan and 280 new stores were opened in 2013, which is equivalent to a net increase of 268 stores, as 12 stores were closed during the year. More than 25% of the new stores were opened in major cities. More than 70% store openings in 2013 are rented. The Company had a total of 2,393 stores at the end of the year.

Another important step in supporting the growth strategy was the opening of two new Distribution Centres at the beginning of September: one in Gdańsk and the other in Lubartów, representing the Company's 11th and 12th regions.

In October 2013, the project of mobile payments was launched in Biedronka stores. Payments by mobile phone are a quick, easy and safe payment method, an innovative solution that is more convenient for the Polish consumer.

The Company's EBITDA margin in 2013 was 7.8%, 40 b.p. below the previous year, due to higher investments to reinforce the price positioning. The main focus is to maintain Biedronka price leadership and perception, whilst the top priority of the Company is to increase sales and continue increasing market share.

MESSAGE FROM THE MANAGING DIRECTOR

The year 2013 was fulfilled with interesting and inspiring challenges for Hebe.

We continued the chain expansion correlated with organic growth. Hebe has already been in the Polish market for two and a half years and ended the year with around 1.5 thousand employees and 104 locations throughout the country. Rapid growth demands an efficient supply chain. In order to achieve that, a Distribution Centre is being adapted and modernised in 2014.

One of our main goals in the following year is to optimize the assortment structure by offering our customers attractive and unique products, which can only be found in Hebe stores. We are also focusing on high customer service standards. Not only was additional training provided for the Hebe consultants, but the loyalty programme offering was also updated. We were also focused on developing cooperation with our key suppliers, including dedicated promotions, price offers and special contest for customers, as well to increasing the store staff's product know-how.

We believe that remaining focused on consumers' needs and increasing the number of Hebe stores, will enable us to build and strengthen our position on Polish market. This is our path for future success.

Hebe Store Interior

MISSION

To enable Polish women to find health through beauty and beauty through health, as part of their lifestyle. Our ambition is to ensure fulfilment of Health and Beauty assortment needs of all Polish female consumers in affordable manner, with strong individual approach to her and appropriate client service.

2013 PERFORMANCE

2013 was a year of great challenges for Hebe. The Company continued testing the format and is now close to the final model, although there are still some details missing and the business is still being fine-tuned. Hebe reinforced its team with experts from the Health & Beauty sector, which proved to be very valuable for an even better understanding of the market.

Hebe reached 59 million euros of sales in 2013. This performance was driven by the execution of its expansion plan and also by a solid like-for-like sales growth in the year. A significant part of this increase came from the growth in the number of customers, with the average basket also making a positive contribution towards this performance.

In 2013, the categories with higher weight on Company's total sales were Essentials, Fragrances and Make-up.

At the end of December 2013, Hebe's loyalty programme had a total of around 60 thousand members, 95% of which being women. Around 63% of total sales were made to customers holding a loyalty card.

In order to enhance sales performance and brand awareness, several promotional campaigns took place during the year, supported by leaflets, Hebe's website, Facebook and newsletters sent to regular customers. These campaigns took advantage of theme-based periods such as, Women's Day, Easter, Spring Day, Christmas and New Year's Eve. Also, the Company held regular events such as shows of make-up trends, free make-up service and gifts consisting of product samples. In December, a campaign was launched for the opening of the 100th store.

In 2013, Hebe opened 36 new stores, ending the year with a total of 104 stores: 68 Hebe stores, including six Hebe Total stores with pharmacies, and 36 Apteka Na Zdrowie pharmacies.

4.2. DISTRIBUTION PORTUGAL

4.2.1. PINGO DOCE

In 2013, Pingo Doce took a leading position in the market, to provide the Portuguese consumer with the best buying options for food products. The dynamic promotions which we introduced throughout of the year and were developed to create value for our customers, were highly focused on Perishables and thus helped Pingo Doce to create, once again, excellent conditions for a healthy diet. It was a year when we reinforced the positioning of the Pingo Doce brand, by offering even better prices and transferring millions of euros in savings to Portuguese families, not only in their food products purchases but also on fuel. The increase in the number of customers and the gains in market share are evidence of customers' recognizing the value generated and a sign of their preference for our brand and our stores.

It was also a year when we continued to improve the operational processes and redefined the main points of contact throughout the entire supply chain, an aspect that we recognised plays a crucial role in the success of the new promotional strategy. Within this context, the year was marked by promoting the values of efficiency and simplification and for a new way of dialogue with customers in the stores, especially regarding communication and merchandising.

In 2013 we launched, in partnership with BP, the "Poupa Mais" (Save More) card. This is a loyalty tool focused on the second biggest part of a household budget, which is why it was very well received. Once again, the value generated is unparalleled by any other offer in the market.

It was also a year of careful development of new products, launching solutions for special dietary needs and of several products reformulation, focusing on efficiency within the stores, and the constant improvement of the formulas, composition and raw materials used.

Whilst we continued to pay attention to creating value and to the productivity within the Company, we also focused on developing the Nutritional Policy and promoting health through food, which is an important pillar of our strategy and of our social responsibility policy.

MISSION

To be the best supermarket chain operating Perishables in Portugal, with the capacity to maintain a long-term relationship of trust with consumers, providing them with a quality food solution for the entire family, at stable and competitive prices.

2013 PERFORMANCE

For Pingo Doce, 2013 was marked by the execution of four key projects: **i.** an increase in promotions; **ii.** the launch of the *Poupa Mais* card; **iii.** the construction of the Algarve Distribution Centre; and **iv.** the opening of four Pingo Doce stores.

At the same time, during this year, Pingo Doce focused on initiatives that enabled it to rationalise its costs and increase its profitability, namely: **i.** assortment optimization, reducing it by around 20%; **ii.** making the layout uniform across the store network; **iii.** new in-store communication with an emphasis on price; and **iv.** increasing the number of articles displayed in boxes.

Increase in Promotions

Within the context of the promotional campaigns carried out by the Company, a weekly leaflet called *Esta Semana* ('This Week') was created and in 2013 it was responsible for around 85% of the promotional sales. This action was complemented by the *Alimentos Essenciais* ('Essential Food') leaflet, between the last days of each month and the first days of the following month.

Pingo Doce Stores

Manufacturing brands were Pingo Doce's main sales growth driver, strongly influenced by the Company's promotional campaigns. Consequently, Private Brand sales decreased its weight on the Company's sales by 3.8 p.p..

LAUNCH OF THE *POUPA MAIS* CARD

In March this year, the *Poupa Mais* card was launched as a customer loyalty tool. Following this launch, several initiatives took place aiming to offer the consumer significant savings opportunities throughout the year. At the end of 2013, there were more than a million *Poupa Mais* customers.

PRIVATE BRAND

In 2013, with the objective of maintaining the strong awareness of Pingo Doce brand products, the Company increased the focus on products' nutritional improvement and in developing Pura Vida assortment, enabling Pingo Doce to reinforce its value proposition through the very competitive price/quality ratio of these products.

EXPANSION

During the year, the Company opened four stores, two of which are managed by third-parties (São Pedro do Sul and Miranda do Douro), ending the year with 376 stores. In addition, 2013 was marked by the beginning of the construction of the new Distribution Centre in the Algarve which will serve the South region of the country. The Distribution Centre will enable the Company to reinforce its logistics capacity.

Pingo Doce's good performance is reflected in the sales growth of 3.9% compared to the previous year, corresponding to a like-for-like growth of 3.6% (excluding fuel) and an increase in market share.

The Company continued to be determined to rationalise all investments and to channel all savings into generating value for families and so the investment in advertising was the lowest ever. However, at the last part of the year a major communication campaign on the value of Pingo Doce products was carried out, highlighting that without a doubt, it represents "the best price that quality can have".

Regarding EBITDA margin, even when taking into account the strong investment in promotions throughout the year, Pingo Doce managed to improve the profitability of the business in 2013, as a result of the strong sales performance and the cost rationalisation programme.

4. BUSINESS AREAS PERFORMANCE

MESSAGE FROM THE MANAGING DIRECTOR

4.2. DISTRIBUTION PORTUGAL

4.2.2. RECHEIO

For Recheio, 2013 was a year for reinforcing its position in the market, acting as a strong partner for its customers, providing them the necessary support during the severe crisis that is known, especially in the HoReCa channel, and above all, it was the year for winning new markets, which were critical to the sales growth.

Despite the HoReCa market having been in continuous decline for several years and Traditional Retail only having a slight recovery, the Company had a 51% share of the Cash & Carry market in Portugal, according to Nielsen, and was able to maintain its results and increase the number of customers, by using its renowned outstanding know-how, winning attitude and leadership strength in its new businesses: Exports, Food Service and the Amanhecer stores.

With Exports sharply increasing, Recheio is now clearly a Portuguese company with customers and visibility abroad. We have duplicated the number of Amanhecer stores and increased the customer portfolio of the Food Service Platforms, which have since been consolidated as a business with Caterplus.

It was a year of major challenges and one for consolidating the businesses that will be the future pillars of Recheio.

MISSION

To meet all the needs of the Traditional Retail and HoReCa channel customers, giving them Value for Money. To invest in long-term relationships, providing each segment with the product range best suited to their needs. To invest in the employees who, with their motivation, competence and dedication, are the best tool for building strong relationships with customers and suppliers. To maintain the teams' focus on the customer and the Company's efficiency is the best way of guaranteeing profitability and a return on Shareholders' investment.

2013 PERFORMANCE

2013 was a year of great challenges. As in 2012, there was an evident fall in consumer confidence and the reduction in purchasing power and consumption, which were noticed throughout the year.

Nevertheless, in the light of the constraints of the macroeconomic environment, Recheio achieved its main goals: **i.** to win new customers; **ii.** to retain current customers; and **iii.** to develop new businesses: Food Service (integration of Caterplus in July), Amanhecer and Exports.

Both the Traditional Retail channel and the HoReCa channel contracted significantly. However, given its strong competitive position, Recheio managed to increase the number of customers and the average purchase, clearly benefitting from the strength of its commercial proposition, supported by being part of the Jerónimo Martins Group.

Recheio's value proposition remained unchanged and was focused on offering high quality food products and service at very competitive prices, as well as building a lasting trust relationship with its customers on a daily basis. The Company continued to invest in Perishables and Private Brand as the strategic pillars of its offer.

The best performing categories were Private Brand and Perishables (especially Fruit & Vegetables and Fish), with these two pillars remaining a priority for the Company. In 2013, Private Brand represented 20.4% of sales. One of the factors contributing to this performance was the launch of 48 new Amanhecer products, ending the year with 290 references of this brand. Sales of Amanhecer products registered a growth of 21%.

Regarding the HoReCa channel, Recheio's sales clearly performed above the market. The recessive macroeconomic climate increased customer turnover in this channel and there was a significant number of restaurants and cafes closing throughout the year, as well as a reduction in the average purchase per transaction.

In what concerns the Traditional Retail, Recheio once again gained market share compared to other suppliers in this channel.

The Amanhecer project, launched in 2011 and consisting of providing technical cooperation and sharing Recheio's know-how with its Traditional Retail customers to redefine their business model, ended 2013 with a total of 53 Amanhecer stores, 27 more than at the end of the previous year.

Recheio Stores

Throughout 2013, Recheio carried out various activities to support its Traditional Retail customers, not only in their stores but also directed to the final consumer, through Amanhecer brand products and by increasing their notoriety.

Regarding Exports, Recheio carried out prospection studies on potential customers, mainly in the Portuguese-speaking African countries and in European countries with large Portuguese communities, and continued the development of Private Brand package labels in three languages, in order to make them easily acceptable overseas.

On the other hand, the integration of Caterplus into Recheio was successfully carried out and it is now the benchmark operator in the Food Service market, which readily accepted this Company's value proposition, especially its Perishables.

Caterplus is currently a nationwide Food Service operator – operating out of Oporto, Lisbon and Tavira – with an offer ranging from a vast group of exclusive brands to fresh and frozen products and a wine section.

Along with the new projects, the Company put in place strong promotional campaigns that were carried out mainly as from the 2nd quarter, which reflected positively on sales and lead to a growth of 1.6% in the year, with an increase in market share and a growth in the portfolio of active customers.

The Company's EBITDA margin reached 5.8% of sales, reflecting the increasing commercial aggressiveness (in order to ensure price leadership and an increase in market share), as well as the increase in the weight of the new businesses.

With regard to investment, on an operational level, it was focused on remodelling the Leiria store, opening the Perishables sections in Castelo Branco and remodelling the Bakery in Braga.

MESSAGE FROM THE MANAGING DIRECTOR

ara
Alegría al mejor precio

2013 will be marked in the Group's history as the year we started-up our operation in Colombia. On 13th March, we opened the first three Ara stores in the Coffee Growing region, more specifically in the cities of Pereira and Santa Rosa. It was the culmination of a year's work by the multi-disciplinary teams, comprised exclusively of Group employees from the three countries in which Jerónimo Martins operates, who made a detailed and thorough analysis of the market, in general, and of the behaviour of Colombian consumers, in particular.

This is a pioneering project, built from scratch by the Jerónimo Martins teams, which is an unprecedented fact within the Group's Food Distribution businesses, which has mostly begun with acquisitions. As such, this was a unique opportunity for the various Jerónimo Martins teams in Portugal, Poland and Colombia to share their knowledge and contribute in a more or less direct way towards building this new business. As the top manager responsible in the country for Jerónimo Martins Colombia, I am very much aware of the value and importance of the contributions we received and very much acknowledge the difference they helped us to make over the course of the year. I should like to include in this commentary a note of public thanks for the welcome and support that we were given by the Colombian authorities, both centrally and locally, without whom our work would have been much more difficult.

The food industry and the Colombian suppliers also welcomed us in an open-minded manner and with interest. They understood our project and its specific nature and responded in a very positive way to the challenge that was presented to them. We are clearly committed to investing in the Colombian agro-food industry and want the vast majority of products we sell in the Ara stores to be produced in Colombia.

This first year of operation was essentially a year for learning, a year for confirming what we did well, and more importantly, a year for correcting what we did less well. It was a year in which we endeavoured essentially to "hear" the Colombian consumers, to listen to their suggestions for improvement, their remarks about our operation and their opinions on the store. A year in which the Ara team grew with the challenges and became stronger and better prepared.

Our objective is to set up an efficient, low-cost operation which enables us to provide the Colombian consumers with an offer of high quality products at the lowest price in the market. Within our assortment, we believe our Private Brand products to be strategic for the future, as a differentiating factor of our chain, as we intend to build an innovative offer within Colombian Food Retail.

We are working with determination and enthusiasm, so that our consumers can identify themselves with our products and our stores, which must be capable of transmitting the unique spirit and contagious happiness of the Colombian people.

MISSION

To work every day in a stimulating and gratifying environment for our people, with the common objective of winning consumer trust and preference and making Ara their main proximity store. To establish lasting partnerships with our strategic suppliers, enabling us to provide and develop high quality products at the best prices in the market.

2013 PERFORMANCE

The first stores and the first Distribution Centre were inaugurated on 13th March 2013, in the cities of Pereira and Santa Rosa, in the Coffee Growing region.

At the end of the year, the Company was operating 36 stores, equivalent to around 16 thousand sqm of sales area, of three different types: i. attraction stores, with over 500 sqm (16 stores); ii. city-centre stores, with an area of between 350 sqm and 500 sqm (11 stores); and iii. neighbourhood stores, within residential areas (9 stores), with an area of under 300 sqm.

Right from the opening, our concern was set on adjusting the value proposition to the reactions of the Colombian consumers and we especially focused on optimising the assortment, developing the Private Brand and identifying opportunities for innovation. The assortment is currently comprised of around 900 product references, including 162 Private Brand articles.

From the beginning, Private Brand was seen as key to the chain's future growth and for consolidating its market position. The Colombian consumers' ready acceptance of the new products launched, which can be seen in the weight of 22% of total sales, was encouraging for the team, especially taking into account the fact that the Private Brand's penetration in Colombia is still fairly limited.

In order to promote the Private Brand, the Company carried out a programme to encourage people to try them out, proposing highly visible tasting initiatives within the stores.

In terms of price strategy, Ara entered the market by positioning itself as a chain where high quality products can be found at the best prices, together with a policy for very competitive prices through promotional opportunities in key categories for the Colombian consumer.

Initiatives were developed to strengthen the Ara brand in the market and to attract customers to the stores. Store inaugurations had a high impact in the communities, with an average number of visits of over 3,000.

Regarding Logistics, a key area for building a culture of cost-efficiency and leadership, various actions were implemented aiming to optimise suppliers relationship with the Company, namely in what concerns: i. receipt of goods on pallets; ii. standardised product per pallet; and iii. guaranteed cold chain from supplier to warehouse or store.

4. BUSINESS AREAS PERFORMANCE

MESSAGE FROM THE MANAGING DIRECTOR

Unilever JERÓNIMO MARTINS

2013 was a successful year for Unilever Jerónimo Martins. Within an unfavourable climate, the Company grew in volume and sales, winning market share for the third consecutive year and increasing its profit and the funds generated. The Company has the firm objective of pursuing this path in 2014, accelerating its growth in sales and earnings. As such, it is counting on the structural transformation of its productive units that took place in 2013, concentrating its manufacturing activities in the Santa Iria complex.

4.4. MANUFACTURING, DISTRIBUTION AND RESTAURANTS & SERVICES

4.4.1. MANUFACTURING

4.4.1.1. UNILEVER JERÓNIMO MARTINS

MISSION

Work every day to create a better future, helping people to feel good, beautiful and getting the most out of life. Our first priority is to our consumers – then to our customers, employees, suppliers and communities. The successful pursuit of these objectives will naturally lead to an attractive return on investment for our Shareholders.

2013 PERFORMANCE

In 2013, Unilever Jerónimo Martins's sales, excluding the exports from our factories to other Unilever companies, increased by 0.1% with a sharp increase in volume of 3.9% and the largest gain in market share in the recent history of the Company.

In aggregate terms, our In-Home market share at the end of 2013 reflected an increase of 105 b.p. compared with 2012 (Nielsen data). The Company's Out-of-Home market share reflected a gain of 169 b.p. (Nielsen data). It should be highlighted that these gains in market share occurred in almost 70% of the categories in which Unilever Jerónimo Martins operates.

The greatest gains in market share were in the following categories: Personal Care (Hair segment), Home Care (especially Softeners) and Ice Creams and Ice Tea in the In-Home market.

The increases in market share obtained during the year were the result of having won market share from the competition, both from other Manufacturers and Private Brand products, mainly in the Home Care and Personal Care categories. Unilever Jerónimo Martins managed to leverage the strong leadership positions of its brands in the Portuguese market, strengthening its advertising effort and benefiting from the high promotional activity that took place in mass distribution, enabled by the benefits of cost reduction and efficiency gains in the Company.

2013 was the second year of activity for some of the businesses in the Company's portfolio (Tresemmé and Ice Cream cups for the In-Home market) and was therefore an important year for consolidating their positions in the market.

At the same time, the Company presented innovative proposals, launching new products: concentrated liquid detergent in the Laundry Detergent category, Magnum "5 Kisses" in the Out-of-Home Ice Cream category, Hellman's Mayonnaise and Knorr Granulated Cubes in the Seasonings category, among others.

Unilever Jerónimo Martins continued to make a strong investment in communicating its brands, having increased the investment in advertising by over 20%, which increased its relevance in the overall investment made in sales.

Regarding profitability, the Company implemented a cost restructuring programme in 2013, which together with the gains in efficiency obtained in production, led to a growth in the Company's profitability.

Unilever Jerónimo Martins has implemented a new industrial strategy, investing in the modernization and production capacity of the Santa Iria da Azóia center, where all the manufacturing activities are now aggregated after the closure of the Sacavém factory. This project started in 2013 will continue to be in the investment priorities for the next two years.

4.4.1.2. GALLO WORLDWIDE

GALLO
Worldwide

In 2013, the Company operated in an adverse environment regarding the raw material, due to the huge price increase, which was aggravated by its high volatility. Downstream, this price jump caused contention among distributors and customers and later caused purchasing and consumption contraction, particularly in the markets where olive oil is still not deeply rooted in the consumption habits, and it is expected this has caused a worldwide downturn in the product's consumption. Within this context, it was particularly notable that the Company was able to guarantee its profit margin, which was based on strict and disciplined price management.

During last year, the Company made its preparations for a new growth phase, reorganising and reinforcing its market teams in the different countries and extending its production capacity so as to be able to address its mid-term growth plan.

MISSION

To introduce Gallo olive oil into the daily eating habits of people all over the world, allowing consumers to know the benefits of this "liquid gold" and understand how it can become part of their daily lives.

2013 PERFORMANCE

In market terms, 2013 was marked by the very significant increase (reaching an average of 70%) in the raw material price, which was also highly volatile throughout the year, due to the actual production's cycle. Even taking into account that constraint, the Company still managed to increase its sales in 2013 by around 13%, maintain its margin and reinforce its worldwide market share. However, the market conditions ended up having an impact on the evolution of the sales volume, which contracted 3%.

This pressure on volumes led the Company to impose strict discipline regarding costs, which was critical for defending its profitability. In this context, the Company showed great resilience in its performance.

By the end of 2013, Gallo Worldwide's four main markets remain the same as in 2012: Brazil, Portugal, Angola and Venezuela.

In Brazil, the Gallo brand reinforced its market leadership position by increasing its competitiveness and good execution at the point of sale, even taking into account the downturn in olive oil consumption on the one hand, due to the significant increase in the price of the raw material, and on the other hand, the devaluation of the real, which as from the middle of the year, caused a sharp increase in the product's selling price to the final consumer.

In Portugal, there was a downturn in volumes in 2013, accompanying the international trend and there was still pressure to deal with the continuous increase in the penetration of the Private Brand, with very aggressive price strategies. Nevertheless, the market grew by 24.5% in value, whilst Gallo increased its value share by 1.3 p.p..

On the positive side is the increase of around 27% in the sales to Angola and on the down side, we should mention the decrease in sales to Venezuela, as a consequence of the macroeconomic and political climate that the country is going through.

In 2013, the Company invested in a new production line which more than duplicates its productive capacity and will enable production to be made according to the seasonality of the business, thereby leaving Gallo Worldwide better prepared for the estimated growth for the coming years.

Gallo Azeite Novo 2013/14

4. BUSINESS AREAS PERFORMANCE

MESSAGE FROM THE MANAGING DIRECTOR

2013 was a year in which we reconsidered the future and got ready for the path we had defined. We focused the business on two key areas: representing mass market brands and exports. We discontinued the cosmetics division and the trading businesses. The sale of Caterplus to Recheio also enabled us to invest further in modern retail. We made some changes to the organisation and to the operating model. We established consumer-orientation and innovation as key factors for our success. As a result of the discontinued businesses, total sales fell by 2.1%. Nevertheless, sales in the core businesses increased 5.4%, proving that we are on the right track. We therefore enter 2014 with expectation and optimism.

4.4.2. MARKETING, REPRESENTATIONS AND RESTAURANT SERVICES

4.4.2.1. JERÓNIMO MARTINS DISTRIBUIÇÃO DE PRODUTOS DE CONSUMO (JMDPC)

MISSION

To be the key partner for building and developing brands for the Portuguese market, with a solid and varied portfolio of represented leading brands and a service of excellence throughout the entire supply chain. Leveraged on the solid experience of brand development, to be the partner for Portuguese products and brands exports to international markets.

2013 PERFORMANCE

DOMESTIC MARKET

In 2013, the brands representation business in the domestic market grew by 6%. As predicted in the previous year, the new represented brands had a positive contribution towards JMDPC's performance, with Pringles, Tabasco and Evian outperforming the historic high in sales volume, before JMDPC representing these brands. All together, the new brands represented around 11% of the Company's sales in 2013.

It is worth mentioning the positive performances of Heinz, Guloso, Lindt, Canderel, After Eight, ViveSoy (Leche Pascual), Mandarin and Jerónimos brands. Although it was practically in line with the previous year, Kellogg's reinforced the market share of its main segment and recovered its leadership (Nielsen Market Track 2013).

In this year, JMDPC began representing the Bergen brand in the biscuit category, endend the representation of Bahlsen and Sunlover brands and discontinued Jermar, one of its Private Brands in the Non-Food area.

Regarding the sales analysis by channel in its core businesses, JMDPC posted a growth in all of them: in Wholesale 19.5%, in Retail 2.9% and in the islands 14.2%.

In December, JMDPC gained a new represented brand, The Hershey Company, the biggest chocolate manufacturer in North America and worldwide market leader in chocolates and sugar confectionary. The Hershey Company's portfolio contains a wide variety of brands and JMDPC is going to start this new partnership with the launch of the Reese's brand in Portugal.

Due to being more focused on the brand representation and export businesses, the trading business was discontinued. 2013 was also the year in which Caterplus was sold and integrated into Recheio, thereby no longer contributing towards JMDPC's sales.

EXPORTS

In 2013, exports represented around 5% of sales, in line with 2012. Throughout the year, sales were made to 10 markets, the two main ones being Angola and Brazil. Exported Portuguese products and brands grew by 35%, managing to increase their weight by 6 p.p. against the previous year.

As such, this project was consolidated in 2013, maintaining the same two objectives initially set: i. to serve as a vehicle for Portuguese companies that wish to export their products; and ii. to provide further service to the represented brands in the export markets.

4.4.2.2.
JERÓNIMO MARTINS RESTAURAÇÃO E SERVIÇOS (JMRS) AND HUSSEL

In 2013, despite the economic crisis the country is going through, JMRS and Hussel had an extraordinary performance. The restructuring of the store portfolio, which initiated in the previous year, was finalised and the results of the Jeronymo, Olá and Hussel banners, exceeded our highest expectations with like-for-like growth reaching 0.5% at Jeronymo coffee shops, 2.1% at Olá and 3.3% at Hussel. In 2014 we are going to return to expansion through these three banners.

MISSION

To identify, develop and implement Specialised Retail and Restaurant Services concepts whose value propositions meet the Group's profit criteria.

2013 PERFORMANCE

During 2013, the Company was focused on optimising its portfolio and restructuring this business area. The Company closed the year with 67 stores operating with different concepts and also five franchised stores.

JERONYMO

2013 was an important year for consolidating Jeronymo's market positioning, by continuing with the plan for renewing the banner's image that began in 2011. In 2013, the Company had a positive like-for-like sales performance in the coffee shops (+0.5%), reflecting the increase in the average ticket which offset the fall in the number of visits, as a consequence of the economic environment.

During 2013 the following innovations and actions took place in the Jeronymo coffee shops and kiosks: **i.** communication of all campaigns and innovations at the point of sale and on Facebook; **ii.** introduction of new products in the banner's offer; **iii.** launch of new drinks in the Cappuccinos segment; and **iv.** creation of a "Happy Hour" with special offers during this period.

Jeronymo closed the year with five kiosks and nine coffee shops. One kiosk and two coffee shops were closed during the year.

OLÁ

In 2013, Olá had a positive like-for-like sales performance (+2.1%), reflecting the recovery of traffic in the shopping centres, compared to 2012.

2013's good sales performance can be explained essentially by three factors: **i.** the increase in the average ticket; **ii.** the success of the launch of the "Swirl Magnum 5 Kisses" range; and **iii.** the launch of the loyalty card.

With a view to maintaining and consolidating its current leadership, apart from launching new products throughout the year, in 2013 the Company carried out various initiatives: **i.** distribution of loyalty cards; **ii.** promotions on the Facebook page, which were well received by users; and **iii.** launch of theme-based products, such as Easter Swirl and Christmas Swirl.

Two stores were closed in 2013. The banner currently operates 27 stores and five franchised stores, within a total of 32 units.

Jeronymo Cafe Interior

4. BUSINESS AREAS PERFORMANCE

JERONYMO FOOD WITH FRIENDS (JERONYMO FWF)

The Jeronymo FWF restaurant aims to address the needs of an urban target. It has a vast offer of recipes, especially fresh pastas, fresh dough pizzas and hamburgers, made in front of the customer, in a short space of time, in a modern and unique environment.

Aiming to increasing the traffic in the restaurant, various initiatives were carried out over the year, which included communications through social networks, tasting initiatives and the reinforcement of the restaurant's offer.

In 2013, Jeronymo FWF' performance continued to have a negative effect from the increase in the VAT rate in the restaurant services sector and the decrease in out-of-home consumption in Portugal, due to the macroeconomic constraints.

HUSSEL

In 2013, Hussel, a Specialised Retail chain of chocolate and confectionary, had a solid like-for-like sales performance (+3.3%), despite the decrease in the Portuguese consumers' purchasing power, which had a direct impact on the non-essential categories. Regarding the average ticket, this grew by an average of 4.4%, which offset the fall in the number of visits of 1.0%. The Company ended the year operating 25 stores.

In 2013, the Company focused mainly on theme-based campaigns (St. Valentine's, Women's Day, Father's Day, Easter, Mother's Day, Day of the Child, Popular Saints, Back-to-School and Christmas), having invested heavily in the offer range on those dates, by launching new products. These campaigns were well accepted by consumers and had clearly positive results. The entire communications strategy was based on the point of sale, the website and the brand's Facebook page.

JERONYMO FOOD WITH FRIENDS

HUSSEL Confiserie

Hussel Store Interior

5.
OUTLOOK FOR 2014

Economic activity is expected to accelerate, as tax consolidation solidifies

5.1.
INTERNATIONAL MACROECONOMIC ENVIRONMENT

According to the projections in the World Economic Outlook (WEO) report from the International Monetary Fund (IMF), published in October 2013, the world economy's should post in 2014 a Gross Domestic Product (GDP) growth of 3.6%. The growth projection for the advanced economies is 2.0% and 5.1% for the emerging and developing economies.

At a time when the greatest world economies are still facing structural faults, the performance of the actual GDP growth in each of the economies will be significantly varied, as a result not only of the major differences in terms of economic growth, but also the position of each of them in the economic cycle.

The driver of world growth should mainly be the United States. In 2014 economic activity is expected to accelerate, as tax consolidation solidifies and monetary conditions stabilise. It is estimated that the world GDP growth will reach 2.6%, assisted by a recovery in the real estate sector, due to greater household wealth and better bank loan terms.

China and a number of growing emerging economies are coming out of cyclic growth peaks. The projected growth rates for these economies are still much higher than the increases predicted for the advanced economies, but below the levels seen over the last few years, both for structural reasons and due to the economic climate. The predicted growth rate for China in 2014 is 7.3%, below the growth recorded in the last few years. This slow-down could affect many countries, in particular exporters of commodities.

The expected economic growth for the Euro Zone is 1.0%, following a contraction of around 0.4% in 2013. Although the Euro Zone may be coming out of the recession, the predicted growth in economic activity is conservative. Confidence indicators suggest that activity is almost stabilising in the periphery and recovering in just a few of the central economies. Nevertheless, old problems, such as the fragmented financial system and the high levels of public debt of many of the European economies, may lead to new crises, and so a significant reduction in the pace of budgetary contention measures is important to guarantee the projected growth. However, despite the reduction in budgetary contention measures, there will continue to be restrictive credit terms in the periphery.

Unemployment will remain high in many of the advanced economies as well as in various emerging economies, especially in the Middle East and North Africa. Even in the United States, where a drop is estimated in the unemployment rate from 7.6% in 2013 to 7.4% in 2014, this partly reflects a reduction in the share of the workforce, as a result of demographic trends. In the Euro Zone, the job market will continue to face difficulties and the unemployment rate will remain at record highs, with the possibility of reaching 12.2% in 2014. The countries with the highest unemployment rates will continue to be Spain, Greece and Cyprus, followed by Portugal. In the emerging and developing economies, low levels of unemployment are expected, supported by a growth in economic activity.

The fall in the price of commodities and the reduction in economic growth may decrease the pressure on prices. The price projections for fuel and other raw materials show a decline in 2014, albeit slight. Food prices are facing increasing risks, mainly as a result of supply uncertainties related to the climate and to the increase in demand in some regions, especially China.

In 2014, inflation should reach 5% to 6% in the emerging and developing economies and around 1% to 2% in the advanced economies. In the Euro Zone, taking into account the projection of a weak economy and the pressure on salaries in the periphery, inflation should be around 1.5%.

Tax policy in the advanced economies is less restrictive and will be generally neutral in the emerging and developing economies. Amongst the advanced economies, contraction of the tax policy will be lower in the Euro Zone and the United States. However, it will be partially offset by a more restrictive budgetary policy in Japan.

Public debt will continue to be very high in the advanced economies, falling to around 30% of GDP in the emerging and developing economies. Tax sustainability will not be taken for granted and these problems will continue to shape the evolution of the world economy over the next few years.

5. OUTLOOK FOR 2014

5.2. INTERNATIONAL SECTOR TRENDS

In 2014, the global economy should improve gradually, although with modest growth, low inflation and probably a lower long-term growth potential. Europe should return to economic growth, but recovery will be slow.

This economic climate has direct implications on the evolution of the Food Distribution sector. It is hoped that players will, on the one hand, concentrate their expansion efforts on the emerging economies, where growth prospects are more attractive and on the other hand, adopt a more prudent approach to new investments, as well as defence strategies and an increase in market shares in the developed economies.

The Retail sector is experiencing an unprecedented period of learning and adaptation. One of the most relevant examples is the impact on consumers of easy access to mobile communications.

The multi-channel strategy should steer retailers towards a deeper understanding of the customer's desired experience when using the different channels.

Complementary to the multi-channel strategy, the main players will also seek to be strongly present on the social networks, in order to understand how to improve their offer, taking into account the constantly changing purchasing needs and new consumption patterns.

Payments through mobile networks will be an integral part of the purchasing experience in the coming years and the main retailers will increasingly accept this method of payment.

Larger stores continue to be the main sales channel. However, growth has slowed down and so the major focus will tend to be on small establishments, conveniently located and complemented by a wider online offer. Operators must follow the consumer and as such, will need a more flexible approach with regard to the location of their store and its design.

RETAIL WILL RE-INVENT THE LOYALTY PROGRAMMES

In 2014, the players should reinforce their investment in loyalty programmes. Loyalty cards may be replaced by more personalised actions through a link between the information obtained on social networks and the analysis of the consumer's purchasing patterns.

Efforts should be concentrated on studying and handling purchasing data, closely linked to the loyalty programmes. This data and subsequent analyses will enable Retail operators to have a better understanding of consumer profiles and preferences and to potentially improve the purchasing experience. By analysing traffic patterns in the stores, studying the loyalty data and observing online social behaviour, the players will reinforce their liaison with the consumer.

5.3. THE OUTLOOK FOR POLAND

ECONOMIC PERSPECTIVES

It is expected that, in 2014, the Polish economy will continue its positive GDP growth trend that began in the second-half of 2013. This trend will accompany the vast majority of the European economies, especially Germany, Poland's main trading partner. The most recent estimates for GDP growth in 2014 are between +2.3% and +2.8%.

The growth in GDP should be sustained by more dynamic exports and stronger domestic demand. The reform of the pensions system will contribute towards a reduction in public debt and an improvement in the budgetary deficit, but the implicit responsibilities with state pensions will increase over the next few years. Unemployment should drop to 13%, 50 b.p. below that in 2013.

The Parliament has approved the State Budget for 2014, which aims to contain public spending, but the deficit should remain above 3%, the limit imposed by the European Union. The State Budget for 2014 forecasts a deficit of around 48 billion zlotys, i.e. 3.6% of GDP, below the 4.1% forecast for 2013. VAT rates will remain unchanged in 2014, but taxes on consumption, namely on tobacco and alcoholic beverages, are likely to go up 5% and 15%, respectively.

With regard to the monetary policy, it is expected that the Polish Monetary Council remains economic growth-orientated, maintaining the reference interest rate unchanged during the first half of the year, given that inflation is also below the 2.5% defined by the Polish National Bank.

It is rather difficult to foresee how the Polish currency will behave in 2014, due to the highly volatile exchange rates. It is expected that the exchange rate will remain above four zloty to the euro in the long-term, whilst short-term expectations are strongly dependent on the United States Federal Reserve's low interest policy.

MODERN FOOD RETAIL MARKET IN POLAND

As a result of a more favourable macro-economic outlook, the Retail market should continue to grow and at a faster pace than in 2013.

The consolidation of the hypermarket segment will continue with the conclusion of the process of Auchan's acquisition of Real. It is also expected that franchising networks promoted by the main players, which enable independent store owners to take advantage of the potential of those groups, will continue to progress.

Traditional channels are increasingly side-by-side with online sales, with the involvement of social networks and click-and-collect solutions. These trends will require investments in the supply chain as well as in the logistics structure.

The growth of online purchases has brought about price transparency, which facilitates comparison. The launch of innovative products will be key to differentiation.

The last few years were denoted for developing the Private Brand in the middle and premium segments. Some players in the supermarket and convenience store segments have duplicated their Private Brand assortment, and so it is to be expected that they maintain this trend as a response to consumer purchasing rationalisation. This evolution in the development of new product lines may lead to closer cooperation between manufacturers and retailers.

HEALTH AND BEAUTY RETAIL MARKET IN POLAND

The Health and Beauty Retail market in Poland should continue to expand at a pace of 4 to 5% per year, during the next two years, and is forecast to reach an overall value of 21.5 billion zlotys in 2015. The Polish consumer still spends much less on health and beauty products compared to the average in Western Europe, meaning there is a potential for market growth.

Apart from the expansion of the Modern Distribution organised chains of health and beauty products, which are expected to reach close on 60% market share within the next three years (from the current 45%), the current franchising networks, as well as the buying associations and cooperatives are predicted to continue their market expansion, with the objective of strengthening cooperation ties (the largest independent pharmacy network is currently Drogerie Laboo, with 470 associated stores).

Online distribution should benefit from the changes in the pace of life of consumers, as well as the growth in the number of Internet users, to promote its concept of convenience linked to the possibility of saving time and having low prices within easy reach. This channel is forecast to reach a 20% annual growth and is estimated to achieve a billion zlotys in sales in 2015.

According to a study by PMR, the Polish consumer's growing awareness, as well as the increase in prices and in the cost of living, will be determining factors for defining consumption preferences. The trend will be towards purchasing rationalisation, with less expensive products which ensure good quality.

On the other hand, the consumer will remain attentive to novelties in the cosmetics market, because even in an environment of constrained economic growth, these products are seen as a small, accessible luxury.

5.4. THE OUTLOOK FOR PORTUGAL

ECONOMIC PERSPECTIVES

The budgetary consolidation process will be maintained in 2014, through PAEF, whilst there are still some doubts regarding the final measures to be included in the 2014 State Budget, as a result of the challenges to the constitutionality of some of the rules included in the initial budget.

The deleveraging of the private sector will be maintained, through an increase in direct and indirect taxes, as well as the unfavourable conditions in the job market, although a slight growth of 0.5% in employment is forecast.

The projections in the Bank of Portugal's Winter Bulletin estimate a 0.8% growth of the Portuguese economy in 2014, following a 1.5% decline in 2013.

The growth in domestic demand foreseen for 2014 is 0.1% (-2.7% in 2013), also a consequence of the reduction in the rate of Portuguese families' savings, with an underlying increase in private consumption of 0.3% (-2.0% in 2013), which should cover the non-durable and durable goods, the latter having undergone a very significant contraction between 2011 and 2012 (-36% in cumulative terms).

Exports in 2014 should continue to grow steadily (+5.5%), with a slight reduction in the contribution from services and a sharper reduction in the contribution from energy. On the other hand, non-energy goods should increase in line with the acceleration in foreign demand for these goods.

With regard to imports (+3.9%) a higher growth than the overall demand is expected (+0.1%), supported by the growth in energy and transport materials, following an increase of 2.7% in 2013.

After delaying the investment in productive capital over the last few years (-20% between 2011 and 2013), as a result of the prospects of unfavourable demand and severe economic uncertainty, it is probable that investment will have a positive evolution in 2014 (+1%), compared to a drop of 8.4% in 2013. The increase in investments should be common to both the business and residential sectors. On the other hand, public investment will probably have quite limited growth, in line with the budgetary consolidation process.

5. OUTLOOK FOR 2014

The actual available income of the majority of families should remain the same in 2014, after the significant reduction seen in 2013, as a consequence of the impact of the budgetary consolidation measures, whilst we underline the uncertainty still surrounding the measures to be approved for the 2014 State Budget.

2014 is expected to see salary moderation, in particular in the public sector, but also in the private sector, although there might be moderate adjustments.

With significant recovery in the level of household confidence, a moderate reduction in the savings rate is probable, to the same extent as the decrease in household concern about the household budget.

The Portuguese economy's financing capacity should increase in 2014 and the following years, as this has been one of the most marked aspects of the adjustment process in the last few years. This increase in financing capacity is essentially the result of a favourable current and capital accounts balance, as a consequence of the strong increase in exports and some gains resulting essentially from the reduction of the price of oil in euros.

Inflation should reach +0.8% in 2014 (+0.5% in 2013), as a consequence of the increase, although moderate, of the non-energy component (+1.4%), partially offset by the reduction in the energy component, illustrating the evolution of oil in euros.

Portugal's return to stable market financing at the end of the adjustment programme will be a demanding process, implying not only strict compliance with the commitments agreed by the country but mainly as an indispensable condition for obtaining credibility of its economic adjustment in the medium and long-term.

During 2014, households with bank loans should continue to benefit from the very low Euribor interest rate, as it is not expected that there will be any change to the European Central Bank's (ECB) reference rate.

Despite the predicted improvement in Portugal's GDP and the possible, but slight, recovery in employment, the unemployment rate in Portugal will remain very high.

MODERN RETAIL FOOD MARKET

Following a period of deep recession (a GDP drop of around 6% in the 2011-2013 period), recent projections point towards the stabilisation of the Portuguese economy, or even towards a slight recovery in 2014. They are also projecting that available income and private consumption will stabilise, following a period of strong decline.

It is believed that this will be a period still marked by the budgetary consolidation process and unfavourable conditions in the job market, and so together with these projections, there is a degree of uncertainty regarding the impact on Portuguese consumers.

For this reason it is believed that Portuguese families will continue to have some of the same attitudes as in the recent past, namely strictly rationalising their purchases, as well as being highly focused on price, relevant promotions and placing more value on the Private Brand with its better price/quality ratio.

From the Modern Food Retail point of view, it is therefore predicted that there will continue to be a competitive environment where price and proximity stand out as critical success factors for the consumer's choice.

WHOLESALE FOOD MARKET

For 2014, austerity is foreseen to continue to affect Portuguese consumers, with the evident move from out-of-home to in-home consumption.

As such, with regard to demand, it is anticipated that we will continue to see a drop in turnover in the HoReCa channel. The Portuguese national football team's participation in the World Cup may, however, be a driver for boosting the restaurant market.

With regard to Traditional Retail, there is an integrated set of initiatives and trading projects that will bring positive effects. The ambitious expansion plan for the Amanhecer stores will also make its contribution. Similarly, we will see the renewal of this segment, not only with regards to the store network but also the positioning that Traditional Retail wishes to occupy in the market, presenting a more modern, competitive value proposition that is better adapted to the needs of the consumer.

Considering these prospects, it is anticipated that, as far as their offer is concerned, the Cash & Carry operators will have another highly competitive year, fighting to maintain their market share which will continue to decrease.

5.5. THE OUTLOOK FOR COLOMBIA

ECONOMIC PERSPECTIVES

The Colombian economy's performance in 2014 will depend on various factors, the most important being the outcome of the parliamentary and presidential elections, developments in the peace process and the level of economic recovery of two of the main world economies (USA and European Union).

There are measures to be applied in 2014 that are already known and which will have a positive influence on economic growth, such as the continuation of the peace process and the 4.5% increase in the minimum wage. This last aspect will enable resources in the economy to be increased, which will contribute towards an increase in consumption and trading. In this way, Colombia will reach the 2nd position in the ranking of the countries in the Pacific Alliance (Chile, Mexico and Peru), with regard to the minimum wage.

The economic growth in Colombia should be 4.7%, based on strong investment in the construction and infrastructure sectors and on an increase in manufacturing. According to the latest estimates from the Colombian Central Bank, inflation should be 3%.

During the second-half of 2014, it is probable that there will be an increase in the reference interest rate by the country's Central Bank, if there is stable inflation and a positive economic performance.

MODERN FOOD RETAIL MARKET IN COLOMBIA

The Food Retail market in 2014 should perform well, as a result of the positive economic, political and social situation which has been consolidating over several years.

The agreements with the countries of the Pacific Alliance and with the USA will remain in place or even reinforced during 2014, which will enable Colombia to continue to have considerable access to foreign investments. This opening up of the market will help to develop the Retail sector, contributing towards an increase in quality, namely with regards to the products offered, with the entry of new added-value products and services that have better presentation, are more efficient and at more competitive prices.

The impact of online shopping should also be taken into consideration as, according to the Colombian Chamber of Electronic Commerce, this had a 30% increase in 2013, reaching 2.5 billion dollars, and the outlook for 2014 points towards a similar growth.

5.6. THE OUTLOOK FOR JERÓNIMO MARTINS' BUSINESS ACTIVITY

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

FOOD RETAIL BUSINESS IN POLAND: BIEDRONKA

In Poland, strengthening Jerónimo Martins' leadership position will continue to be a priority. The expansion plan includes the opening of around 300 new stores in 2014, 30% of which in major cities, as well as the inauguration of three new Distribution Centres. In 2013, Biedronka inaugurated two stores in Gdańsk based on a new, more modern store concept, which is more appealing to the consumer and especially focused on energy efficiency. The implementation of this concept will take place throughout 2014, aimed at stores in the major cities, in highly visible locations.

The Company will start the testing of smaller stores in major cities, including some adjustments to the assortment, in order to better respond to the needs of consumers in the cities.

Apart from maintaining the fast pace of new store openings, Biedronka's priority is to continue achieving a like-for-like growth above the market, whilst also increasing its market share.

Biedronka will continue to focus on cost leadership, in order to maintain its price leadership. Having defined sales growth as its main priority, the Company will concentrate on reinforcing its price leadership in the market, within a more competitive environment.

FOOD RETAIL BUSINESS IN PORTUGAL: PINGO DOCE

For Pingo Doce, 2014 will be a year in which the main priorities will be focused on increasing sales and the corresponding increase in market share on the one hand, and on cost efficiency on the other, in order to improve the profitability of the business. In order to achieve these goals, the Company will continue develop the communication of its value proposition, reinforcing the differentiation of its Perishables and optimising the assortment by developing the Private Brand.

Pingo Doce will continue expanding its store network, through opening new stores, whether managed by the Company, or by third-parties. For 2014, the opening of at least 10 new units is planned.

WHOLESALE FOOD MARKET IN PORTUGAL: RECHEIO

In 2014, Recheio aims to focus its priorities on: i. widening the spectrum of the Company's customers; ii. consolidating its leadership in supplying Traditional Retail and iii. ensuring its competitiveness in all business areas, boosting synergies between the different segments.

The main objectives regarding new businesses are: i. to enhance the profitability of the Food Service business; ii. to open a minimum of 50 Amanhecer stores; and iii. to enter new export markets and consolidate the existing relations.

On the other hand, Recheio also has the objective of reinforcing its store competitiveness and efficiency, by optimising the assortment, reducing some complexity and improving processes.

5. OUTLOOK FOR 2014

DEVELOPMENT OF NEW BUSINESSES

In 2014, Hebe will invest in developing and adjusting the key areas of its business model, such as: i. optimising its assortment; ii. developing the Private Brand assortment; iii. developing its perception and positioning within the mass market; and iv. building its infrastructure and supply chain. Hebe is planning to open at least 50 stores in 2014.

In 2014, Ara will continue to focus on opening at least another 50 new stores in the Coffee Growing region and its priority will be to increase its awareness and the attractiveness of the Ara brand, which aims to join happiness with unbeatable prices. At the same time, it will work on extending the Private Brand product range, as well as on innovating its assortment, in order to continue to build up trust and credibility with the Colombian consumer.

MANUFACTURING AND SERVICES IN PORTUGAL

For 2014, Unilever Jerónimo Martins' main objective is to continue growing sales, by increasing its market share and remaining focused on some of the key categories. The Company aims to invest in the Personal Care category, mostly in the Hair segment, where a high growth potential has been identified. It will start focusing on increasing in volume and market share in the Fabric Detergents category and in the Out-of-Home Ice-cream category, where the market has contracted. With regard to profitability, the Company will continue its policy for strong cost management, whilst at the same time, simplifying its processes and portfolio. This will enable it to obtain gains in productivity and efficiency, which contribute towards a sustained growth in EBITDA margin.

Gallo Worldwide's main priority for 2014 is to continue increasing sales, taking into account the prospect of having favourable conditions for its raw material. The investment in consolidating the brand's positioning and increasing its market share in Brazil is to be maintained.

In addition, the Company will be focused on the Angolan market, where it aims to continue with the work carried out in 2013 and to invest to grow in sales in China, where the Company revised its business model this year and aims to deploy the pre-defined strategies.

2014 will be a dynamic year for JMDPC. In the domestic market, the Company will focus on increasing and/or reinforcing the leadership of the brands it already represents, without losing sight of the importance of winning new brand representations. Regarding exports, the Company's main objective is to increase the weight of Portuguese products and brands in its sales, not only by developing the markets where it is already present, but also by entering new strategic markets.

After reformulating the store network and the concept portfolio in previous years, in 2014, JMRS will return to expansion through its Jeronymo, Olá and Hussel banners. The focus will always be on improving the business's profitability by rationalising the cost structure and achieving a sustainable sales growth. *

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

6. POST BALANCE SHEET EVENTS

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

7. RESULTS APPROPRIATION PROPOSAL

In the financial year 2013, Jerónimo Martins, SGPS, S.A. declared consolidated profits of 382,256,238 euros and a profit in individual accounts of 242,861,469.91 euros.

In accordance with the dividend distribution policy described in the Corporate Governance chapter, the Board of Directors proposes to the Shareholders that the net profits be applied in the following manner:

Legal Reserve	12,143,073.50 euros
Free Reserves	39,045,959.31 euros
Dividends	191,672,437.10 euros

This proposal represents a **gross dividend payment of 0.305 euros** per share, excluding own shares in the portfolio.

Lisbon, 25 February 2014

The Board of Directors

8. CONSOLIDATED MANAGEMENT REPORT ANNEX

INFORMATION CONCERNING STAKES HELD IN THE COMPANY BY MEMBERS OF THE BOARD OF DIRECTORS AND STATUTORY AUDITOR

(Under the terms of paragraph 5 of article 447 of the Portuguese Commercial Companies Code)

BOARD OF DIRECTORS

Members of the Board of Directors	Held on 31.12.12		Increases during the year		Decreases during the year		Held on 31.12.13	
	Shares	Bonds	Shares	Bonds	Shares	Bonds	Shares	Bonds
Elísio Alexandre Soares dos Santos [1]	156,531	-	34,445	-	-	-	190,976[4]	-
Pedro Manuel de Castro Soares dos Santos [2]	216,305	-	19,500	-	-	-	235,805	-
Alan Johnson [3]	14,450	-	6,950	-	-	-	21,400	-
António Mendo Castel-Branco Borges	-	-	-	-	-	-	-	-
António Pedro de Carvalho Viana-Baptista	-	-	-	-	-	-	-	-
Hans Eggerstedt	19,700	-	-	-	-	-	19,700	-
José Manuel da Silveira e Castro Soares dos Santos	-	-	-	-	-	-	-	-
Nicolaas Pronk	-	-	-	-	-	-	-	-
Andrzej Szlęzak	n.a.	-	-	-	-	-	-	-
Sérgio Tavares Rebelo	n.a.	-	-	-	-	-	-	-
Francisco Seixas da Costa	n.a.	-	-	-	-	-	-	-

[1] The 34,445 shares were bought on: 15,000 shares on 14/05/2013, at a price of 16.945 euros each, 12,500 shares on 31/07/2013, at a price of 14.849 euros each and 6,945 shares on 08/08/2013, at an average price of 14.354 euros each.

[2] The 19,500 shares were bought on 01/03/2013, at a price of 15.440 euros each.

[3] The 6,950 shares were bought on 07/08/2013, at a price of 14.30 euros each.

[4] This position refers to the termination of functions date, December 18, 2013.

STATUTORY AUDITOR

As at 31 December, 2013, the Statutory Auditor PricewaterhouseCoopers & Associados, SROC, Lda., did not hold any shares or bonds of Jerónimo Martins, SGPS, S.A. and in 2013 did not make any transactions with Jerónimo Martins, SGPS, S.A. securities.

LIST OF TRANSACTIONS MADE BY PERSONS DISCHARGING MANAGERIAL RESPONSIBILITIES AND PEOPLE CLOSELY CONNECTED WITH THEM

Under the terms of paragraph 7 of Article 14 of CMVM Regulation 5/2008, Jerónimo Martins, SGPS, S.A. informs about all the transactions made by persons discharging managerial responsibilities along 2013.

ASTECK S.A.

Date	Nature	ISIN Code	Volume	Price
13-05-2013	Sell *	PTJMT0AE0001	31,464,750	16.600
Total			**31,464,750**	

* Transaction made outside the regulated market, through an accelerated book building private offering.

E. ALEXANDRE SOARES DOS SANTOS

Date	Nature	Code ISIN	Volume	Price	Local
14-05-2013	Buy	PTJMT0AE0001	15,000	16.945	Euronext Portugal
31-07-2013	Buy	PTJMT0AE0001	12,500	14.849	Euronext Portugal
08-08-2013	Buy	PTJMT0AE0001	403	14.320	Euronext Portugal
08-08-2013	Buy	PTJMT0AE0001	500	14.335	Euronext Portugal
08-08-2013	Buy	PTJMT0AE0001	438	14.340	Euronext Portugal
08-08-2013	Buy	PTJMT0AE0001	645	14.340	Euronext Portugal
08-08-2013	Buy	PTJMT0AE0001	321	14.345	Euronext Portugal
08-08-2013	Buy	PTJMT0AE0001	510	14.345	Euronext Portugal
08-08-2013	Buy	PTJMT0AE0001	458	14.345	Euronext Portugal
08-08-2013	Buy	PTJMT0AE0001	500	14.355	Euronext Portugal
08-08-2013	Buy	PTJMT0AE0001	500	14.365	Euronext Portugal
08-08-2013	Buy	PTJMT0AE0001	2,500	14.370	Euronext Portugal
08-08-2013	Buy	PTJMT0AE0001	170	14.380	Euronext Portugal
Total			**34,445**		

PEDRO MANUEL DE CASTRO SOARES DOS SANTOS

Date	Nature	Code ISIN	Volume	Price	Local
01-03-2013	Buy	PTJMT0AE0001	19,500	15.440	Euronext Portugal
Total			**19,500**		

ALAN JOHNSON

Date	Nature	Code ISIN	Volume	Price	Local
07-08-2013	Buy	PTJMT0AE0001	6,950	14.300	Euronext Portugal
Total			**6,950**		

LIST OF SHAREHOLDERS WITH QUALIFYING HOLDINGS AS AT 31 DECEMBER, 2013

(Under the terms of paragraph 4 of Article 448 of the Portuguese Commercial Companies Code and of section b), paragraph 1 of Article 8 of the Portuguese Securities Market Commission – CMVM – Regulation no. 5/2008)

Shareholder	Nr. of Shares Held	% Capital	Nr. of Voting Rights	% of Voting Rights*
Sociedade Francisco Manuel dos Santos, SGPS, S.A. Through Sociedade Francisco Manuel dos Santos, B.V.	353,260,814	56.136%	353,260,814	56.136%
Heerema Holding Company Inc. Through Asteck, S.A.	31,464,750	5.000%	31,464,750	5.000%
Carmignac Gestion Directly	16,859,313	2.679%	16,859,313	2.679%
BNP Paribas Through Investment Funds Managed by BNP Paribas	13,536,757	2.151%	12,604,860	2.006%
BlackRock Inc. Through Investment Funds Managed by BlackRock Inc.	12,694,453	2.017%	12,694,453	2.017%

Source: Last communications made by the shareholders with qualifying holdings to Jerónimo Martins, SGPS, S.A..
* Based on the total number of shares under the terms of section b), paragraph 3 of Article 16 of the Portuguese Securities Code.

3

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

3

We've innovated our support to local producers

We were pioneers in launching Private Brand wines. In 15 years, we bought seven times more quantity.

Poland

In Poland, all the fish sold was sourced from local suppliers, especially the salmon, trout, carp and bass.

2013

Angus Beef

Angus Beef production on domestic soil in Portugal.

Reduction of the product's carbon footprint

Sourcing Responsibly

10 Days

We reduced the payment times to Portuguese farmers to 10 days.

In 2013, seven Pingo Doce wines were awarded at the *Concours Mondial de Bruxelles* and at the International Wine Challenge

More Sustainable Practices

Jerónimo Martins' entry into Colombia was well received and led suppliers to invest in pallets and cardboard display boxes instead of the traditional plastic ones, thereby contributing towards process efficiencies.

Domestic production

85%

Products sourced from local suppliers

In equal circumstances and whenever possible, we prefer to buy domestic products.

In Portugal, around 85% of the products sold in our stores are sourced from local suppliers and in Poland and in Colombia that figure reaches over 90% in the food area.

Sustainable Sourcing Policy

We are aware of the importance of the role the Distribution sector plays in dealing with the challenge of sustainability and we endeavour to incorporate ethical and environmental concerns in our supply chains, with a view to gradually reducing, in a sustained manner, the impacts of our operations.

1. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT BY FUNCTIONS
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

(euro thousand)	Notes	December 2013	December 2012(*)	4th Quarter 2013	4th Quarter 2012(*)
Sales and services rendered	3	11,829,308	10,683,123	3,130,021	2,883,322
Cost of sales	4	(9,288,682)	(8,337,453)	(2,451,263)	(2,248,047)
Gross profit		**2,540,626**	**2,345,670**	**678,758**	**635,275**
Distribution costs	5	(1,812,161)	(1,643,481)	(491,382)	(433,347)
Administrative costs	5	(200,611)	(183,727)	(48,014)	(49,492)
Exceptional operating profits/losses	10.1	(2,811)	(16,405)	(2,738)	(3,476)
Operating profit		**525,043**	**502,057**	**136,624**	**148,960**
Net financial costs	7	(38,849)	(29,855)	(8,857)	(8,901)
Gains in joint ventures and associates	15	18,838	13,302	5,137	6
Gains/losses in other investments	10.2	(1,651)	(2,840)	(1,676)	(2,840)
Profit before taxes		**503,381**	**482,664**	**131,228**	**137,225**
Income tax	9	(110,839)	(116,338)	(32,673)	(46,195)
Profit before non-controlling interests		**392,542**	**366,326**	**98,555**	**91,030**
Attributable to:					
Non-controlling interests		10,286	5,864	(3,182)	2,108
Jerónimo Martins shareholders		**382,256**	**360,462**	**101,737**	**88,922**
Basic and diluted earnings per share - euros	23	0.6083	0.5736	0.1619	0.1415

To be read with the attached notes to the consolidated financial statements
(*) Restated - see note 2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

(euro thousand)	December 2013	December 2012(*)	4th Quarter 2013	4th Quarter 2012(*)
Net profit	**392,542**	**366,326**	**98,555**	**91,030**
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Revaluation of fixed assets	(16,859)	(4,970)	(17,495)	(4,970)
Remeasurements of post-employment benefit obligations	(1,256)	(130)	(1,256)	(130)
	(18,115)	**(5,100)**	**(18,751)**	**(5,100)**

(euro thousand)	December 2013	December 2012(*)	4th Quarter 2013	4th Quarter 2012(*)
Items that may be reclassified to profit or loss				
Currency translation differences	(11,363)	66,180	14,228	6,015
Change in fair value of cash flow hedges	2,168	2,271	(209)	1,454
Change in fair value of hedging instruments on foreign operations	(5,427)	(10,514)	(3,771)	(3,651)
Change in fair value of available-for-sale financial assets	186	(124)	143	22
Gain (loss) on joint ventures and associates	(1,083)	176	(1,083)	176
	(15,519)	**57,989**	**9,308**	**4,016**
Other comprehensive income, net of income taxes	**(33,634)**	**52,889**	**(9,443)**	**(1,084)**
Total comprehensive income	**358,908**	**419,215**	**89,112**	**89,946**
Attributable to:				
Non-controlling interests	2,393	5,530	(11,359)	1,184
Jerónimo Martins shareholders	356,515	413,685	100,471	88,762
Total comprehensive income	**358,908**	**419,215**	**89,112**	**89,946**

To be read with the attached notes to the consolidated financial statements
(*) Restated - see note 2

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2013, 31 DECEMBER 2012 AND 1 JANUARY 2012

(euro thousand)	Notes	31 December 2013	31 December 2012(*)	1 January 2012(*)
Assets				
Tangible assets	11	2,782,821	2,571,705	2,276,309
Investment properties	13	47,471	49,336	52,128
Intangible assets	12	805,849	794,350	736,751
Investments in joint ventures and associates	15	81,431	77,357	81,634
Available-for-sale financial assets	16	1,208	1,022	6,134
Trade debtors and deferred costs	19	87,999	96,351	85,393
Derivative financial instruments	14	-	-	10
Deferred tax assets	18.1	51,013	52,133	56,384
Total non-current assets		**3,857,792**	**3,642,254**	**3,294,743**
Inventories	17	574,992	474,056	370,210
Taxes receivable	18.3	53,455	47,652	27,784
Trade debtors, accrued income and deferred costs	19	241,249	232,677	151,589
Cash and cash equivalents	20	371,671	375,072	527,247
Total current assets		**1,241,367**	**1,129,457**	**1,076,830**
Total assets		**5,099,159**	**4,771,711**	**4,371,573**

1. CONSOLIDATED FINANCIAL STATEMENTS

(euro thousand)	Notes	31 December 2013	31 December 2012(*)	1 January 2012(*)
Shareholders' equity and liabilities				
Share capital	22.3	629,293	629,293	629,293
Share premium	22.3	22,452	22,452	22,452
Own shares	22.4	(6,060)	(6,060)	(6,060)
Fair value and other reserves	22.1	27,312	52,125	(1,162)
Retained earnings	22.2	709,661	513,721	476,338
		1,382,658	**1,211,531**	**1,120,861**
Non-controlling interests	**33.1**	**266,604**	**290,395**	**300,824**
Total shareholders' equity		**1,649,262**	**1,501,926**	**1,421,685**
Borrowings	24	369,073	570,781	385,452
Derivative financial instruments	14	2,953	10,977	8,785
Employee benefits	25	37,464	33,961	32,932
Deferred profits - state grants		861	885	910
Provisions for risks and contingencies	26	77,949	99,859	84,438
Deferred tax liabilities	18.1	77,750	81,376	67,619
Total non-current liabilities		**566,050**	**797,839**	**580,136**
Trade creditors, accrued costs and deferred income	27	2,405,028	2,232,472	1,932,835
Derivative financial instruments	14	15,599	4,958	4,038
Borrowings	24	324,716	107,406	328,320
Taxes payable	18.3	138,479	127,085	104,534
Deferred profits - state grants		25	25	25
Total current liabilities		**2,883,847**	**2,471,946**	**2,369,752**
Total shareholders' equity and liabilities		**5,099,159**	**4,771,711**	**4,371,573**

To be read with the attached notes to the consolidated financial statements
(*) Restated - see note 2

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(euro thousand)	Shareholders' equity attributable to shareholders of Jerónimo Martins, SGPS, S.A.								
	Notes	Share capital	Share premium	Own shares	Fair value and other reserves	Retained earnings	Total	Non-cotrolling interests	Shareholders' equity
Balance sheet at 1st January 2012 (*)		**629,293**	**22,452**	**(6,060)**	**(1,162)**	**476,338**	**1,120,861**	**300,824**	**1,421,685**
Equity changes in 2012 (*)									
Currency translation differences in 2012	22.1				66,180		66,180		66,180
Revaluation of fixed assets: - From 2012	22.1				(3,431)		(3,431)	(1,539)	(4,970)
Changes in investments in joint ventures and associates					104	72	176		176
Change in fair value of cash flow hedges	22.1				1,072		1,072	1,199	2,271
Change in fair value of hedging instruments on foreign operations	22.1				(10,514)		(10,514)		(10,514)
Change in fair value of available-for-sale financial assets	22.1				(124)		(124)		(124)
Remeasurements of post-employment benefit obligations						(136)	(136)	6	(130)
Other comprehensive income					53,287	(64)	53,223	(334)	52,889
Net profit in 2012						360,462	360,462	5,864	366,326
Total comprehensive income					**53,287**	**360,398**	**413,685**	**5,530**	**419,215**
Dividends						(323,015)	(323,015)	(15,959)	(338,974)
Balance sheet at 31st December 2012 (*)		**629,293**	**22,452**	**(6,060)**	**52,125**	**513,721**	**1,211,531**	**290,395**	**1,501,926**
Equity changes in 2013									
Currency translation differences in 2013	22.1				(11,363)		(11,363)		(11,363)
Revaluation of fixed assets: - From 2013	22.1				(8,497)		(8,497)	(8,362)	(16,859)
Changes in investments in joint ventures and associates					(1,351)	268	(1,083)		(1,083)
Change in fair value of cash flow hedging	22.1				1,639		1,639	529	2,168
Change in fair value of hedging instruments on foreign operations	22.1				(5,427)		(5,427)		(5,427)
Change in fair value of available-for-sale financial assets	22.1				186		186		186
Remeasurements of post-employment benefit obligations						(1,196)	(1,196)	(60)	(1,256)

1. CONSOLIDATED FINANCIAL STATEMENTS

(euro thousand)	Shareholders' equity attributable to shareholders of Jerónimo Martins, SGPS, S.A.								
	Notes	Share capital	Share premium	Own shares	Fair value and other reserves	Retained earnings	Total	Non-cotrolling interests	Shareholders' equity
Other comprehensive income					(24,813)	(928)	(25,741)	(7,893)	(33,634)
Net profit in 2013						382,256	382,256	10,286	392,542
Total comprehensive income					**(24,813)**	**381,328**	**356,515**	**2,393**	**358,908**
Dividends	22.5					(185,388)	(185,388)	(26,184)	(211,572)
Balance sheet at 31st December 2013		**629,293**	**22,452**	**(6,060)**	**27,312**	**709,661**	**1,382,658**	**266,604**	**1,649,262**

To be read with the attached notes to the consolidated financial statements
(*) Restated - see note 2

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

(euro thousand)	Notes	2013	2012(*)
Operating activities			
Cash received from customers		13,294,761	11,959,856
Cash paid to suppliers		(11,600,260)	(10,355,201)
Cash paid to employees		(850,628)	(798,293)
Cash generated from operations	21	843,873	806,362
Interest paid		(38,103)	(41,786)
Income taxes paid		(120,656)	(96,706)
Cash flow from operating activities		**685,114**	**667,870**
Investment activities			
Disposals of tangible assets		6,294	6,047
Disposals of intangible assets		172	518
Disposals of available-for-sale financial investments and investment property		150	-
Interest received		2,640	7,386
Dividends received		13,717	17,792
Acquisition of tangible assets		(485,278)	(455,028)
Acquisition of available-for-sale financial assets and investment property		-	(3)
Acquisition of intangible assets		(33,127)	(34,101)
Cash flow from investment activities		**(495,432)**	**(457,389)**

(euro thousand)	Notes	2013	2012(*)
Financing activities			
Received from other loans		233,762	290,896
Loans paid		(210,375)	(330,076)
Dividends paid	22.5	(211,572)	(338,974)
Cash flow from financing activities		**(188,185)**	**(378,154)**
Net changes in cash and cash equivalents		**1,497**	**(167,673)**
Cash and cash equivalents changes			
Cash and cash equivalents at the beginning of the year		375,072	527,247
Net changes in cash and cash equivalents		1,497	(167,673)
Effect of currency translation differences		(4,898)	15,498
Cash and cash equivalents at the end of the year	**20**	**371,671**	**375,072**

To be read with the attached notes to the consolidated financial statements
(*) Restated - see note 2

CONSOLIDATED CASH FLOW STATEMENT FOR THE INTERIM PERIOD

(euro thousand)	December 2013	December 2012(*)	4th Quarter 2013	4th Quarter 2012(*)
Cash flow from operating activities	685,114	667,870	126,603	186,753
Cash flow from investment activities	(495,432)	(457,389)	(139,668)	(134,668)
Cash flow from financing activities	(188,185)	(378,154)	(78,214)	(197,982)
Cash and cash equivalents changes	1,497	(167,673)	(91,279)	(145,897)

(*) Restated - see note 2

INDEX TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACTIVITY

Jerónimo Martins, SGPS, S.A. (JMH), is the parent Company of Jerónimo Martins (Group) and has its head office in Lisbon.

Jerónimo Martins is a Food Distribution Group, with market leadership positions in Poland and Portugal. In March 2013, the Jerónimo Martins Group inaugurated its first stores in Colombia, the third geographic region in which it currently operates. At December 31 2013, employs 76,810 people (68,554 at 31 st December 2012).

Head Office: Largo Monterroio Mascarenhas, no. 1 – 9th floor - 1099-081 Lisbon

Share Capital: 629,293,220 euros

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

JMH has been listed on NYSE Euronext Lisbon (ex-Lisbon and Oporto Stock Exchange) since 1989.

The share capital comprises of 629,293,220 ordinary shares (2012: 629,293,220 shares), and all shares have a nominal value of one euro.

The Board of Directors approved these consolidated financial statements on 25th February 2014.

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are as follows. These policies were consistently applied in comparative periods, except when otherwise stated.

2.1. BASIS FOR PREPARATION

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

The amounts presented for quarters, and the corresponding changes are not audited.

The consolidated financial statements of JMH were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as at 31 December 2013.

The JMH consolidated financial statements were prepared in accordance with the historical cost principle, except for land recorded in tangible assets, investment property, derivative financial instruments, financial assets at fair value through profit or loss and available-for-sale financial assets, that includes equity holdings referred in note 2.8, which were measured at fair value (market value).

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. It is, however, firmly believed by management that the estimates and assumptions adopted do not involve significant risks that may, over the course of the coming financial year, cause material adjustments in the value of the assets and liabilities (note 2.25).

The financial risk management is detailed in the Corporate Governance Chapter.

2. ACCOUNTING POLICIES

CHANGE IN ACCOUNTING POLICIES AND BASIS FOR PRESENTATION:

2.1.1
NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

In 2012 and 2013, the European Union (EU) issued the following Regulations, which were adopted by the Group in 2013:

EU Regulation	IASB Standard or IFRIC Interpretation endorsed by European Union	Issued in	Mandatory for financial years beginning on or after
Regulation no. 475/2012	IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income (Amendment)	June 2011	July 1, 2012
Regulation no. 475/2012	IAS 19 Employee Benefits (Fully Amended)	June 2011	January 1, 2013
Regulation no. 1254/2012	IFRS 10 Consolidated Financial Statements (New)	May 2011	January 1, 2014[1]
Regulation no. 1254/2012	IFRS 11 Joint Arrangements (New)	May 2011	January 1, 2014[1]
Regulation no. 1254/2012	IFRS 12 Disclosure of Interests in Other Entities (New)	May 2011	January 1, 2014[1]
Regulation no. 1254/2012	IAS 27 Separate Financial Statements (Fully Amended)	May 2011	January 1, 2014[1]
Regulation no. 1254/2012	IAS 28 Investments in Associates and Joint Ventures (Fully Amended)	May 2011	January 1, 2014[1]
Regulation no. 1255/2012	IFRS 1 First-time Adoption of IFRS: Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (Amendment)	December 2010	January 1, 2013
Regulation no. 1255/2012	IAS 12 Income Taxes: Deferred Tax - Recovery of Underlying Assets (Amendment)	December 2010	January 1, 2013
Regulation no. 1255/2012	IFRS 13 Fair Value Measurement (New)	May 2011	January 1, 2013
Regulation no. 1255/2012	IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New)	October 2011	January 1, 2013
Regulation no. 1256/2012	IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendment)	December 2011	January 1, 2013
Regulation no. 183/2013	IFRS 1 First-time Adoption of IFRS: Government Loans (Amendment)	March 2012	January 1, 2013
Regulation no. 301/2013	Annual Improvements to IFRS's 2009-2011 Cycle: IFRS 1 First-time Adoption of IFRS, IAS 1 Presentation of Financial Statements, IAS 16 Property, Plant and Equipment, IAS 32 Financial Instruments: Presentation and IAS 34 Interim Financial Reporting (Amendment)	May 2012	January 1, 2013
Regulation no. 313/2013	IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities: Transition Guidance (Amendment)	June 2012	January 1, 2014[1]

[1] Although the new standards are to be applied, from the beginning of the first financial year starting on or after January 1, 2014 at the latest, the Group decided to anticipate their adoption from January 1, 2013.

The Group adopted the new standards, interpretation and improvements during the year 2013, with no significant impact on the consolidated financial statements of the Group, except for those set out below:

i) Amendment to IAS 1 'Financial Statement' presentation regarding other comprehensive income. The main change is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially recycled subsequently to profit or loss (reclassification adjustments) or not. The amendments do not address which items are presented in OCI. Their application resulted in minor changes in the presentation of items of OCI, with no impact in total equity of the Group;

ii) Fully amended IAS 19 'Employee Benefits' improves recognition and disclosure requirements for defined benefit plans (DBP), eliminates the option for the corridor method and provides better information about the characteristics of DBP and the risks that entities are exposed on those plans. The major impacts on the Group were the re-measurements of the net defined benefit liability on post-employment benefits - actuarial gains and losses and return on plan assets – now presented in OCI.

iii) In the new standard IFRS 11 'Joint Arrangements', joint ventures are accounted for using the equity method, in accordance with IAS 28.

The former policy choice of proportional consolidation for jointly controlled entities has been eliminated. As consequence, the Group decided to adopt this standard and consolidate its interest in Unilever Jerónimo Martins and Gallo Worldwide using the equity method from 1 January, 2013.

iv) IFRS 12 'Disclosures of Interests in Other Entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements and associates.

RESTATEMENT OF FINANCIAL STATEMENTS IN RESULT OF THE ADOPTION OF ACCOUNTING STANDARDS

Considering the changes in IFRS 11 'Joint Arrangements' and IAS 19 'Employee Benefits' and in order to have comparable consolidated financial information, the financial statements of the previous year were restated. Given the low materiality of the adjustments related with the revision of IAS 19, the Group opted for the joint presentation of both accounting standards.

The tables below present the restated information for the year 2012:

CONSOLIDATED BALANCE SHEET

	1 January 2012		
	Published	Adoption of accounting standards	Restated
Assets			
Tangible assets	2,300,501	(24,192)	2,276,309
Investment properties	52,128	-	52,128
Intangible assets	830,620	(93,869)	736,751
Investments in joint ventures and associates	1,052	80,582	81,634
Other non-current assets	149,531	(1,610)	147,921
Total non-current assets	**3,333,832**	**(39,089)**	**3,294,743**
Inventories	388,262	(18,052)	370,210
Other current assets	229,034	(49,661)	179,373
Cash and cash equivalents	530,155	(2,908)	527,247
Total current assets	**1,147,451**	**(70,621)**	**1,076,830**
Total assets	**4,481,283**	**(109,710)**	**4,371,573**
Shareholders' equity and liabilities			
Attributable to Jerónimo Martins shareholders	1,120,861	-	1,120,861
Non-controlling interests	300,824	-	300,824
Total shareholders' equity	**1,421,685**	**-**	**1,421,685**
Borrowings	385,553	(101)	385,452
Other non-current liabilities	198,401	(3,717)	194,684
Total non-current liabilities	**583,954**	**(3,818)**	**580,136**
Borrowings	354,672	(26,352)	328,320
Other current liabilities	2,120,972	(79,540)	2,041,432
Total current liabilities	**2,475,644**	**(105,892)**	**2,369,752**
Total shareholders' equity and liabilities	**4,481,283**	**(109,710)**	**4,371,573**

	31 December 2012		
	Published	Adoption of accounting standards	Restated
Assets			
Tangible assets	2,600,230	(28,525)	2,571,705
Investment properties	49,336	-	49,336
Intangible assets	888,217	(93,867)	794,350
Investments in joint ventures and associates	1,049	76,308	77,357
Other non-current assets	150,950	(1,444)	149,506
Total non-current assets	**3,689,782**	**(47,528)**	**3,642,254**
Inventories	495,661	(21,605)	474,056
Other current assets	331,378	(51,049)	280,329
Cash and cash equivalents	376,152	(1,080)	375,072
Total current assets	**1,203,191**	**(73,734)**	**1,129,457**
Total assets	**4,892,973**	**(121,262)**	**4,771,711**
Shareholders' equity and liabilities			
Attributable to Jerónimo Martins shareholders	1,211,531	-	1,211,531
Non-controlling interests	290,395	-	290,395
Total shareholders' equity	**1,501,926**	**-**	**1,501,926**
Borrowings	570,825	(44)	570,781
Other non-current liabilities	230,387	(3,329)	227,058
Total non-current liabilities	**801,212**	**(3,373)**	**797,839**
Borrowings	146,246	(38,840)	107,406
Other current liabilities	2,443,589	(79,049)	2,364,540
Total current liabilities	**2,589,835**	**(117,889)**	**2,471,946**
Total shareholders' equity and liabilities	**4,892,973**	**(121,262)**	**4,771,711**

2. ACCOUNTING POLICIES

CONSOLIDATED INCOME STATEMENT BY FUNCTIONS

	31 December 2012		
	Published	Adoption of accounting standards	Restated
Sales and services rendered	10,875,897	(192,774)	10,683,123
Cost of sales	(8,450,152)	112,699	(8,337,453)
Gross profit	**2,425,745**	**(80,075)**	**2,345,670**
Distribution costs	(1,673,339)	29,858	(1,643,481)
Administrative costs	(212,377)	28,650	(183,727)
Exceptional operating profits/losses	(19,565)	3,160	(16,405)
Operating profit	**520,464**	**(18,407)**	**502,057**
Net financial costs	(31,237)	1,382	(29,855)
Profit in joint ventures and associates	458	12,844	13,302
Profit/ losses on other investments	(2,840)	-	(2,840)
Profit before taxes	**486,845**	**(4,181)**	**482,664**
Income taxes	(120,577)	4,239	(116,338)
Profit before non-controlling interests	**366,268**	**58**	**366,326**
Attributable to: Non-controlling interests	5,870	(6)	5,864
Jerónimo Martins shareholders	**360,398**	**64**	**360,462**

	4th Quarter 2012		
	Published	Adoption of accounting standards	Restated
Sales and services rendered	2,922,098	(38,776)	2,883,322
Cost of sales	(2,272,673)	24,626	(2,248,047)
Gross profit	**649,425**	**(14,150)**	**635,275**
Distribution costs	(439,229)	5,882	(433,347)
Administrative costs	(56,308)	6,816	(49,492)
Exceptional operating profits/losses	(5,470)	1,994	(3,476)
Operating profit	**148,418**	**542**	**148,960**
Net financial costs	(9,221)	320	(8,901)
Profit in joint ventures and associates	312	(306)	6
Profit/ losses on other investments	(2,840)	-	(2,840)
Profit before taxes	**136,669**	**556**	**137,225**
Income taxes	(45,697)	(498)	(46,195)
Profit before non-controlling interests	**90,972**	**58**	**91,030**
Attributable to: Non-controlling interests	2,114	(6)	2,108
Jerónimo Martins shareholders	**88,858**	**64**	**88,922**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 December 2012		
	PUBLISHED	ADOPTION OF ACCOUNTING STANDARDS	RESTATED
Net profit	**366,268**	**58**	**366,326**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Revaluation of fixed assets	(4,866)	(104)	(4,970)
Remeasurements of post employment benefit obligations	-	(130)	(130)
	(4,866)	**(234)**	**(5,100)**
Items that may be reclassified to profit or loss			
Currency translation differences	66,180	-	66,180
Change in fair value of cash flow hedging	2,271	-	2,271
Change in fair value of hedging instruments on foreign operations	(10,514)	-	(10,514)
Change in fair value of available-for-sale financial assets	(124)	-	(124)
Gain (loss) on joint ventures and associates	-	176	176
	57,813	**176**	**57,989**
Other comprehensive income, net of income taxes	**52,947**	**(58)**	**52,889**
Total comprehensive income for the year	**419,215**	**-**	**419,215**
Attributable to: Non-controlling interests	**5,530**	**-**	**5,530**
Jerónimo Martins shareholders	**413,685**	**-**	**413,685**
Total comprehensive income for the year	**419,215**	**-**	**419,215**

	4th Quarter 2012		
	PUBLISHED	ADOPTION OF ACCOUNTING STANDARDS	RESTATED
Net profit	**90,972**	**58**	**91,030**
Other comprehensive income: Items that will not be reclassified to profit or loss			
Revaluation of fixed assets	(4,866)	(104)	(4,970)
Remeasurements of post-employment benefit obligations	-	(130)	(130)
	(4,866)	**(234)**	**(5,100)**
Items that may be reclassified to profit or loss			
Currency translation differences	6,015	-	6,015
Change in fair value of cash flow hedging	1,454	-	1,454

2.
ACCOUNTING POLICIES

	4th Quarter 2012		
Change in fair value of hedging instruments on foreign operations	(3,651)	-	(3,651)
Change in fair value of available-for-sale financial assets	22	-	22
Gain (loss) on joint ventures and associates	-	176	176
	3,840	**176**	**4,016**
Other comprehensive income, net of income taxes	**(1,026)**	**(58)**	**(1,084)**
Total comprehensive income for the year	**89,946**	**-**	**89,946**
Attributable to: Non-controlling interests	**1,184**	-	1,184
Jerónimo Martins shareholders	**88,762**	-	88,762
Total comprehensive income for the year	**89,946**	**-**	**89,946**

CONSOLIDATED CASH FLOW STATEMENT

	31 December 2012		
	PUBLISHED	ADOPTION OF ACCOUNTING STANDARDS	RESTATED
Cash flow from operating activities	675,767	(7,897)	667,870
Cash flow from investment activities	(479,546)	22,157	(457,389)
Cash flow from financing activities	(365,722)	(12,432)	(378,154)
Net changes in cash and cash equivalents	(169,501)	1,828	(167,673)

2.1.2
NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY EUROPEAN UNION BUT NOT EFFECTIVE FOR THE FINANCIAL YEAR BEGINNING 1 JANUARY 2013 AND NOT EARLY ADOPTED

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

EU Regulation	IASB Standard or IFRIC Interpretation endorsed by European Union	Issued in	Mandatory for financial years beginning on or after
Regulation no. 1256/2012	IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendment)	December 2011	January 1, 2014
Regulation no. 1174/2013	IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements: Investment Entities (Amendment)	October 2012	January 1, 2014
Regulation no. 1374/2013	IAS 36 Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets (Amendment)	May 2013	January 1, 2014
Regulation no. 1375/2013	IAS 39 Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	June 2013	January 1, 2014

These amendments to standards are effective for annual periods beginning on or after January 1, 2014, and have not been applied in preparing these consolidated financial statements. None of these amendments is expected to have a significant impact on the Group's Consolidated Financial Statements.

2.1.3
NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BY IASB AND IFRIC, BUT NOT YET ENDORSED BY EUROPEAN UNION

IASB and IFRIC issued in 2009 and 2013 the following standard, interpretation and amendments that are still pending for endorsement by European Union:

IASB Standard or IFRIC Interpretation	Issued in	Expected application for financial years beginning on or after
IFRS 9 - Financial Instruments (New)	November 2009	To be determined
IFRIC 21 – Levies (New)	May 2013	January 1, 2014
IAS 19 Employee Benefits: Defined Benefit Plans - Employee Contributions (Amendment)	November 2013	July 1, 2014
Annual Improvements to IFRS's 2010–2012 Cycle: IFRS 2 Share-Based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets (Amendment)	December 2013	July 1, 2014
Annual Improvements to IFRS's 2011–2013 Cycle: IFRS 1 First-time Adoption of IFRS, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property (Amendment)	December 2013	July 1, 2014

The application of these new standards or interpretation and amendments will not have a significant impact on the Group's Consolidated Financial Statements.

2.2.
BASIS OF CONSOLIDATION

REFERENCE DATES

The consolidated financial statements include, as at 31 December 2013, assets, liabilities and profit or loss of Group companies, i.e., the ensemble consisting of JMH and its subsidiaries, joint ventures and associates, which are presented in notes 33 and 34, respectively.

INVESTMENTS IN SUBSIDIARIES

Subsidiaries are all entities over which the Group has control. The Group controls an entity when is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Subsidiaries are included in the consolidation by the full consolidation method, from the date when control was acquired to the date when it effectively ends. The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

In cases where the share capital of subsidiaries is not held at 100%, a non-controlling interest is recognised relative to the portion of results and net value of assets attributable to third parties.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the entity is measured at fair value when control is lost.

The accounting policies used by the subsidiaries to comply with legal requirements, whenever necessary have been changed to ensure consistency with the policies adopted by the Group.

INVESTMENTS IN ASSOCIATES

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the associate after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised

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ACCOUNTING POLICIES

in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

INVESTMENTS IN JOINT ARRANGEMENTS

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor owns. The Group has assessed the nature of its joint arrangements (see note 2.25) and, for those determined as joint ventures, they are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

GOODWILL

Goodwill represents the surplus of acquisition cost over the fair value of identifiable assets and liabilities attributable to the Group at the date of acquisition or first consolidation. If the cost of acquisition is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the income statement.

Goodwill impairment reviews are undertaken annually or more frequently, if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Whenever the accounting value of Goodwill exceeds its recoverable amount, the impairment is recognised immediately as an expense and is not subsequently reversed (note 2.13).

The gain or loss on the disposal of an entity includes the carrying amount of Goodwill related to the entity sold, unless the business to which that Goodwill is related is maintained and generates benefits to the Group.

NON-CONTROLLING INTERESTS

Non-controlling interests are the proportion of the fair value of assets, liabilities and contingent liabilities of acquired subsidiaries that are not directly or indirectly attributable to JMH.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the measurement of the retained interest as a financial asset.

FOREIGN CURRENCY TRANSLATION

The financial statements of foreign entities are translated into Euros based on the closing exchange rate for assets and liabilities and historical exchange rates for equity. Income and expenses are translated at the average monthly exchange rate, which is approximately the exchange rate on the date of the respective transactions.

Exchange differences arising in the translation are entered directly in equity net of the effect generated by the respective hedging instrument (see accounting policy described in note 2.5).

When a foreign entity is sold, accumulated exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

BALANCES AND TRANSACTIONS BETWEEN GROUP COMPANIES

Inter-company transactions, balances and unrealised gains between subsidiaries and between these and the parent company are eliminated in the consolidation process. Unrealised losses are also eliminated unless the cost cannot be recovered.

Unrealised gains arising from transactions with associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses are also eliminated except when providing proof of impairment of the asset transferred.

2.3 TRANSACTIONS IN FOREIGN CURRENCIES

Transactions in foreign currencies are translated into Euros at the exchange rate prevailing on the transaction date.

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

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

Euro foreign exchange reference rates (x foreign exchange units per 1 Euro)	Rate on 31 December 2013	Average rate for the year
Polish Zloty (PLN)	4.1543	4.1973
US Dollar (USD)	1.3753	-
Swiss Franc (CHF)	1.2276	-
Colombian Peso (COP)	2,657.2900	2,533.2600

2.4. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivatives with the sole intention of managing any financial risks to which it is exposed. In accordance with its financial policies, the Group does not enter into speculative positions.

Although derivatives entered by the Group correspond to effective economic hedges against risks to be hedged, not all of them qualify as hedge instruments for accounting purposes, according to IAS 39 rules. Those that do not qualify as hedge instruments are booked on the balance sheet at fair value and changes to that amount are recognised in the profit and loss.

Whenever available, fair values are estimated based on quoted instruments. In 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 into 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.

2.5. HEDGE ACCOUNTING

Derivative financial instruments used for hedging may be classified, from an accounting point of view, as hedge instruments, as long as they comply with all of the following conditions:

i) At the starting date of the transaction, the hedge relationship is identified and formally documented, including identification of the item hedged, the hedge instrument, and evaluation of the effectiveness of the hedge;

ii) There is the expectation that the hedge relationship will be highly effective on the initial transaction date and throughout the life of the operation;

iii) The effectiveness of the hedge may be reliably measured on the initial transaction date and throughout the life of the operation;

iv) For cash flow hedge operations, those cash flows must have a high probability of occurring.

INTEREST RATE RISK (CASH FLOW HEDGE)

Whenever expectations surrounding movements in interest rates so justify, the Group tries to anticipate any adverse impact through the use of derivatives, such as interest rates swaps (IRS), caps and floors, forward rates agreements, amongst others. The selection process that each instrument is subject to, favours economic contribution more than anything else. The implications of adding any new instrument to a portfolio of derivatives are also taken into account, namely, in terms of volatility impact on earnings.

The instruments that qualify as cash flow hedging instruments are booked at fair value on the balance sheet, and to the degree that they are considered effective, changes to their fair value are recognised in other comprehensive income. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast transaction or event that is hedged takes place). However, in the case of a hedge of a forecast transaction

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that results in the recognition of a non-financial asset (for example: inventory), the gains or losses previously deferred in equity are transferred and included in the initial measurement of the asset.

The gain or loss relating to the ineffective portion is recognised immediately in the income statement. This way, in net terms, all costs associated to the underlying exposure are carried at the interest rate of the hedging instruments.

When a hedge instrument expires or is sold, or when the hedge ceases to meet the criteria required for hedge accounting, the changes in the fair value of the derivative, that are accumulated in other comprehensive income, are recognised in the results when the hedged operation also affects the results.

INTEREST RATE RISK (FAIR VALUE HEDGE)

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

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

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

FOREIGN EXCHANGE RISK

With respect to foreign exchange risks, the Group follows a natural hedge policy, raising debt in local currency whenever market conditions are judged to be convenient (namely, taking into consideration the level of interest rates).

NET INVESTMENTS IN FOREIGN ENTITIES

Exchange rate fluctuations in loans contracted in foreign currencies for the purpose of funding investments in foreign operations are taken directly to currency translation reserve in other comprehensive income (note 2.2).

Cross currency swaps that are entered into with the purpose of hedging investments in foreign entities that qualify as hedging instruments are booked at fair value on the balance sheet. To the degree that they are considered effective, changes to their fair value are recognised directly in currency translation reserve (note 2.2). The cumulative gains and losses recognised in other comprehensive income are transferred to results of the year when foreign entities are disposed.

2.6. TANGIBLE ASSETS

Tangible assets other than land are recognised at historical cost net of accumulated depreciation and impairment losses (note 2.13).

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

Assets classified as land are recognised at fair value, based on valuations made by external independent agents (using the same valuation procedures referred in note 2.9 Investment Properties), within an appropriate frequency to ensure that the accounting value is close to its market value.

Increases in the carrying amount arising from revaluation of land are credited to other comprehensive income and shown as fair value reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves. All other decreases are charged to the income statement.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the operating profit. When revaluated assets are sold, the amounts included in fair value reserves are transferred to retained earnings.

Repairs and maintenance costs that do not extend the useful life of these assets are charged directly to the income statement during the financial period in which they are incurred. The cost of major store remodellings is included in the carrying amount of the asset when it is probable that additional economic benefits will flow to the Group. Whenever it is capitalized, the useful life of the asset is reviewed according with the characteristics of the remodelling. If the store is leased, the useful life does not exceed the period of the lease.

FINANCIAL LEASE AGREEMENTS

Assets used under financial lease contracts for which the Group substantially retains all the risks and rewards of ownership of the leased asset are classified as tangible assets.

Financial lease contracts are recorded at the time they are entered into as assets and liabilities at the lower of fair value of leased assets or present value of minimum lease payments.

Leased assets are depreciated over the shorter of the useful life of the asset and the lease term.

Rental payments are split into a financial charge and a reduction of liability. Financial charges are recognised as costs over the lease period, so as to produce a constant periodic interest rate on the lessor's financing debt.

DEPRECIATION

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

	%
Land	Not depreciated
Buildings and other constructions	2-4
Plants and machinery	10-20
Transport equipment	12.5-25
Office equipment	10-25

The estimated useful life of assets are reviewed and adjusted when necessary, at the balance sheet date. Residual values are not taken in consideration, since it is the Groups intention to use the assets until the end of their economic life.

2.7. INTANGIBLE ASSETS

Intangible assets are stated at acquisition cost net of accumulated amortisation and impairment losses (note 2.13).

Costs associated with internally generated Goodwill and Private Brands are taken to the income statement as they are incurred.

RESEARCH AND DEVELOPMENT EXPENDITURE

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

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

Capitalised development expenditure includes the cost of materials used and direct labour costs.

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

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

OTHER INTANGIBLE ASSETS

Expenses to acquire key money, trademarks, patents and licences are capitalised when they are expected to generate future economic benefits and are expected to be used by the Group.

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

The trademark Pingo Doce is, besides Goodwill, the only intangible asset with indefinite useful life, since there is no foreseeable limit for the period over which this asset is expected to generate economic benefits to the Group. Goodwill and the intangible assets with indefinite useful life are tested for impairment at the balance sheet date, and whenever there is an indication that the carrying amount will not be recoverable.

AMORTISATIONS

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

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

	%
Development expenditure	20-33.33
Computer software	33.33
Key money	5-6.66

The estimated useful life of assets are reviewed and adjusted when necessary, at the balance sheet date.

2.8. FINANCIAL ASSETS

Financial assets are recognised in the Group's balance sheet on their trade or contracting date, which is the date on which the Group commits to acquire an asset. Financial assets are initially recognised at their fair value plus directly attributable transaction costs, except for financial assets carried at fair value through profit and loss in which the transaction costs are immediately recognised in the results. These assets are derecognised when: i. the Group's contractual rights to receive their cash flows expire; ii. the Group has substantially transferred all the risks and rewards of ownership; or iii. although it retains a portion but

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not substantially all the risks and rewards of ownership, the Group has transferred control over the assets.

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

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

A financial asset is recognised in this category if it was classified as held for trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets are held for trading if acquired with the principal intention of being sold in the short term. This category also includes those derivatives that do not qualify for hedge accounting. The gains and losses of changes in the fair value of financial assets measured at fair value through profit and loss are recognised in the results of the year in which they occur in net financial costs, where interest received and dividends are also included.

LOANS AND RECEIVABLES

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

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

These financial assets are initially recognized at fair value increased by transaction costs. Subsequent fair value changes are recognised directly in other reserves, until the financial asset is derecognised, at which time the accumulated gain or loss previously recognised in equity is included in net gains or losses 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.

2.9. INVESTMENT PROPERTIES

Investment properties, are land and buildings that are registered 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 the comparison pertinent, 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, the profitability method is used, in which it is assumed that the value of the asset corresponds to the present value of all the future benefits and rights arising from its ownership.

For this purpose, an estimation of the market rent is used, considering all the endogenous and exogenous variables of the asset under valuation, and a yield that reflects the risk of the market of which that asset is a part, as well as the characteristics of the asset itself. Thus, the assumptions used in the evaluation of each asset vary according to its location and technical characteristics, using an average yield between 8% and 9%.

Changes to fair value of investment property are recognised in the income statement, in gains/losses in other investments, since it is related with assets owned for appreciation.

Whenever, as a result of changes in their expected use, tangible assets are transferred to investment property, the assets are measured at their fair value and any difference to their carrying amount is recognised in other comprehensive income, in fair value reserves.

If an investment property starts to be used by the business operations of the Group, it is transferred to tangible assets and its fair value at the date of transfer becomes its acquisition cost for accounting purposes.

2.10 CUSTOMERS AND DEBTORS

Customers and debtor balances are amounts to be received regarding goods sold or services rendered in the ordinary course of the business. They are initially recognised at fair value, being subsequently measured at amortised cost in accordance with the effective interest rate method, net of any impairment losses.

2.11 INVENTORIES

Inventories are valued at the lower of cost or net realisable value. The net realisable value corresponds to the selling price in the ordinary course of business, less the estimated selling expenses.

Inventories are normally valued at the last acquisition cost, which, considering the high rotation of inventories corresponds approximately to the actual cost that would be determined based on the FIFO method.

The cost of finished goods and work in progress comprises raw materials, direct labour, and other direct costs.

2.12 CASH AND CASH EQUIVALENTS

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

2.13 IMPAIRMENT

2.13.1 IMPAIRMENT OF NON-FINANCIAL ASSETS

Except for investment property (note 2.9), inventories (note 2.11) and deferred tax assets (note 2.22), all Group assets are considered at each balance sheet date in order to assess for indicators of possible impairment losses. If such indicators exist, the asset's recoverable amount is estimated.

Irrespective of whether there is any indication of impairment, for Goodwill, intangible asset not yet available for use and other intangible assets with indefinite useful life, the recoverable amount is estimated annually at the balance sheet date.

The recoverable amount of assets with indicators of potential impairment loss is determined annually. Whenever the carrying value of an asset, or the cash-generating unit to which the same belongs, exceeds its recoverable amount, its value is reduced to the recoverable amount and the impairment loss recognised in the income statement.

Regarding cash-generating units in operation for less than two to three years (depending on the business segment), the Group makes impairment tests. However since the respective businesses have not yet reached sufficient maturity, impairment losses are recognised when there are unequivocal indicators that its recoverability is considered remote.

The total assets in the above-mentioned situation, corresponds to a current investment amounting EUR 621,512 thousand (EUR 562,989 thousand in 2012), which includes mostly Real Estate, equipment related to the operational activity of stores and improvements made in leasehold property.

DETERMINING THE RECOVERABLE AMOUNT OF ASSETS

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

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

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

REVERSAL OF IMPAIRMENT LOSSES

An impairment loss recognised as related to Goodwill is not reversed.

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

2.13.2 IMPAIRMENT OF FINANCIAL ASSETS

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

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

2. ACCOUNTING POLICIES

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

CLIENTS, DEBTORS AND OTHER FINANCIAL ASSETS

Impairment losses are recognised when there are objective indicators that the Group will not receive the entire amounts it is due according to the original terms of established contracts. When identifying situations of impairment, various indicators are used, such as:

i) Analysis of breach;
ii) Breach for more than three months;
iii) Financial difficulties of the debtor;
iv) Probability of the debtor's bankruptcy.

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

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

2.14 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.

2.15 DIVIDENDS

Dividends are recognised as a liability in the Group's financial statements in the period in which they are approved by the shareholders for distribution.

2.16 BORROWINGS

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

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

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.17
EMPLOYEES BENEFIT

POST-EMPLOYMENT BENEFITS (RETIREMENT)

Defined contribution plans

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

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

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

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

Defined benefit plans

Defined benefit plans are pension plans where the Group guarantees a certain benefit to the employees included in the plan at the time such employees retire.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the immediate rents 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.

In the presence 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 some of the companies of the Group 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 responsibilities for this component are determined annually based on actuarial valuations, carried out by a specialised independent entity.

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

2.18
PROVISIONS

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

RESTRUCTURING PROVISION

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

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

LEGAL CLAIMS PROVISION

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

2.19
SUPPLIERS AND OTHER CREDITORS

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

Suppliers and other creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.20
REVENUE RECOGNITION

SALES AND SERVICES RENDERED

Revenues from sales are recognised in the income statement when significant risks and rewards of ownership are transferred to the buyer.

In the Retail segment, sales are recognised when delivered directly to the client in store, against cash collected. The costs to be incurred related to returns of products for lack of quality, are estimated at the date of the sale based on historical data.

2. ACCOUNTING POLICIES

Revenues from the services rendered are recognised as income in accordance with their stage of completion as of the balance sheet date. Gains related to commercial discounts obtained in the purchase of goods for resale are recognised when these are sold, as a deduction to the cost of goods sold.

GOVERNMENT GRANTS

Government grants are only recognised after it has been safely established that the Group will comply with the inherent conditions and that the grants will be received.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants received to compensate investments made by the Group in the acquisition of fixed assets are recognised in the income statement during the estimated useful life of the respective subsidised asset.

RENTS

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

DIVIDENDS

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

2.21 COSTS

OPERATIONAL LEASING

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.

NET FINANCIAL COSTS

Net financial costs represent the interest on borrowings, the interest on investments made, dividends, foreign exchange gains and losses in financial operations, gains and losses resulting from changes in the fair value of 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.

EXCEPTIONAL OPERATING PROFITS/LOSSES

The exceptional operating profits (non-recurrent) that by its nature or by its materiality, distort the financial performance of the Group as well as their comparability, are presented in a separate line of the consolidated income statement by function. These results are excluded from the operational performance indicators adopted by Management.

2.22 INCOME TAX

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 also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax is calculated in accordance with the balance sheet liability method on temporary differences between the carrying amount of assets and liabilities and the respective tax base. No deferred tax is calculated on Goodwill and initial recognition differences of an asset and liability if it does not affect statutory or tax results.

The measurement of deferred tax assets and liabilities should reflect the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

The rate used to determine deferred tax is that in force during the period when temporary differences are reversed.

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

2.23 SEGMENT INFORMATION

Operating segments are reported consistently with the internal reporting that is provided to the Governing Bodies, including the Managing Committee and Board of Directors. Based on this report, the Governing Bodies evaluate the performance of each segment and allocate the available resources.

2.24 BUSINESS COMBINATIONS

For business combination involving entities under common control, assets and liabilities are valued at book value and there are no impacts recognised in profit and loss.

2.25 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS ON THE PREPARATION OF THE FINANCIAL STATEMENTS

TANGIBLE AND INTANGIBLE ASSETS, AND INVESTMENT PROPERTIES

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

However, if the cash flow assumptions were reduced by 10%, compared with the estimates, or if the discount rate was higher by 100 bps, according to current projections of the business areas, the Goodwill would be still recoverable and there would be no risk of impairment.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments not quoted on an active market is determined based on valuation methods. The use of valuation methodologies requires 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 OF INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

As a rule, an investment is recorded as impaired according to the IFRS 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 permanently impaired involves judgment and substantially relies on management's analysis of the future development of its joint ventures and associates. When measuring impairment, market prices are used if they are available, or other valuation parameters are used, based on the information available from the joint ventures and associates. The Group considers the capacity and intention to retain the investment for a reasonable period of time that is sufficient to predict recovery of the fair value up to (or above) the carrying amount, including an analysis of factors such as the expected results of the joint ventures and associates, the economic situation, and the status of the sector.

DEFERRED TAXES

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

If the rates used to recognise deferred taxes increases by 1%, the impact in Group accounts would be the following:

	Impact on Group accounts	
	Income statement	Other comprehensive income
Portugal	739	(498)
Poland	(1,754)	(285)

A positive amount means a gain in Group accounts.

IMPAIRMENT LOSSES OF CLIENTS AND DEBTORS

Management maintains impairment losses for clients and debtors, in order to reflect the estimated losses resulting from clients' inability to make required payments. When evaluating the reasonableness of the adjustment for the impairment losses, management bases its estimates on an analysis of the ageing of the accounts receivable from its clients, its historical experience of write-offs, the client's credit history and changes in the client's payment terms. If the client's financial conditions deteriorate, impairment losses and actual write-offs may be higher than expected.

PENSIONS AND OTHER LONG-TERM BENEFITS GRANTED TO EMPLOYEES

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

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

2. ACCOUNTING POLICIES

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

Narrow range	[3.45% - 3.95%]
Extended range	[3.20% - 4.20%]

Based on this results the Group has decided to reduce its discount rate from 4.5% to 3.5%.

The table below shows the impacts on the obligations with defined benefit plans of the Group, resulting from changes in the following assumptions:

		Impact on defined benefit obligations		
	Assumption used	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	3.5%	0.5%	(1,470)	1,573
Salary growth rate	2.5%	0.5%	676	(641)
Pension growth rate	2.5%	0.5%	900	(838)
Life expectancy	TV 88/90	1 year	1,067	(1,049)

A positive amount means an increase in liabilities. A negative amount means a decrease on liabilities.

PROVISIONS

The Group exercises considerable judgment in measuring and recognising provisions and its exposure to contingent liabilities related to legal proceedings. This judgment is necessary to determine the probability that a lawsuit may be successful, or to record a liability. Provisions are recognised when the Group expects that proceedings under way will result in cash outflows, the loss is considered probable and may be reasonably estimated. Due to the uncertainties inherent in the evaluation process, real losses may be different from those originally estimated. These estimates are subject to changes as new information becomes available, mainly with the support of internal specialists, if available, or through the support of external consultants, such as actuaries or legal advisers. Revisions to estimates of potential losses on proceedings under way may significantly affect future results.

INVESTMENT IN ASSOCIATES

Management has assessed the level of influence that the Group has on Perfumes e Cosméticos Puig Portugal Distribuidora, S.A. and determined that it has significant influence, even though the shareholding is 27.55%, because of the board representation and contractual terms. Consequently, this investment has been classified as an associate.

INVESTMENTS IN JOINT ARRANGEMENTS

The Group holds 51% of the voting rights of its joint arrangement in JMR – Gestão de Empresas de Retalho, SGPS, S.A. (JMR). Based on the contractual arrangements between the Group and other investor, the Group has the power to appoint and remove the majority of the Board of Directors. In addition, all key management personnel with the powers to conduct the relevant activities of JMR are related parties of Jerónimo Martins. Therefore, the management concluded that the Group has the practical ability to direct the relevant activities of JMR and hence the Group has control over the company, and JMR is therefore classified as a subsidiary, as well as all entities directly controlled by JMR.

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

2.26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

CASH AND CASH EQUIVALENTS, DEBTORS AND ACCRUALS

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Listed financial instruments are recognised in the balance sheet at their fair value. The other available-for-sale financial assets are stated at cost, reduced by any impairment loss, since its fair value cannot be reliably measured (note 16).

BORROWINGS

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

CREDITORS AND ACCRUALS

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

2.27 FAIR VALUE HIERARCHY

The following table shows the Group's assets and liabilities that are measured at fair value at 31 December, according with the following hierarchy levels:

- Level 1: The fair value of financial instruments is based on quoted prices obtained in active and liquid markets at balance sheet date. This level includes equity investments quoted in NYSE Euronext;

- Level 2: The fair value is not based on quoted prices obtained in active markets included in level 1, but using valuation techniques, 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 by the Group, whose valuations are provided by the respective counterparties;

- Level 3: The fair value is not based on quoted prices obtained in active markets, but determined by using valuation techniques and main inputs are not based on observable market data. This level includes land classified as tangible fixed assets and investment properties, which are evaluated by external independent experts, using in their valuations inputs that are not directly observable in the market.

	Total	Level 1	Level 2	Level 3
2013				
Assets measured at fair value				
Tangible assets (land)	498,723	-	-	498,723
Investment properties	47,471	-	-	47,471
Available-for-sale financial assets				
Equity investments	339	339	-	-
Total assets	**546,533**	**339**	-	**546,194**
Liabilities measured at fair value				
Derivative financial instruments				
Trading derivatives	66	-	66	-
Derivatives used for hedging	18,486	-	18,486	-
Total liabilities	**18,552**	-	**18,552**	-
2012				
Assets measured at fair value				
Tangible assets (land)	485,864	-	-	485,864
Investment properties	49,336	-	-	49,336
Available-for-sale financial assets				
Equity investments	153	153	-	-
Total assets	**535,353**	**153**	**-**	**535,200**
Liabilities measured at fair value				
Trading financial liabilities				
Trading derivatives	197	-	197	-
Derivatives used for hedging	15,738	-	15,738	-
Total liabilities	**15,935**	**-**	**15,935**	**-**

2. ACCOUNTING POLICIES

2.28 FINANCIAL INSTRUMENTS BY CATEGORY

	Assets and financial liabilities at fair-value through results	Derivatives defined as hedging instruments	Borrowings and accounts receivable	Available-for-sale financial assets	Other financial liabilities	Total financial assets and liabilities	Non-financial assets and liabilities	Total assets and liabilities
2013								
Assets								
Cash and cash equivalents	-	-	371,671	-	-	**371,671**	-	**371,671**
Available-for-sale financial assets	-	-	-	1,208	-	**1,208**	-	**1,208**
Debtors, accruals	-	-	230,103	-	-	**230,103**	99,145	**329,248**
Other non-financial assets	-	-	-	-	-	**-**	4,397,032	**4,397,032**
Total financial assets	**-**	**-**	**601,774**	**1,208**	**-**	**602,982**	**4,496,177**	**5,099,159**
Liabilities								
Borrowings	-	-	-	-	693,789	**693,789**	-	**693,789**
Derivative financial instruments	66	18,486	-	-	-	**18,552**	-	**18,552**
Creditors, accruals	-	-	-	-	2,326,938	**2,326,938**	78,090	**2,405,028**
Other non-financial liabilities	-	-	-	-	-	-	332,528	**332,528**
Total financial liabilities	**66**	**18,486**	**-**	**-**	**3,020,727**	**3,039,279**	**410,618**	**3,449,897**
2012								
Assets								
Cash and cash equivalents	-	-	375,072	-	-	**375,072**	-	**375,072**
Available-for-sale financial assets	-	-	-	1,022	-	**1,022**	-	**1,022**
Debtors, accruals	-	-	220,011	-	-	**220,011**	109,017	**329,028**
Other non-financial assets	-	-	-	-	-	-	4,066,589	**4,066,589**
Total financial assets	**-**	**-**	**595,083**	**1,022**	**-**	**596,105**	**4,175,606**	**4,771,711**
Liabilities	**-**	**-**						
Borrowings	-	-	-	-	678,187	**678,187**	-	**678,187**
Derivative financial instruments	197	15,738	-	-	-	**15,935**	-	**15,935**
Creditors, accruals	-	-	-	-	2,158,936	**2,158,936**	73,536	**2,232,472**
Other non-financial liabilities	-	-	-	-	-	-	343,191	**343,191**
Total financial liabilities	**197**	**15,738**	**-**	**-**	**2,837,123**	**2,853,058**	**416,727**	**3,269,785**

3. SEGMENTS REPORTING

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

Management monitors the performance of the business based on a geographical and business perspective. In accordance with this, the segments are defined as Portugal Retail, Poland Retail, Portugal Cash & Carry. Apart from these there are also other businesses but due to their low materiality are not reported separately.

Business segments:
- Portugal Retail: comprises the business unit of JMR (Pingo Doce supermarkets);
- Portugal Cash & Carry: includes the wholesale business unit Recheio;
- Poland Retail: the business unit with the brand Biedronka;
- Others, eliminations and adjustments: includes **i.** business units with reduced materiality (Marketing Services and Representations, Restaurants in Portugal, Health and Beauty Retail in Poland, retail business in Colombia; **ii.** the Holding companies; and **iii.** Group's consolidation adjustments.

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

DETAILED INFORMATION BY BUSINESS SEGMENTS AT DECEMBER 2013 AND 2012

	Portugal Retail		Portugal Cash & Carry		Poland Retail		Others, Eliminations and Adjustments		Total JM Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012 (*)	2013	2012 (*)
Net sales and services	**3,485,217**	**3,346,117**	**805,307**	**792,280**	**7,702,907**	**6,730,750**	**(164,123)**	**(186,024)**	**11,829,308**	**10,683,123**
Inter-segments	297,433	276,493	1,989	1,451	1,441	1,194	(300,863)	(279,138)	-	-
External customers	3,187,784	3,069,624	803,318	790,829	7,701,466	6,729,556	136,740	93,114	11,829,308	10,683,123
Operational cash-flow (EBITDA)	**182,919**	**171,176**	**46,809**	**49,997**	**600,280**	**552,273**	**(52,874)**	**(33,860)**	**777,134**	**739,586**
Depreciations and amortisations	(98,091)	(101,144)	(11,300)	(11,419)	(132,954)	(105,612)	(6,935)	(2,949)	(249,280)	(221,124)
EBIT	**84,828**	**70,032**	**35,509**	**38,578**	**467,326**	**446,661**	**(59,809)**	**(36,809)**	**527,854**	**518,462**
Financial results									**(21,662)**	**(19,393)**
Net result attributable to JM									**382,256**	**360,462**
Total assets	**1,812,872**	**1,895,228**	**359,072**	**352,929**	**2,631,255**	**2,363,014**	**295,960**	**160,540**	**5,099,159**	**4,771,711**
Total liabilities	**1,263,752**	**1,296,572**	**283,833**	**281,344**	**1,837,811**	**1,589,349**	**64,501**	**102,520**	**3,449,897**	**3,269,785**
Investments in fixed assets	76,249	42,250	14,002	4,085	402,050	397,668	47,928	14,304	540,229	458,307

(*) Restated. Portugal Manufacturing segment was removed due to adoption of IFRS 11 and the elimination of proportional consolidation method - see note 2

3. SEGMENTS REPORTING

RECONCILIATION BETWEEN EBIT AND OPERATING PROFIT

	December 2013	December 2012
EBIT	527,854	518,462
Exceptional operating profit/losses	(2,811)	(16,405)
Operating profit	**525,043**	**502,057**

FINANCIAL ASSETS WITH CREDIT RISK PER SEGMENT

The table below shows the Group's exposure according to accounting value of the financial assets, set out by business segments.

	Portugal Retail		Portugal Cash & Carry		Poland Retail		Others, Eliminations and Adjustments		Total JM Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Cash and cash equivalents	105,838	138,409	11,329	13,059	90,916	164,358	163,588	59,246	371,671	375,072
Available-for-sale financial assets	168	168	696	696	-	-	344	158	1,208	1,022
Debtors, accruals and deferrals	80,405	83,507	42,302	40,437	146,693	123,412	(39,297)	(27,345)	230,103	220,011
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Total	**186,411**	**222,084**	**54,327**	**54,192**	**237,609**	**287,770**	**124,635**	**32,059**	**602,982**	**596,105**

4. COST OF SALES

	2013	2012
Net cost of products sold	9,268,604	8,320,833
Net cash discount and interest paid to suppliers	(842)	(5,389)
Electronic payment commissions	13,440	15,681
Other supplementary costs	7,480	6,328
	9,288,682	**8,337,453**

5. DISTRIBUTION AND ADMINISTRATIVE COSTS

	2013	2012
Supplies and services	430,715	390,151
Advertising costs	58,562	55,052
Rents	269,168	234,486
Staff costs	856,599	789,625
Depreciation and amortization	246,916	218,666
Profit/loss with tangible and intangible assets	3,233	2,856
Transportation costs	141,214	135,160
Other operational profit/loss	6,365	1,212
	2,012,772	**1,827,208**

6. STAFF COSTS

	2013	2012
Wages and salaries	677,471	627,682
Social security	133,218	122,577
Employee benefits (note 25)	4,315	3,639
Other staff costs	47,921	41,753
	862,925	**795,651**

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

The difference to staff costs stated in note 5 of EUR 6,326 thousand (EUR 6,026 thousand in 2012) relates to the production activities that were attributable to the cost of the goods sold in the amount of EUR 3,939 thousand (EUR 4,652 thousand in 2012) and to exceptional losses in the amount of EUR 2,387 thousand (EUR 1,374 thousand in 2012).

The average number of Group employees during the year was 71,717 (2012: 65,770).

The number of employees at the end of the year was 76,810 (2012: 68,554).

7. NET FINANCIAL COSTS

	2013	2012
Interest expense	(33,605)	(32,346)
Interest received	2,322	7,302
Dividends	36	37
Net foreign exchange	(1,020)	1,808
Other financial costs and gains	(6,581)	(6,650)
Change in fair value of financial assets held for trade:		
Derivative instruments	(1)	(6)
	(38,849)	**(29,855)**

Interest expense includes the interest on loans measured at amortised cost and interest on derivatives of fair-value hedge and cash flow hedge (note 14).

Other financial costs and gains include costs with debt issued by the Group.

8. FINANCIAL INSTRUMENTS

8.1 FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS RECOGNISED IN THE INCOME STATEMENT

The impact in the income statement (net of taxes and non-controlling interests), is as follows:

	2013	2012
Derivatives held for trading		
Currency swaps	-	-
Interest rates swaps	(1)	(6)
	(1)	**(6)**
Income tax recognised in the income statement	-	2
Non-controlling interests	-	2
Value recognised in profit/loss	**(1)**	**(2)**

8.2 FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS RECOGNISED IN RESERVES

The value recognised in reserves refers to hedging of investment in Poland was negative EUR 5,427 thousand net of deferred tax (2012: EUR 10,514 thousand).

The change to the fair value of derivative instruments designated as fair value hedging (note 14), in the amount of negative EUR 6,173 thousand (2012: negative EUR 2,251 thousand) was offset by a variation in the fair value of the loan. See note 24.2.

9. INCOME TAX RECOGNISED IN THE INCOME STATEMENT

9.1 INCOME TAX

	2013	2012
Current income tax		
Current tax of the year	(101,247)	(83,013)
Adjustment to prior years estimation	3,209	(1,475)
	(98,038)	**(84,488)**
Deferred tax (note 18.1)		
Temporary differences created or reversed in the year	(4,390)	(16,378)
Tax rate reduction	(1,114)	-
Change to the recoverable amount of tax losses and temporary differences from previous years	1,001	(1,370)
	(4,503)	**(17,748)**
Other gains/losses related to taxes		
Impact of changes in estimates for tax litigations	(8,298)	(14,102)
	(8,298)	**(14,102)**
Total income tax	**(110,839)**	**(116,338)**

9.2 RECONCILIATION OF EFFECTIVE TAX RATE

	2013		2012	
Profit before tax		**503,381**		**482,664**
Income tax using the Portuguese corporation tax rate	**26.5%**	**(133,396)**	**26.5%**	**(127,906)**
Fiscal effect due to:				
Different tax rates in foreign jurisdictions	(8.2%)	41,123	(7.5%)	36,067
Non-taxable or non-recoverable results	4.5%	(22,706)	4.0%	(19,373)
Non-deductible expenses and fiscal benefits	(0.3%)	1,381	0.2%	(727)
Tax rate reduction on deferred taxes	0.2%	(1,114)	-	-
Adjustment to prior years estimation	(0.6%)	3,209	0.3%	(1,475)
Equity method	(0.7%)	3,463	(0.6%)	2,690
Change to the recoverable amount of tax losses and temporary differences of prior years	(0.2%)	1,001	0.3%	(1,370)
Results subject to special taxation	0.8%	(3,890)	0.9%	(4,244)
Income tax	**22.0%**	**(110,839)**	**24.1%**	**(116,338)**

In 2012 and 2013, the income tax rate applied to companies operating in Portugal was 25%. For the companies with taxable profits is additionally applied a rate of 1.5% as a municipal surcharge and a state tax rate of 3% and 5% for tax profits over EUR 1,500 thousand and EUR 7,500 thousand, respectively. For 2014, income tax rate in Portugal will be reduced to 23% and will be introduced a new level of state tax of 7% for taxable profits higher that EUR 35,000 thousand.

In Poland, for 2012 and 2013, income tax rate applied to taxable income was 19%.

In Colombia, income tax rate was 34% in 2013 and 33% in 2012. If a taxable loss is determined, a tax rate of 3% is levied on the net asset value.

10. EXCEPTIONAL OPERATING PROFITS/ LOSSES AND PROFITS/LOSSES IN OTHER INVESTMENTS

10.1 EXCEPTIONAL OPERATING PROFITS/LOSSES

	2013	2012
One-off costs Pingo Doce	-	(10,350)
Gains/ losses from legal contingencies	1,051	(312)
Losses from organizational restructuring programmes	(4,085)	(2,905)
Assets write-offs	(983)	(1,599)
Impact of actuarial assumptions changes	(833)	(132)
Write-off Electric Co	-	(1,552)
Others	2,039	445
	(2,811)	**(16,405)**

10.2 PROFITS/LOSSES IN OTHER INVESTMENTS

	2013	2012
Changes in fair value of investment properties	(1,676)	(2,840)
Gains in sale of investment properties	25	-
	(1,651)	**(2,840)**

11. TANGIBLE ASSETS

11.1 CHANGES OCCURRED DURING THE YEAR

2013	Land and natural resources	Buildings and other constructions	Plants, machinery and tools	Transport equipment and others	Work in progress and advances	Total
Cost						
Opening balance	**485,864**	**2,015,741**	**1,205,050**	**188,404**	**223,396**	**4,118,455**
Foreign exchange differences	(2,745)	(17,670)	(7,803)	(1,915)	(4,128)	**(34,261)**
Increases	27,344	182,108	136,816	10,838	150,323	**507,429**
Revaluations	(24,213)	-	-	-	-	**(24,213)**
Disposals	(1,408)	(1,571)	(11,136)	(1,945)	(2,939)	**(18,999)**
Transfers and write offs	13,881	79,658	(10,851)	3,724	(112,500)	**(26,088)**
Closing balance	**498,723**	**2,258,266**	**1,312,076**	**199,106**	**254,152**	**4,522,323**
Depreciation and impairment losses						
Opening balance	**-**	**647,898**	**743,834**	**155,018**	**-**	**1,546,750**

2013	Land and natural resources	Buildings and other constructions	Plants, machinery and tools	Transport equipment and others	Work in progress and advances	Total
Foreign exchange differences	-	(4,844)	(2,900)	(1,305)	-	**(9,049)**
Increases	-	113,998	108,957	12,902	-	**235,857**
Disposals	-	(202)	(10,776)	(1,929)	-	**(12,907)**
Transfers and write offs	-	(2,829)	(15,714)	(2,606)	-	**(21,149)**
Closing balance	**-**	**754,021**	**823,401**	**162,080**	**-**	**1,739,502**
Net value						
As at 1 January 2013	**485,864**	**1,367,843**	**461,216**	**33,386**	**223,396**	**2,571,705**
As at 31 December 2013	**498,723**	**1,504,245**	**488,675**	**37,026**	**254,152**	**2,782,821**

2012	Land and natural resources	Buildings and other constructions	Plants, machinery and tools	Transport equipment and others	Work in progress and advances	Total
Cost						
Opening balance	**447,202**	**1,759,964**	**1,024,512**	**171,465**	**204,412**	**3,607,555**
Foreign exchange differences	12,373	73,182	28,300	7,042	16,737	**137,634**
Increases	20,349	133,207	172,968	8,992	88,690	**424,206**
Revaluations	(7,184)	-	-	-	-	**(7,184)**
Disposals	(722)	(1,535)	(21,772)	(3,243)	(3,295)	**(30,567)**
Transfers and write offs	13,954	50,915	1,042	4,148	(83,140)	**(13,081)**
Transfers to/from investment properties	(108)	8	-	-	(8)	**(108)**
Closing balance	**485,864**	**2,015,741**	**1,205,050**	**188,404**	**223,396**	**4,118,455**
Depreciation and impairment losses						
Opening balance	**-**	**528,910**	**662,928**	**139,408**	**-**	**1,331,246**
Foreign exchange differences	-	20,898	12,936	5,519	-	**39,353**
Increases	-	101,001	94,874	13,787	-	**209,662**
Disposals	-	(247)	(21,221)	(3,198)	-	**(24,666)**
Transfers and write offs	-	(2,664)	(5,683)	(498)	-	**(8,845)**
Closing balance	**-**	**647,898**	**743,834**	**155,018**	**-**	**1,546,750**
Net value						
As at 1 January 2012	**447,202**	**1,231,054**	**361,584**	**32,057**	**204,412**	**2,276,309**
As at 31 December 2012	**485,864**	**1,367,843**	**461,216**	**33,386**	**223,396**	**2,571,705**

There are no financial charges capitalized in tangible fixed assets.

11. TANGIBLE ASSETS

11.2 EQUIPMENT UNDER FINANCIAL LEASE

The Group has a variety of equipment under financial lease or other equivalent contract conditions. Financial lease payments do not include values relating to contingent rentals. Unsettled liabilities on financial lease contracts are referred in note 24.4.

The value of assets under financial lease is shown below:

	2013	2012
Buildings and other constructions		
Tangible assets	4,029	6,937
Accumulated depreciation	(1,445)	(2,062)
	2,584	**4,875**
Plant and machinery		
Tangible assets	21,719	33,314
Accumulated depreciation	(10,227)	(12,717)
	11,492	**20,597**
IT and office equipment and tools		
Tangible assets	1,299	2,889
Accumulated depreciation	(1,017)	(2,221)
	282	**668**
Transport equipment		
Tangible assets	16,229	30,038
Accumulated depreciation	(15,894)	(27,706)
	335	**2,332**
Total assets under financial leases	**14,693**	**28,472**

11.3 GUARANTEES

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

11.4 TANGIBLE ASSETS IN PROGRESS

Amounts in work in progress are mostly related to the implementation and refurbishment of stores and distribution centres.

11.5 REVALUATION

The Group records land allocated to its operating activity at market value, determined by specialist and independent entities.

Given the high number of locations that are part of this class of assets, the Group carries out rotational valuations on all these assets at intervals of no more than five years. In the fourth quarter of 2013, new valuations were carried out: i) on assets acquired more than three years ago and which had not yet been evaluated; ii) on assets with an indication of a significant change in market value; and iii) on assets which had been evaluated more than three years ago. The outcome of these valuations in 2013 was a reduction in the value of the land of EUR 24,213 thousand. In 2012, the outcome was a reduction of EUR 7,184 (note 22.1).

The table below shows the total amount of valuations carried out in the exercise, the previous revalued net book value of these assets and its acquisition cost.

2013	Valuations amount	Net book value (includes revaluations)	Acquisition cost	Current year valuation adjustment
Portugal	101,882	130,242	77,977	(24,213)
Poland	36,351	45,870	45,870	-
Total	**138,233**	**176,112**	**123,847**	**(24,213)**

2012	Valuations amount	Net book value (includes revaluations)	Acquisition cost	Current year valuation adjustment
Portugal	80,216	89,132	65,777	(3,251)
Poland	90,729	85,422	77,728	(3,933)
Total	**170,945**	**174,554**	**143,505**	**(7,184)**

Revaluation values under tangible fixed assets total EUR 130,044 thousand (EUR 154,837 thousand in 2012), reflected in the shareholders' equity as follows:

	2013	2012
Revaluation of land	130,044	154,837
Deferred taxes	(23,044)	(30,508)
Non-controlling interests	(30,770)	(39,132)
Net revaluation (note 22.1)	**76,230**	**85,197**

If the cost model had been applied to the land assets that are valued at EUR 498,723 thousand (EUR 485,864 thousand in 2012, as mentioned in note 11.1, their net book value would be EUR 368,680 thousand (EUR 331,027 thousand in 2012).

12. INTANGIBLE ASSETS

12.1. CHANGES OCCURRED DURING THE YEAR

2013	Goodwill	Develop. expenses	Software, ind. property and other rights	Key money	Work in progress	Total
Cost						
Opening balance	**654,629**	**29,926**	**77,264**	**111,511**	**7,830**	**881,160**
Foreign exchange differences	(6,268)	(421)	(969)	(1,327)	(167)	**(9,152)**
Increases	-	1,031	15,846	13,041	2,882	**32,800**
Disposals	-	-	-	-	(2)	**(2)**
Transfers and write offs	-	(1,196)	1,560	2,298	(3,956)	**(1,294)**
Closing balance	**648,361**	**29,340**	**93,701**	**125,523**	**6,587**	**903,512**
Amortisation and impairment losses						
Opening balance	**-**	**25,688**	**8,565**	**52,557**	**-**	**86,810**
Foreign exchange differences	-	(396)	(43)	(407)	-	**(846)**
Increases	-	1,932	2,318	9,231	-	**13,481**
Disposals	-	-	-	-	-	**-**
Transfers and write offs	-	(1,349)	(432)	(1)	-	**(1,782)**
Closing balance		**25,875**	**10,408**	**61,380**	**-**	**97,663**
Net value						
As at 1 January 2013	**654,629**	**4,238**	**68,699**	**58,954**	**7,830**	**794,350**
As at 31 December 2013	**648,361**	**3,465**	**83,293**	**64,143**	**6,587**	**805,849**

2012	Goodwill	Develop. expenses	Software, ind. property and other rights	Key money	Work in progress	Total
Cost						
Opening balance	**626,697**	**26,162**	**58,814**	**88,282**	**8,010**	**807,965**
Foreign exchange differences	27,932	1,890	4,078	5,399	676	**39,975**
Increases	-	1,495	8,752	16,996	6,858	**34,101**
Disposals	-	-	(518)	-	-	**(518)**
Transfers and write offs	-	379	6,138	834	(7,714)	**(363)**
Closing balance	**654,629**	**29,926**	**77,264**	**111,511**	**7,830**	**881,160**
Amortisation and impairment losses						
Opening balance	**-**	**22,424**	**6,048**	**42,742**	**-**	**71,214**
Foreign exchange differences	-	1,761	172	1,771	-	**3,704**
Increases	-	1,503	1,866	8,096	-	**11,465**

2012	Goodwill	Develop. expenses	Software, ind. property and other rights	Key money	Work in progress	Total
Disposals	-	-	(1)	-	-	**(1)**
Transfers and write offs	-	-	480	(52)	-	**428**
Closing balance	**-**	**25,688**	**8,565**	**52,557**	**-**	**86.810**
Net value						
As at 1 January 2012	**626,697**	**3,738**	**52,766**	**45,540**	**8,010**	**736.751**
As at 31 December 2012	**654,629**	**4,238**	**68,699**	**58,954**	**7,830**	**794.350**

The Group identified as intangible assets of indefinite useful life, besides Goodwill, the trademark Pingo Doce, whose net value is EUR 9,228 thousand, for which there is no time limit for how long they will continue to create economic benefits to the Group.

Development expenses are mainly related to IT implementation.

12.2 GUARANTEES

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

12.3 INTANGIBLE ASSETS IN PROGRESS

The implementation of projects for processes simplification, usage rights and key money are considered in intangible assets - work in progress.

12.4 IMPAIRMENT TESTS FOR GOODWILL AND OTHER INTANGIBLE ASSETS

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

Business areas	2013	2012
Portugal Retail	246,519	246,519
Portugal Cash & Carry	83,836	83,836
Poland Health and Beauty Retail	9,339	9,523
Poland Retail	308,667	314,751
	648,361	**654,629**

12. INTANGIBLE ASSETS

As a consequence of the currency translation adjustment of the assets in the Group's businesses in Poland:

- the Goodwill related to Poland business (Biedronka), totalling PLN 1,282,278 thousand, was updated negatively by EUR 6,084 thousand; and
- the Goodwill related to Health and Beauty Retail in Poland (Hebe), totalling PLN 38,796 thousand, was updated negatively by EUR 184 thousand.

In 2013 evaluations were made based on the value in use according to Discounted Cash Flows (DCF) evaluation models, thereby sustaining the recoverability of Goodwill value.

The values of these evaluations are determined by past performance and the expectation of market development, with future cash-flow projections, for a five year period, being drawn up for each of the businesses, based on medium/long term plans approved by the Board of Directors.

These estimates were made considering a discount rate between 8% and 9.3% for Portugal (2012: 8% and 9.3%) and between 10.1% and 10.5% for Poland (2012: 10.1%), and a perpetual growth rate between 0% and 1.5% for the various businesses (2012: 0% and 1.5%).

Goodwill associated with the industry and services businesses, integrated in the financial statements using the equity method, is presented under the heading investments in joint ventures and associates (note 15).

The Pingo Doce brand is not being amortised but subject to impairment tests annually, with the same assumptions that are used to Goodwill. The same applies to intangible assets in progress.

13. INVESTMENT PROPERTIES

	2013	2012
Opening balance	**49,336**	**52,128**
Increases due to acquisitions	-	3
Transfers	-	108
Changes in fair value	(1,739)	(2,903)
Disposals	(126)	-
Closing balance	**47,471**	**49,336**

The investment properties relates to plots of land initially acquired for use in Group operations, and others actually used for that purpose for a period of time but which became redundant, either because they could not be used to build cash-generating units or because they became superfluous as a result of the restructuring of operations carried out in them.

This category also includes recently acquired land, whose use has still not been determined, but whose market value is expected to increase.

Non-current assets are all the investment properties that are not expected to be sold within a period of less than 12 months.

In 2013 the amount of income from investment properties amounted EUR 122 thousand (EUR 129 thousand in 2012), having been recognised costs in the amount of EUR 137 thousand (EUR 255 thousand in 2012).

14.
DERIVATIVE FINANCIAL INSTRUMENTS

	Notional	2013				Notional	2012			
		Assets		Liabilities			Assets		Liabilities	
		Current	Non--current	Current	Non--current		Current	Non--current	Current	Non--current
Derivatives held for trading										
Interest rate swap	10 million EUR	-	-	66	-	10 million EUR	-	-	-	197
Fair value hedging derivatives										
USD loan hedging	96 million USD	-	-	9,104	-	96 million USD	-	-	-	2,931
Cash flow hedging derivatives										
Interest rate swap (EUR)	438 million EUR	-	-	2,385	1,933	315 million EUR	-	-	526	7,849
Interest rate swap (PLN)	500 million PLN	-	-	-	1,020	135 million PLN	-	-	332	-
Foreign operation investments hedging derivatives										
Currency forwards (PLN)	960 million PLN	-	-	4,044	-	918 million PLN	-	-	4,100	-
Total derivatives held for trading		**-**	**-**	**66**	**-**		**-**	**-**	**-**	**197**
Total hedging derivatives		**-**	**-**	**15,533**	**2,953**		**-**	**-**	**4,958**	**10,780**
Total assets/liabilities derivatives		**-**	**-**	**15,599**	**2,953**		**-**	**-**	**4,958**	**10,977**

In December 2013, the values shown include interest receivable or payable related to these financial instruments that are due. The net payable amount is EUR 745 thousand (2012: EUR 983 thousand).

DERIVATIVES HELD FOR TRADING

Interest rate swap

At 31 December 2013, the Group had derivatives financial instruments held for trading with a notional of EUR 10,000 thousand (2012: EUR 10,000 thousand). The fair value of these instruments at 31 December 2013 was negative EUR 66 thousand (2012: negative EUR 197 thousand). This derivative matures in June 2014.

FAIR VALUE HEDGE

Currency swap

The Group hedges its exposure to the fair value of its loans in the total amount of USD 96,000 thousand, through one cross currency swap that have the same characteristics as the debt that was issued. The purpose of this hedge is to convert the fixed rate into a variable rate, and to hedge exposure to the US dollar, thus reflecting changes to the debt fair value. Credit risk is not hedged. The fair value of the cross currency swap at 31 December 2013 was negative EUR 9,104 thousand (2012: negative EUR 2,931 thousand). This derivative matures in June 2014.

14. DERIVATIVE FINANCIAL INSTRUMENTS

CASH FLOW HEDGE

Interest rate swap

The Group enters into interest rate swaps to hedge interest rate risk, regarding future interest payments on the loans. At 31 December 2013, the total loans with derivative hedge instruments were EUR 458,037 thousand (2012: EUR 335,537 thousand) and PLN 500,000 thousand (2012: PLN 150,000 thousand).

The Group fixes a portion of future interest payments on loans, through entering into interest rate swaps. The hedged risk is the variable interest rate index associated with the loans. The purpose of the hedge is to convert the loans with variable interest rate into fixed interest rate. The credit risk of the borrowing is not hedged. Nevertheless, the evaluation of JMH own credit risk and its incorporation in the fair value of derivative financial instruments recognised on the balance sheet would result in an immaterial impact as of 31 December 2013 and 2012. The Group had interest rate swaps in Euro and Zlotys.

In resume:

	Currency	Loan amount	Hedged amount	Index hedged	Rate review date	Loan and hedge maturity
JMR/2014	EUR	52,500	52,500	6-months Euribor	April	April 2014
JMR/2014	EUR	80,537	60,375	6-months Euribor	June	June 2014
JMH/2014	EUR	100,000	100,000	6-months Euribor	March	September 2014
JMR/2015	EUR	225,000	225,000	6-months Euribor	June	December 2015
JMP/2016	PLN	500,000	500,000	3-months Wibor	January	April 2016

Interest rate swaps in Euro have a notional value of EUR 437,875 thousand (2012: EUR 315,375 thousand), and the fair value of these instruments at 31 December 2013 was negative EUR 4,318 thousand (2012: negative EUR 8,375 thousand).

The interest rate swaps in Zlotys have a notional value of PLN 500,000 thousand (2012: PLN 135,000 thousand), and its fair value at 31 December 2013 was negative EUR 1,020 thousand (2012: negative EUR 332 thousand).

HEDGING OF INVESTMENTS IN FOREIGN ENTITIES

Currency forwards

The Group hedges the economic risk of its exposure to the exchange rate of Zloty. To do so, the Group entered into currency forwards, with maturities in April 2013 with a notional value of PLN 1,173,000 thousand.

Additionally, the Group entered into several currency forwards, with maturities in April 2014 with a notional of PLN 960,000 thousand. The fair value of these instruments at 31 December 2013 was negative EUR 4,044 thousand.

The changes in the derivative fair value is recognised in equity currency translation reserve.

IMPACTS ON THE FINANCIAL STATEMENTS

	2013	2012
Fair value of financial instruments at 1 January	**(15,935)**	**(12,813)**
(Receipts) / payments made	13,280	14,825
Change in the fair value of held for trading derivatives (results)	(1)	(6)
Change in the fair value of cash flow hedge derivatives (others reserves)	3,121	3,043
Change in the fair value of cash flow hedge derivatives (foreign exchange differences)	12	(67)
Change in the fair value of fair value hedge derivatives (loans)	(6,173)	(2,251)
Change in the fair value of net investment hedging derivatives (currency translation reserves)	(5,427)	(10,514)
Interest expenses from financial instruments that qualify as hedge accounting (results)	(7,429)	(8,152)
Fair value of financial instruments at 31 December	**(18,552)**	**(15,935)**

15. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The joint ventures and associates are listed in note 34, and changes in these investments were as follows:

	Joint ventures		Associates		Total	
	2013	2012	2013	2012	2013	2012
Opening balance	**76,351**	**80,625**	**1,006**	**1,009**	**77,357**	**81,634**
Equity method:						
Net result	18,477	12,843	361	459	18,838	13,302
Dividends and other income received	(13,209)	(14,269)	(472)	(462)	(13,681)	(14,731)
Other comprehensive income	(1,083)	176	-	-	(1,083)	176
Other increases/decreases	-	(3,024)	-	-	-	(3,024)
Closing balance	**80,536**	**76,351**	**895**	**1,006**	**81,431**	**77,357**

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current	2013	2012
BCP shares	3,705	3,705
Others	869	869
	4,574	**4,574**
Fair value adjustment – BCP shares (note 26)	(3,366)	(3,552)
	1,208	**1,022**

As at 31 December 2013, all BCP shares in the company's portfolio (2,036 million shares) were marked to market (level 1 of fair value hierarchy) – according to the price on Euronext Lisbon at 31 December 2013 of Euro 0.1664 per share (2012: Euro 0.075 per share).

The financial assets available-for-sale include non-listed capital instruments whose fair value cannot be reliably measured and, as such, are recognised at cost to the value of EUR 869 thousand at December 31st, 2013 (2012: EUR 869 thousand). At the date of preparing the financial statements, the Group does not intend to dispose of any of its investments.

The financial assets measured at cost are set out in the table below:

	2013	2012
Investment in Uniarme	150	150
Investment in Mercado Abastecedor do Porto	646	646
Investment in AMS	63	63
Other investments	10	10
	869	**869**

There are no market prices available for these investments, and not being able to determine the fair value based on comparable transactions, the Group did not measure these instruments based on expected discounted cash flows since they cannot be reasonably estimated.

17. INVENTORIES

	2013	2012
Raw and subsidiary materials and consumables	2,747	1,650
Goods available for sale	590,959	483,993
	593,706	**485,643**
Fair value adjustment (note 26)	(18,714)	(11,587)
Net inventories	**574,992**	**474,056**

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

18. TAXES

18.1 DEFERRED TAX ASSETS AND LIABILITIES

	2013	2012
Opening balance	**(29,243)**	**(11,235)**
Currency translation difference (note 22.1)	206	(1,750)
Revaluation and reserves (note 22.1)	6,803	1,490
Result of the year (note 9.1)	(4,503)	(17,748)
Closing balance	**(26,737)**	**(29,243)**

Deferred taxes are presented in the balance sheet as follows:

	2013	2012
Deferred tax assets	51,013	52,133
Deferred tax liabilities	(77,750)	(81,376)
	(26,737)	**(29,243)**

18. TAXES

2013	Opening balance	Impact on results	Impact on equity	Currency translation differences	Closing balance
Deferred tax liabilities					
Revaluation of assets	31,800	(161)	(7,354)	(110)	24,175
Deferred income for tax purposes	30,156	7,990	-	(419)	37,727
Differences on accounting policies in other countries	12,857	89	-	(247)	12,699
Other temporary differences	6,563	(3,414)	-	-	3,149
	81,376	**4,504**	**(7,354)**	**(776)**	**77,750**
Deferred tax assets					
Excess over legal provisions	18,961	3,547	-	(181)	22,327
Revaluation of assets	4,062	(7)	-	-	4,055
Employee benefits	5,011	(412)	402	-	5,001
Derivative instruments	2,095	(36)	(953)	(1)	1,105
Recoverable losses	-	576	-	-	576
Other deferred costs for tax purposes	16,757	(1,932)	-	(344)	14,481
Differences on accounting policies in other countries	905	(2,546)	-	(44)	(1,685)
Other temporary differences	4,342	811	-	-	5,153
	52,133	**1**	**(551)**	**(570)**	**51,013**
Net change in deferred tax	**(29,243)**	**(4,503)**	**6,803**	**206**	**(26,737)**

2012	Opening balance	Impact on results	Impact on equity	Currency translation differences	Closing balance
Deferred tax liabilities					
Revaluation of assets	33.475	(16)	(2.215)	556	31.800
Deferred income for tax purposes	18.293	10.327	-	1.536	30.156
Differences on accounting policies in other countries	11.650	105	-	1.102	12.857
Other temporary differences	4.201	2.362	-	-	6.563
	67.619	**12.778**	**(2.215)**	**3.194**	**81.376**

2012	Opening balance	Impact on results	Impact on equity	Currency translation differences	Closing balance
Deferred tax assets					
Excess over legal provisions	18,867	(1,009)	-	1,103	18,961
Revaluation of assets	3,050	1,012	-	-	4,062
Employee benefits	4,984	(20)	47	-	5,011
Derivative instruments	2,888	(34)	(772)	13	2,095
Recoverable losses	884	(944)	-	60	-
Other deferred costs for tax purposes	18,770	(2,080)	-	67	16,757
Differences on accounting policies in other countries	2,660	(1,956)	-	201	905
Other temporary differences	4,281	61	-	-	4,342
	56,384	**(4,970)**	**(725)**	**1,444**	**52,133**
Net change in deferred tax	**(11,235)**	**(17,748)**	**1,490**	**(1,750)**	**(29,243)**

Deferred tax assets arising from recoverable losses as of December 31, 2013, in the amount of EUR 576 thousand, relate to some companies in the business of Retail and Cash & Carry in Portugal.

18.2 UNRECOGNISED DEFERRED TAXES ON TAX LOSSES

The Group did not recognise deferred tax assets related to tax losses in respect of which, with reasonable accuracy, no sufficient taxable profits are expected to guarantee the recovery of deferred tax assets. Total unrecognised tax assets amount to EUR 21,181 thousand (2012: EUR 11,410 thousand), as presented below:

Expiring date	Tax
2014	2,520
2015	2,018
2016	1,066
2017	3,171
2018 or further	12,406
Total	**21,181**

18. TAXES

18.3 RECEIVABLE AND PAYABLE TAXES

	2013	2012
Taxes receivable		
Income tax receivable	41,126	32,203
VAT receivable	9,318	14,682
Others	3,011	767
	53,455	**47,652**
Taxes payable		
Income tax payable	65,794	56,274
VAT payable	34,593	36,335
Income tax withheld	8,729	7,938
Social security	26,256	23,615
Other taxes	3,107	2,923
	138,479	**127,085**

19. TRADE DEBTORS, ACCRUED INCOME AND DEFERRED COSTS

	2013	2012
Non-current		
Other debtors	82,397	87,574
Deferred costs	5,602	8,777
	87,999	**96,351**
Current		
Commercial customers	52,065	52,433
Suppliers	14,429	32,861
Staff	2,229	1,987
Other debtors	47,093	40,304
Accrued income	114,288	92,424
Deferred costs	11,145	12,668
	241,249	**232,677**

Non-current debtors' include EUR 77,353 thousand relating to additional tax liquidation as well as pre-paid tax. The Group has already contested the amounts paid and made a legal claim for reimbursement (note 31).

Accrued income include basically supplementary gains contracted with suppliers, in the amount of EUR 113,675 thousand (2012: EUR 91,384 thousand).

The deferred costs include EUR 9,606 thousand of pre-paid rents, EUR 2,255 thousand of bond issue expenses and pre-paid interest, EUR 1,866 thousand of insurance costs and EUR 3,020 thousand of other costs attributable to future years and paid in 2013, or, if not yet paid, were already charged by the entities.

The current debtors are stated at their recoverable values. The Group constitutes provisions for impairment losses whenever there are signs of uncollectible amounts (note 26).

Other debtors include an amount of EUR 17,826 thousand (2012: EUR 17,111 thousand), of guarantees mostly to landlords of stores.

Current debtors that are less than three months past their due date are not considered impaired. The ageing analysis of debtors that are past their due date is as follows:

	2013	2012
Debtors balances not considered impaired		
Less than 3 months past due	27,549	25,830
More than 3 months past due	13,694	15,147
	41,243	**40,977**
Debtors balances considered impaired		
Less than 3 months past due	285	516
More than 3 months past due	15,936	17,211
	16,221	**17,727**

Of the debtors balances not considered impaired, EUR 7,760 thousand (2012: EUR 6,625 thousand) are covered by credit guarantees and credit insurance.

20. CASH AND CASH EQUIVALENTS

	2013	2012
Bank deposits	188,489	250,523
Short-term investments	179,376	121,107
Cash and cash equivalents	3,806	3,442
	371,671	**375,072**

The short-term investments include short-term bank deposits and other negotiable funds for which provisions were booked to reduce them to their realisable value (note 26).

21. CASH GENERATED FROM OPERATIONS

	2013	2012
Net results	**382,256**	**360,462**
Adjustments for:		
Non-controlling interests	10,286	5,864
Income tax	110,839	116,338
Depreciations and amortisations	249,280	221,124
Provisions and other operational gains and losses	14,024	(3,387)
Net financial costs	38,849	29,855
Profit in joint ventures and associates	(18,838)	(13,302)
Profit/ losses on other investments	1,651	2,840
Profit/ losses on tangible and intangible assets	5,416	8,181
	793,763	**727,975**
Changes in working capital:		
Inventories	(112,944)	(82,606)
Debtors, accruals and deferrals	(65)	(6,386)
Creditors, accruals and deferrals	163,119	167,379
	843,873	**806,362**

22. CAPITAL AND RESERVES

22.1 FAIR VALUE AND OTHER RESERVES

	Land revaluation reserves	Cash-flow Hedging	Available-for-sale financial assets	Adjust. in Joint-ventures and associates	Currency translation reserve	Total
Balance as at 1 January 2012	**86,255**	**(5,114)**	**(1,313)**	**4,144**	**(85,134)**	**(1,162)**
Revaluations:						
- Gross value	(7,185)					(7,185)
- Deferred/current tax	2,215					2,215
- Non-controlling interests	1,539					1,539
Fair value adjustment of financial instruments:						
- Gross value		3,043			(10,514)	(7,471)
- Deferred/current tax		(772)				(772)
- Non-controlling interests		(1,199)				(1,199)
Fair value adjustment of available-for-sale financial investments:						
- Gross value			(124)			(124)
Changes in investments in joint ventures and associates				104		104
Currency translation differences:						
- In the year	2,929	(68)			65,069	67,930
- Deferred tax	(556)	13			(1,207)	(1,750)
Balance as at 1 January 2013	**85,197**	**(4,097)**	**(1,437)**	**4,248**	**(31,786)**	**52,125**
Revaluations:						
- Gross value	(24,213)					(24,213)
- Deferred/current tax	7,354					7,354
- Non-controlling interests	8,362					8,362
Fair value adjustment of financial investments:						
- Gross value		3,121			(5,427)	(2,306)
- Deferred/current tax		(953)				(953)
- Non-controlling interests		(529)				(529)
Fair value adjustment of available-for-sale financial investments:						
- Gross value			186			186
Changes in investments in joint ventures and associates				(1,351)		(1,351)
Currency translation differences:						
- In the year	(580)	6			(10,995)	(11,569)
- Deferred tax	110	(1)			97	206
Balance as at 31 December 2013	**76,230**	**(2,453)**	**(1,251)**	**2,897**	**(48,111)**	**27,312**

22. CAPITAL AND RESERVES

It should be noted that the values mentioned in fair value and other reserves refer to application of the fair value of fixed assets, and they cannot be distributed in the individual accounts of the companies that originated them.

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

22.2 RETAINED EARNINGS

	2013	2012
Balance as at 1 January	**513,721**	**476,338**
Net profit	382,256	360,462
Dividends	(185,388)	(323,015)
Changes in investments in joint ventures and associates	268	72
Remeasurements of post employment benefit obligations		
Gross value	(1,658)	(177)
Deferred tax	402	47
Non-controlling interests	(60)	(6)
Balance as at 31 December	**709,661**	**513,721**

22.3 SHARE CAPITAL AND SHARE PREMIUM

Authorised share capital is represented by 629,293,220 ordinary shares (2012: 629,293,220).

The holders of ordinary shares have the right to receive dividends as established in the General Meeting and have one vote for each share held. There are no preferential shares and the own shares' rights are suspended until these shares are sold in the market.

During the year 2013, no changes occurred in the amount of EUR 22,452 thousand showed in share premium.

22.4 OWN SHARES

The own shares reflects the cost of shares held by the Group in portfolio. As of 31 December 2013, the Group held 859,000 own shares (2012: 859,000). As defined by law the own shares are not entitled to dividends.

22.5
DIVIDENDS

Dividends distributed in 2013 totaling EUR 211,572 thousand, were paid to JMH shareholders in the amount of EUR 185,388 thousand, and to non-controlling interests in the Group companies in the amount of EUR 26,184 thousand.

23. EARNINGS PER SHARE

23.1
BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated based on the net profit attributable to shareholders of EUR 382,256 thousand (2012: EUR 360,462 thousand) divided by the weighted average of outstanding ordinary shares, numbering 628,434,220 (2012: 628,434,220).

	2013	2012
Ordinary shares issued at the beginning of the year	629,293,220	629,293,220
Own shares at the beginning of the year	(859,000)	(859,000)
Shares issued during the year	-	-
Weighted average number of ordinary shares	**628,434,220**	**628,434,220**

	2013	2012
Diluted net results of the year attributable to shareholders that own ordinary shares	382,256	360,462
Diluted weighted average ordinary shares	628,434,220	628,434,220
Basic and diluted earnings per share - euros	0.6083	0.5736

24. BORROWINGS

In March 2013, JMH exercised the early redemption call on the Commercial Paper in the amount of EUR 50.000 thousand, which was due to mature in March 2014.

In April 2013, Jeronimo Martins Polska (JMP) issued three loans in a total amount of PLN 500,000 thousand with maturity on 2016. The interest rate is floating and indexed to the 3 month Wibor.

In April 2013, Jeronimo Martins Colombia (JMC) issued a loan in a total amount of COP 59,928,000 thousand with maturity on 2017. The interest rate is indexed to the DTF.

24. BORROWINGS

In April 2013 JMR-Gestão de Empresas de Retalho, SGPS, S.A. (JMR) reimbursed EUR 52.500 thousand from the 2009 Bond Loan with a 4-year maturity.

In August 2013, JMR exercised the early redemption call on the Mutual Contract with Banco do Brasil, in the total amount of EUR 35,000 thousand, which was due to mature in August 2015.

JMC renewed the short term credit line, held with BBVA Colombia, increasing the limit up to COP 51,107,000 thousand and extending the maturity until September 2014. The interest rate is floating and indexed to the DTF.

An amount of PLN 150,000 thousand relating to the loan issued by JMP in 2008 with initial amount of PLN 300,000 thousand for a period of 5-years was repaid.

In the last quarter of 2013, the financial conditions of the bond loan JMR 2012/2015 were renegotiated , with the decrease of the nominal capital to EUR 225.000 thousand and the reduction of 125bps on the spread, starting in December 2013. The interest rate is variable and indexed to the 6 month Euribor.

On December 2013, Jerónimo Martins Colombia, S.A.S. formalized a short-term credit line, with Citi Bank Colombia, in the amount of COP 30.000.000 thousand. The interest rate is floating and indexed to the IBR.

24.1 CURRENT AND NON-CURRENT LOANS

	2013	2012
Non-current loans		
Bank loans	142,910	85,000
Bond loans	225,000	480,029
Financial lease liabilities	1,163	5,752
	369,073	**570,781**
Current loans		
Bank overdrafts	74,021	2,774
Bank loans	22,243	39,987
Bond loans	223,852	52,500
Financial lease liabilities	4,600	12,145
	324,716	**107,406**

24.2
LOAN TERMS AND MATURITIES

2013	Average rate	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Bank loans					
Loans in PLN	3.98%	120,357	-	120,357	-
Loans in COP	6.61%	44,796	22,243	22,553	-
Bond Loans					
Loans	4.34%	458,037	233,037	225,000	-
Fair value adjustment		(9,185)	(9,185)	-	-
Bank overdrafts	3.26%	74,021	74,021	-	-
Financial lease liabilities	2.93%	5,763	4,600	1,163	-
		693,789	**324,716**	**369,073**	**-**

2012	Average rate	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Bank loans					
Commercial Paper in EUR	3.08%	50,000	-	50,000	-
Loans in EUR	2.74%	35,000	-	35,000	-
Loans in PLN	5.94%	36,818	36,818	-	-
Loans in COP	8.04%	3,169	3,169	-	-
Bond Loans					
Loans	4.19%	535,537	52,500	483,037	-
Fair value adjustment		(3,008)	-	(3,008)	-
Bank overdrafts	5.81%	2,774	2,774		
Financial lease liabilities	2.99%	17,897	12,145	5,752	-
		678,187	**107,406**	**570,781**	**-**

The Group has a bond loan of USD 96,000 thousand with fixed interest rate recognised at fair value. As at 31 December 2013 the fair value was EUR 71,352 thousand, incorporating a negative adjustment of EUR 9,185 thousand. At 31 December 2012 the fair value was EUR 77,529 thousand, incorporating a negative adjustment of EUR 3,008 thousand. For this loan, the Group contracted a hedging instrument, presented in note 14.

24. BORROWINGS

24.3 BOND LOANS

	2013	2012
Non-convertible bonds	458,037	535,537

The bond loans were as follows:

- In June 2004, JMR placed a fixed-rate Private Placement on the US market in the amount of USD 180,000 thousand. These "Notes" issued by JMR are equivalent to Bond Loans according to Portuguese law. The total amount was divided between a 7-year issue of USD 84,000 thousand and a 10-year issue of USD 96,000 thousand. Immediately after contracting these amounts, a EUR/USD Cross Currency Swap was performed. As of December 2013, the 10-year emission was still in place in the amount of USD 96,000 thousand;

- In April 2009 JMR issued a bond loan in the amount of EUR 105,000 thousand, maturing in five years, and with payment of 50% in the 4th year and 50% in the 5th year. The interest rate is variable and is indexed to the 6-month Euribor, which is reviewed when the interest payment occurs, every 6 months, in April and October. In April 2013 JMR reimbursed the amount of EUR 52,500 with the 4th year maturity;

- In September 2011, JMH issued a bond loan for EUR 100.000 thousand , maturing in 3 years. The interest rate is variable and is indexed to the 6-month Euribor, being reviewed when the interest payment occurs, every 6 months, in September and March;

- In December 2012, JMR issued a new bond loan for EUR 250,000 thousand, maturing in 3 years. The interest rate is variable, and is indexed to the 6-month Euribor, being reviewed when the interest payment occurs, every 6 months, in December and June. In November 2013 JMR reimbursed EUR 25,000 thousand.

The redemption dates of the bond loans are as follows:

2014	233,037
2015	225,000
Total	**458,037**

24.4 FINANCIAL LEASE LIABILITIES

	2013	2012
Payments in less than 1 year	4,689	12,544
Payments between 1 and 5 years	1,186	5,899
Payments in more than 5 years	-	-
	5,875	**18,443**
Payment of future interest	(112)	(545)
Present value of liabilities	**5,763**	**17,898**

24.5
FINANCIAL DEBT

As the Group contracted several foreign exchange rate risk and interest risk hedging operations, as well as short-term investments, the net consolidated financial debt as at 31 December is:

	2013	2012
Non-current loans (note 24.1)	369,073	570,781
Current loans (note 24.1)	324,716	107,406
Derivative financial instruments (note 14)	18,552	15,935
Interest on accruals and deferrals	1,367	(1,177)
Bank deposits (note 20)	(188,489)	(250,523)
Short-term investments (note 20)	(179,376)	(121,107)
	345,843	**321,315**

25.
EMPLOYEE BENEFITS

Amounts of employee benefits in the balance sheet:

	2013	2012
Retirement benefits - defined benefit plan paid for by the Group	20,729	19,366
Seniority awards	16,735	14,595
Total	**37,464**	**33,961**

Amounts recognised in the income statement – staff costs (note 6):

	2013	2012
Retirement benefits - defined contribution plan	551	587
Retirement benefits - defined benefit plan paid for by the Group	832	850
Seniority awards	2,932	2,202
Total	**4,315**	**3,639**

Remeasurements reflected in equity and other comprehensive income:

	2013	2012
Retirement benefits - defined benefit plan paid for by the Group (note 22.2)	1,658	177
Total	**1,658**	**177**

A brief description of the plans and their impact are detailed as follows.

25. EMPLOYEE BENEFITS

25.1 DEFINED CONTRIBUTION PLANS FOR EMPLOYEES, WITH FUNDS MANAGED BY A THIRD PARTY

Some Group companies have defined contribution pension plans. These plans cover all of the employees in these companies who have permanent contract status, and they allow cost control related to the granting of benefits, while simultaneously creating an incentive for the employees to participate in their own pension scheme.

	2013	2012
Liabilities (not covered) as at 1 January	-	-
Costs of the year	551	587
Contributions of the year	(551)	(587)
Liabilities (not covered) as at 31 December	**-**	**-**

25.2 DEFINED BENEFIT PLANS FOR FORMER EMPLOYEES

DEFINED BENEFIT PLANS PAID FOR BY THE GROUP

The Group has direct responsibility for these plans. Independent actuaries evaluate them twice a year. According to the actuarial calculation reported on 31st December 2013, the liabilities total EUR 20,729 thousand, and are included in employee benefits.

	2013	2012
Balance on 1 January	**19,366**	**19,439**
Interest costs	832	850
Actuarial (gains)/losses		
Changes in demographic assumptions	-	-
Changes in financial assumptions	1,621	-
Changes in experience	37	177
Retirement pensions paid	(1,127)	(1,100)
Balance on 31 December	**20,729**	**19,366**

Actuarial assumptions used:

Mortality table	TV 88/90	TV 88/90
Discount rate	3,5%	4.5%
Pension growth rate	2,5%	2.5%

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

25.3
OTHER LONG-TERM BENEFITS GRANTED TO EMPLOYEES

The Group currently has an incentive programme based on the award of seniority, for employees in some of the companies of the Group.

This programme consists of attributing monetary bonuses to employees when they reach 15 and 25 years of service.

This plan is the responsibility of the companies and the liabilities are valued annually by an independent actuary.

According to the actuarial study carried out, on 31st December the liability was EUR 16,735 thousand, which is accounted for as liabilities in employee benefits.

Movement in the year:

	2013	2012
Balance on 1 January	**14,595**	**13,493**
Interest costs	701	701
Current service cost	1,398	1,369
Actuarial (gains)/losses		
Changes in demographic assumptions	-	-
Changes in financial assumptions	1,214	432
Changes in experience	(381)	(300)
Paid contributions	(792)	(1,100)
Balance on 31 December	**16,735**	**14,595**

Actuarial assumptions used:

Mortality table	TV 88/90	TV 88/90
Discount rate	3.5%	4.5%
Salaries growth rate	2.5%	2.5%

25.4
EXPECTED FUTURE PAYMENTS

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

	2014	2015	2016	2017	2018
Retirement benefits - defined benefit plan paid for by the Group	1,635	1,581	1,526	1,468	1,409
Seniority awards	956	1,316	1,013	1,008	2,486
Total	**2,591**	**2,897**	**2,539**	**2,476**	**3,895**

26. PROVISIONS AND ADJUSTMENTS TO THE NET REALISABLE VALUE

2013	Opening balance	Set up reinforced	Unused and reversed	Foreign exchange difference	Used	Closing balance
Doubtful debtors (note 19)	18,689	4,448	(506)	(32)	(1,617)	20,982
Inventories (note 17)	11,587	8,099	(905)	(67)	-	18,714
Available-for-sale financial investments (note 16)	3,552	(186)	-	-	-	3,366
Short term investments (note 20)	57	-	-	-	-	57
Total fair value adjustments to net realisable value	**33,885**	**12,361**	**(1,411)**	**(99)**	**(1,617)**	**43,119**
Provisions for risks and contingencies	99,859	24,549	(20,618)	(64)	(25,777)	77,949
Total of provisions	**99,859**	**24,549**	**(20,618)**	**(64)**	**(25,777)**	**77,949**

2012	Opening balance	Set up reinforced	Unused and reversed	Foreign exchange difference	Used	Closing balance
Doubtful debtors (note 19)	18,603	3,002	(1,198)	287	(2,005)	18,689
Inventories (note 17)	12,918	1,342	(3,336)	663	-	11,587
Available-for-sale financial investments (note 16)	3,428	124	-	-	-	3,552
Short term investments (note 20)	57	-	-	-	-	57
Total fair value adjustments to net realisable value	**35,006**	**4,468**	**(4,534)**	**950**	**(2,005)**	**33,885**
Provisions for risks and contingencies	84,438	19,824	(3,557)	446	(1,292)	99,859
Total of provisions	**84,438**	**19,824**	**(3,557)**	**446**	**(1,292)**	**99,859**

The provisions for other risks and contingencies consists of provisions for possible compensation to be paid by the Group regarding guarantees provided in business sales agreements contracted over the last few years, provisions for restructuring plans and provisions for litigation processes where there is no prospect of resolution in less than one year.

27. TRADE CREDITORS, ACCRUED COSTS AND DEFERRED INCOME

	2013	2012
Other commercial creditors	2,054,839	1,910,556
Other non-commercial creditors	190,583	163,248
Accrued costs	157,036	151,017
Deferred income	2,570	7,651
	2,405,028	**2,232,472**

The accrued costs include basically salaries and wages to be paid to the employees, in the amount of EUR 69,646 thousand, interest payable in the amount of EUR 20,392 thousand and supplementary costs with the distribution and promotion of goods in the amount of EUR 12,423 thousand. The remaining EUR 54,574 thousand relates to sundry costs (utilities, insurance, consultants, rents, among others), for 2013, which had not been invoiced by the respective entities prior to the end of the year.

28. GUARANTEES

The bank guarantees are as follows:

	2013	2012
Guarantees provided to suppliers	2,805	3,074
Guarantees for Portuguese tax authorities	142,347	112,157
Financing bank guarantees	-	10,521
Other State guarantees	6,798	3,867
Other guarantees provided	11,386	7,649
Total of guarantees	**163,336**	**137,268**

29. OPERATIONAL LEASE

The Group has liabilities relating to medium and long-term contracts which have penalty clauses if broken.

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

	2013	2012
Payments in less than 1 year	257,535	252,059
Payments between 1 and 5 years	918,639	888,745
Payments in more than 5 years	1,356,448	1,015,986
	2,532,622	**2,156,790**

These amounts are related to stores and warehouses rent contracts, with initial term between 5 and 20 years, with an option to renegotiate after that period. The payments are updated annually, reflecting inflation and/or market valuation.

As mentioned all these contracts are breakable with the payment of penalties. The liabilities relating to these penalties were, at the end of 2013, of EUR 1,866,747 thousand (2012: EUR 1,649,770 thousand).

29. OPERATIONAL LEASE

The operational lease contracts recognised as costs amounting to EUR 269,408 thousand (2012: EUR 234,646 thousand), are analysed as follows:

	2013	2012
Buildings	243,206	210,818
Plants & machinery	8,267	7,730
Transport equipment	13,410	11,951
IT equipment	878	1,061
Others	3,647	3,086
	269,408	**234,646**

The difference to the rents stated in note 5 are costs with occasional renting in the amount of EUR 166 thousand (2012: EUR 44 thousand) deducted from rents that were allocated to the cost of goods sold in the amount of EUR 406 thousand (2012: EUR 204 thousand).

30. CAPITAL COMMITMENTS

Capital expenditure contracted for at the balance sheet date amounted EUR 40,917 thousand and refers essentially to work in progress and the preliminary agreement for the acquisition of land, buildings and equipment whose public deeds will occur in due time.

There are no capital commitments assumed by the Group in relation to joint ventures and associates.

31. CONTINGENCIES

- Under non-current debtors (note 19), an amount of EUR 75,965 thousand relates to tax liquidations claimed by the Tax Administration.

The Board of Directors, supported by its tax and legal advisers, believes the company has acted entirely within the law and maintains the administrative and judicial claims filed against such settlements, without waiving its legitimate right to appeal against them and expect their full recovery.

In this context, the Group immediately demanded total reimbursement of the amounts paid, as well as indemnity interest at the legal rate for the period between the payment date and its effective restitution date.

In 2012, one of the judicial proceedings was held to be well-grounded by the Court of Appeal (Tribunal Central Administrativo Sul), which ruled the cancelation of the referred liquidations and the payment of compensatory interests and of a compensation for the guarantees granted within the proceedings. The Group recognised the amount of compensatory interest due on this credit.

- There are several disputes arising out of the ordinary course of the Group's businesses, and the material issues mentioned below are also pending resolution. With respect to these issues the Board of Directors, supported by the opinion of its tax and legal advisors, assesses the outcome of each proceedings, and for those where the Board estimates that a future cash outflow may occur a provision has been made in the respective amount:

a) Proherre Internacional, Lda. claimed an indemnity payment of EUR 2,500 thousand from Pingo Doce – Distribuição de Produtos Alimentares, S.A., alleging the termination of a lease agreement by Pingo Doce, without the minimum period agreed between the parties having elapsed. Pingo Doce contested this claim based on the fact that the lease was terminated through mutual agreement. The court has decided that Pingo Doce should indemnify the plaintiff in an amount slightly below the claimed amount (EUR 2,300 thousand), from which should be deducted the amounts received in the meantime by Proherre from the new tenants. The amount due has to be determined in new judicial proceedings. Each litigant has filed its appeal to the Lisbon Court of Appeal. Meanwhile, Pingo Doce offered a voluntary mortgage over an immovable property belonging to Imoretalho in order to assure that it will pay the amount due at the end of the process, which Proherre has opposed. The court accepted such opposition and rejected the said mortgage. Pingo Doce filed an appeal regarding the decision of the Court not to accept the mortgage and offered a bank guarantee of the same amount.

b) Rui Ribeiro Construções, S.A., filed indemnity proceedings with the Tribunal Arbitral da Associação Comercial de Lisboa (Arbitration Court of the Lisbon Commercial Association), with a view to condemning Pingo Doce to pay approximately EUR 800 thousand for breaking a contracted work services agreement. The trial has now taken place and the Arbitration Court partially condemned Pingo Doce for the claim (EUR 220 thousand). The Group has appealed to the Court of Appeal, the complainant having done the same for the part of the sentence that was not in its favour. Lisbon Court of Appeal, accepting one of the arguments of Pingo Doce, revoked the decision of the Arbitration Court on the ground that the decision was substantiated in facts that were not carried into the process and that were not to be dealt by the Court.

c) The Portuguese Tax Authorities claim from Recheio, SGPS, S.A. (Recheio SGPS) the amount of EUR 2,503 thousand concerning an additional assessment of Value Added Tax (VAT). Tax Authorities are challenging the VAT deduction method adopted by Recheio SGPS. The Board of Directors, supported by their tax consultants, believe that they are entirely right concerning this matter, this being reinforced by recent judgements ruled by the Lisbon Tax and Administrative Court regarding this matter. Meanwhile, the Lisbon Tax Court ruled in favour of Recheio SGPS, regarding years 1998/2001, amounting to EUR 1,753 thousand, consequently, the amount in dispute is now of EUR 750 thousand, for part of 2001 and for 2002, which reinforces the Board of Directors judgment that they are entirely right on this matter.

d) The Portuguese Tax Authorities claim from Recheio Cash & Carry, S.A. (Recheio C&C) the amount of EUR 657 thousand regarding an additional VAT assessment, as certain requirements proving the VAT exemption on intracommunity transactions were not complied with. Board of Directors, supported by their tax consultants, have already contested this additional VAT assessment, believing that they are entirely right concerning this matter.

e) The Portuguese Tax Authorities have informed Recheio SGPS, that it should restate the dividends received, amounting to EUR 81,952 thousand, from its subsidiary in the Madeira Free Zone, during the years 2000 to 2003, considering them as interest for tax purposes. According to the Portuguese Tax Authorities the said income should be subject to Corporate Income Tax (CIT) as opposed to dividends received that are exempt. The Portuguese Tax Authorities have now issued additional assessments, amounting to EUR 20,888 thousand. In spite of a judicial claim was ruled in favour of the Portuguese tax authorities, Board of Directors, supported by its lawyers and tax advisors' opinion, still believes that the decision is not valid nor has any legal grounds, so has challenged it.

f) The Portuguese Tax Authorities claim from Feira Nova-Hipermercados, S.A. (Feira Nova) (merged in Pingo Doce – Distribuição Alimentar, S.A., in 2009) the amount of EUR 743 thousand concerning Special Contribution additional assessments due to the value increase of the Bela Vista complex. Board of Directors, supported by their lawyers and tax consultants, has already contested that assessment, believing that the Tax Authorities have no valid arguments to request these payment.

g) The Portuguese Tax Authorities assessed, regarding 2002, 2003 and 2004, Feira Nova and Pingo Doce – Distribuição Alimentar, S.A. (Pingo Doce) the amounts of EUR 2,966 thousand and EUR 2,324 thousand, respectively. These additional assessments are related to the amount booked by these companies as shrinkage (loss of inventory through crime or wastage), which was not accepted as a tax deductible cost for CIT purposes and also the associated VAT, since there was no evidence that the goods were not sold. Meanwhile, Feira Nova was notified by the Lisbon Tax Court that the judicial claim filed against the 2002 assessment, regarding VAT amounting to approximately, EUR 1,200 thousand, was ruled in favour of the company. Since the tax authorities have not appealed, the Court decision is final. The remaining judicial claims are still under discussion in Court. Board of Directors believes that their outcome should be the same.

h) The Portuguese Tax Authorities carried out some corrections to the CIT amount from companies included in the perimeter of the Tax group headed by JMR – Gestão de Empresas de Retalho, SGPS, S.A. (JMR SGPS), which led to additional assessments concerning 2002 to 2010, amounting to EUR 51,662 thousand. The Board of Directors supported by their lawyers and tax consultants have challenged these assessments, believing that the Tax Authorities have no grounds to request this payment. In the meantime, the Lisbon Tax Court has ruled partially in favour of JMR regarding 2002 and 2005 assessments. The Board of Directors believes strongly in its arguments and all remaining cases follow their court proceedings.

i) The Portuguese Tax Authorities have informed Jerónimo Martins, SGPS, S.A. (Jerónimo Martins), to restate the dividends received, amounting to EUR 10,568 thousand, from its subsidiary in the Madeira Free Zone in 2004 and 2005, considering them as interest for tax purposes. According to the Portuguese Tax Authorities the said income should be subject to CIT as opposed to the dividends received that are exempt.

31. CONTINGENCIES

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

j) The Portuguese Tax Authorities have claimed EUR 989 thousand from Jerónimo Martins 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. Board of Directors with the support of its tax and legal advisers, does not consider the report of the Tax Authorities to have legal basis or validity, and thus has challenged it.

k) The Portuguese Tax Authorities assessed Feira Nova, Pingo Doce and Recheio the amounts of EUR 1,305 thousand, EUR 1,700 thousand and EUR 518 thousand respectively. These additional assessments were issued because the Tax Authorities argue that some goods were sold at a lower VAT rate, and solely for Feira Nova they do not agree with the VAT treatment of the discount sales coupons. These assessments relate to the years of 2005 to 2010. The Board of Directors, supported by their tax consultants, have challenged these assessments, believing that the Tax Authorities have no valid arguments to request these payments.

l) The Portuguese Tax Authorities claim from Recheio SGPS the amount of EUR 582 thousand, regarding CIT concerning the fiscal year of 2007. The Portuguese Tax Authorities following their own internal understanding did not accept the deduction of part of its financial costs. Board of Directors, supported by its tax consultants and lawyers, believes that the report issued by the Tax Authorities has no valid grounds, and it will be challenged.

m) The Tax Authorities assessed JMR SGPS and Jerónimo Martins for the amounts of EUR 507 thousand and EUR 480 thousand, respectively, both for the year 2008. The assessments concern swap payments, treated as interest in that year, which the tax authorities consider should have been subject to withholding tax. Board of Directors, supported by its tax consultants, have challenged these assessments, believing that the tax authorities have no valid grounds to request the payment of such amounts.

n) The Portuguese Tax Authorities carried out some corrections to the CIT amount from companies included in the perimeter of the Tax group headed by Recheio SGPS, which led to additional assessments concerning the years of 2008 to 2010, amounting to EUR 8,460 thousand. The Board of Directors supported by their lawyers and tax consultants have challenged these assessments, believing that the Tax Authorities have no valid grounds to request this payment. The Lisbon Tax Court has ruled in favor of Recheio concerning 2008, which has been appealed by the Tax Authorities.

o) The Portuguese Tax Authorities have informed Jerónimo Martins, that they do not accept losses on capital gains associated with a liquidation of one Company and the sale of another, amounting to EUR 24,660 thousand, which generated a correction on the company's tax losses regarding 2007. The Board of Directors supported by their tax consultants and legal advisors, consider that the report issued by the Tax Authorities does not have any legal basis or validity, and has challenged it.

p) At the end of 2012, DST, SGPS, S.A. initiated judicial proceedings against Pingo Doce, claiming that Pingo Doce breached a promissory share purchase agreement, dated 2000, regarding a company that owns real estate in Barcelos. The plaintiff (promissory seller) claims to be entitled to keep part of the purchase price paid by the defendant (promissory buyer) in the amount of EUR 5,000 thousand, as indemnity. Pingo Doce presented a counterclaim, alleging that the contract was no longer in force and asking for the reimbursement of the amount paid, plus interest accrued in a total amount of EUR 6,062 thousand. The trial took place before the end of 2013. The parties await the decision of the court.

In 2013, the following proceedings that were reported in previous years, were concluded:

q) As a result of the acquisition of two companies that held establishments previously owned by former franchisees of ITMI Norte-Sul Portugal – Sociedade de Desenvolvimento e Investimento, S.A., which together with Regional de Mercadorias – Sociedade Central de Aprovisionamento, S.A., filed a case against various Group companies, holding them liable for those ex-franchisees' alleged non-compliance with the contract they had signed with ITMI, demanding an indemnity payment of EUR 14,600 thousand. The court ruled in favour of the defendants, denying the plaintiff's claim. The plaintiff appealed to the Court of Appeal, which confirmed the ruling of the court. Subsequently the plaintiff filed an appeal to the Supreme Court of Justice, which decided that the Court of Appeal should look into the case again. The Court of Appeal re-analysed the case and decided again in favour of the defendants. The plaintiff filed a new appeal to the Supreme Court of Justice, which decided entirely in favour of JM Group companies. The decision is final.

r) The Tax Authorities assessed JMR SGPS for the amount of EUR 16,078 thousand due to the fact that JMR SGPS should restate the dividends received, in 2003 and 2004, from its subsidiary in the Madeira Free Zone, 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. The Constitutional Court has recently ruled in favour of the Tax Authorities, there being no grounds to appeal further. The amount has been fully provisioned.

s) At the beginning of September 2011, Nestlé initiated judicial proceedings against Unilever Jerónimo Martins, Lda., claiming a compensation of EUR 2,100 thousand for alleged similarity and confusion in the packaging of competing products. The defendant filed its statement of defence. Meanwhile the parties reached an agreement to terminate the judicial proceedings, which was confirmed by the court.

This lawsuit followed the injunction proceedings filed by Nestlé, which was ruled in its favour by the court and confirmed by the Court of Appeal. Pursuant to the decision of the Court of Appeal, the plaintiff commenced the enforcement proceedings of the injunction decreed against Unilever Jerónimo Martins, Lda., which was also settled by agreement, which was confirmed by the court in April 2013.

t) Tengelmann KG filed arbitration proceedings against Jerónimo Martins before the German Institute of Arbitration, in Cologne. The plaintiff argued that Jerónimo Martins was liable for the non-payment of rents and contractual penalties, plus accrued interests, by Dystrybucja Integrator Sp. Z o.o. (previously Plus Discount Sp. z o.o. – Plus Poland) under the guarantee granted by Jerónimo Martins in the SPA regarding Plus Discount Sp. z o.o.. Jerónimo Martins considered the allegations ungrounded and presented its statement of defense in the arbitral proceedings. On 8 April 2013, the parties reached an agreement regarding the resolution of their respective disputes. The settlement foresees, amongst other things, the payment of EUR 7,000 thousand by Jerónimo Martins Polska, SA, as well as the anticipated extension of the duration of the leases in Poland and the renegotiation of some clauses thereof. The settlement agreement was confirmed by an award of the Arbitral Tribunal, which put an end to the litigation.

32. RELATED PARTIES

32.1 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

56.14% of the Group is owned by the Sociedade Francisco Manuel dos Santos, and no direct transactions occurred between the Company and any other Company of the Group in 2013, neither were there any amounts payable or receivable between them on December 31st, 2013.

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

	Sales and services rendered		Stocks purchased and services supplied	
	December 2013	December 2012	December 2013	December 2012
Joint ventures (note 34)	291	423	84,193	78,305
Associates (note 34)	-	-	(20)	331
Other related parties(*)	61	-	260	-

	Trade debtors, accrued income and deferred costs		Trade creditors, accrued costs and deferred income	
	December 2013	December 2012	December 2013	December 2012
Joint ventures (note 34)	477	433	7.251	6.045
Associates (note 34)	-	-	10	54
Other related parties(*)	6	-	-	-

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

All the transactions with the jointly controlled companies (joint ventures) and associate companies were made under normal market conditions, i.e., the transaction value corresponds to prices that would be applicable between non-related parties.

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

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

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

32.2
REMUNERATION PAID TO DIRECTORS AND SENIOR MANAGERS

The costs incurred with remuneration fixed, variable and contributions to the pension plans attributed to the Directors and Senior Managers were as follows:

	2013	2012
Salaries and other short-term employee benefits	16,586	15,910
Termination benefits	1,037	571
Post-employment benefits	458	497
Other benefits	1,007	1,134
Total	**19,088**	**18,112**

The Board of Directors of the company consisted of 9 members at the end of 2013. The average number of Senior Managers of the Group was 68 (2012: 66).

We consider as Senior Managers the Members of the Managing Committee of the business units of the Group and the Directors of the Corporate Centre.

The remuneration policy of the Board of Directors and of Supervisory Board are stated in this Annual Report in the Corporate Governance Section.

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

The post-employment benefits granted to the Directors and the Senior Managers are part of the defined contribution plan described in note 25.1.

The cost incurred with other benefits refer to long-term benefits and are described in note 25.3.

33.
GROUP SUBSIDIARIES

Group control is ensured by the parent company, Jerónimo Martins, SGPS, S.A.

The tables below list the subsidiaries of Jerónimo Martins Group, fully consolidated.

Company	Business area	Head Office	% Owned
Jerónimo Martins, SGPS, S.A.	Business portfolio management	Lisbon	
Jerónimo Martins - Serviços, S.A.	Human resources top management	Lisbon	100.00
Friedman - Sociedade Investimentos Mobiliários e Imobiliários, Lda.	Provision of services in the economic and accounting area	Funchal	100.00
Desimo - Desenvolvimento e Gestão Imobiliária, Lda.	Real estate management and administration and trade marks	Lisbon	100.00
Servicompra, SGPS, Lda.	Business portfolio management	Lisbon	100.00
Jerónimo Martins - Distribuição de Produtos de Consumo, Lda.	Wholesale of food products	Lisbon	100.00

33. GROUP SUBSIDIARIES

Company	Business area	Head Office	% Owned
Caterplus - Comercialização e Distribuição de Produtos de Consumo, Lda.	Wholesale of other food products	Lisbon	100.00
Jerónimo Martins - Restauração e Serviços, S.A.	Food retail stores	Lisbon	100.00
Hussel Ibéria - Chocolates e Confeitaria, S.A.	Retail sale of chocolates, confectionery and similar products	Lisbon	51.00
Monterroio – Industry & Services Investments B.V.	Business portfolio management and financial services	Amsterdam (Holand)	100.00
Tagus - Retail & Services Investments B.V.	Business portfolio management and financial services	Amsterdam (Holand)	100.00
Warta - Retail & Services Investments B.V.	Business portfolio management and financial services	Amsterdam (Holand)	100.00
New World Investments B.V.	Business portfolio management and financial services	Amsterdam (Holand)	100.00
Jerónimo Martins Colombia S.A.S.	Trading and distribution of consumer goods	Bogota (Colombia)	100.00
JMR - Gestão de Empresas de Retalho, SGPS, S.A.	Business portfolio management in the area of retail distribution	Lisbon	51.00
Jerónimo Martins Retail Services, S.A.	Trademarks management	Klosters (Switzerland)	51.00
EVA - Sociedade de Investimentos Mobiliários e Imobiliários, Lda.	Provision of services in the economic and financial areas and investment management	Funchal	51.00
Pingo Doce - Distribuição Alimentar, S.A.	Retail sales in supermarkets	Lisbon	51.00
Imoretalho - Gestão de Imóveis, S.A.	Real estate management and administration	Lisbon	51.00
Supertur - Imobiliária, Comércio e Turismo, S.A.	Real estate purchase and sale	Lisbon	51.00
Casal de São Pedro - Administração de Bens, S.A.	Real estate management and administration	Lisbon	51.00
Comespa - Gestão de Espaços Comerciais, S.A.	Management and administration of retail outlets	Lisbon	51.00
JMR - Prestação de Serviços para a Distribuição, S.A.	Retail management, consultancy and logistics	Lisbon	51.00
Jerónimo Martins Finance Company (2), Limited	Financial services	Dublin (Ireland)	51.00
Cunha & Branco - Distribuição Alimentar, S.A.	Retail sales in supermarkets	Lisbon	51.00
Escola de Formação Jerónimo Martins, S.A.	Training	Lisbon	51.00
Recheio, SGPS, S.A.	Business portfolio management in wholesale and retail distribution	Lisbon	100.00
Recheio - Cash & Carry, S.A.	Wholesale of food and consumer goods	Lisbon	100.00
Masterchef, S.A.	Retail sales and/or wholesale of food or non-food products	Lisbon	100.00
Imocash - Imobiliário de Distribuição, S.A.	Real estate management and administration	Lisbon	100.00
Larantigo - Sociedade de Construções, S.A.	Real estate purchase and sale	Lisbon	100.00
Funchalgest - Sociedade Gestora de Participações Sociais, S.A.	Business portfolio management	Funchal	75.50
João Gomes Camacho, S.A.	Wholesale of food and consumer goods	Funchal	75.50
Lidosol II - Distribuição de Produtos Alimentares, S.A.	Retail sales in supermarkets	Funchal	75.50
Lidinvest - Gestão de Imóveis, S.A.	Real estate management and administration	Funchal	75.50
Belegginsmaatschappij Tand B.V.	Business portfolio management and financial services	Rotterdam (Holland)	100.00
Jeronimo Martins Polska S.A.	Retail and wholesale of food and consumer goods	Kostrzyn (Poland)	100.00
Optimum Mark Sp. Z o.o.	Trademarks management	Warsaw (Poland)	100.00
JM Nieruchomosci - Sp. Z o.o.	Provision of services in the area of wholesale and retail distribution	Kostrzyn (Poland)	100.00

Company	Business area	Head Office	% Owned
JM Nieruchomosci - Sp. Komandytowo-akcyjna	Real estate management and administration	Kostrzyn (Poland)	100.00
JM TELE - Sp. Z o.o.	Mobile virtual network operator	Kostrzyn (Poland)	100.00
Jeronimo Martins Drogerie i Farmacja Sp. z o.o.	Provision of services in the area of wholesale and retail distribution	Kostrzyn (Poland)	100.00
Bliska Sp. Z o.o.	Retail sale of pharmaceutical, orthopaedic and health products	Warsaw (Poland)	100.00

33.1 FINANCIAL INFORMATION ON SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The non-controlling interests as at 31 December 2013 were EUR 266,604 thousand, of which EUR 265,914 related to JMR Group, where Royal Ahold Group holds a stake c.a. 49%.

The financial statements of this business unit, fully consolidated, include the following amounts related to assets, liabilities and earnings:

	2013	2012
Non-current assets	1,467,067	1,521,767
Current assets	345,804	373,461
Non-current liabilities	(321,010)	(512,739)
Current liabilities	(942,742)	(783,833)
Net assets	**549,119**	**598,656**
Revenue	3,485,217	3,346,117
Net profit	20,966	12,006
Other comprehensive income	(16,108)	(693)
Total comprehensive income	**4,858**	**11,313**

34. INTERESTS IN JOINT VENTURES AND ASSOCIATES

Set out below are the joint ventures and associates of the Group, consolidated by the equity method:

Company	Business Area	Head Office	% Owned
Unilever Jerónimo Martins, Lda.	Wholesale of consumer goods	Lisbon	45.00
Olá - Produção de Gelados e Outros Produtos Alimentares, S.A.	Manufacturing of ice-cream and sorbet	Lisbon	45.00
Fima - Produtos Alimentares, S.A.	Production of margarines and similar products	Lisbon	45.00
Victor Guedes - Indústria e Comércio, S.A.	Production of olive oil	Lisbon	45.00
Gallo Worldwide, Lda.	Wholesale of olive oil and similar products	Lisbon	45.00
Perfumes e Cosméticos Puig Portugal Distribuidora, S.A.	Retail sale of perfumes and cosmetics	Lisbon	27.55

In December, the company Indústrias Lever Portuguesa, S.A., was wound up.

34. INTERESTS IN JOINT VENTURES AND ASSOCIATES

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

- 45% shareholding in Unilever Jerónimo Martins, which controls a Group of companies dedicated to manufacturing and selling products in the area of edible fats and ice-creams and to distributing and selling drinks, personal care and home care products, using owned Private Brands and brands owned by the Unilever Group;
- 45% shareholding in Gallo WorldWide, which is dedicated to distributing olive oil and cooking oils, using owned Private Brands and brands of the Unilever Group.

The Group owns directly interests in the following associated company:

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

Despite the low materiality to the Group Accounts of the financial statements of joint ventures and associates, we present summarized financial information relating thereto:

	Joint ventures		Associates	
	2013	**2012**	**2013**	**2012**
Non-current assets	291,090	275,287	387	407
Current assets	184,145	171,724	7,015	8,250
Non-current liabilities	(6,725)	(7,494)	(38)	(365)
Current liabilities	(289,542)	(269,848)	(4,114)	(4,641)
Net assets	**178,968**	**169,669**	**3,250**	**3,651**
Revenue	520,974	508,557	13,044	15,163
Net result	28,243	21,539	1,308	1,667
Other comprehensive income	(2,406)	390	-	-
Total comprehensive income	**25,837**	**21,929**	**1,308**	**1,667**

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

The table below presents a reconciliation of financial position of joint ventures and associated with the value presented in the financial statements of the Group:

	Joint-ventures		Associadas	
	2013	2012	2013	2012
Open net assets 1 January	**169,669**	**178,869**	**3,651**	**3,660**
Profit/(loss) for the period	28,243	21,539	1,308	1,667
Dividends paid	(16,538)	(24,409)	(1,709)	(1,676)
Other increases/(reductions)	-	(6,720)	-	-
Other comprehensive income	(2,406)	390	-	-
Closing net assets 31 December	**178,968**	**169,669**	**3,248**	**3,651**
Interest in join-ventures/associates(%)	45.0%	45.0%	27.5%	27.5%
Carrying value (Note 15)	**80,536**	**76,351**	**895**	**1,006**

35. ADDITIONAL INFORMATION REQUIRED BY LAW

In accordance with article 508-F of the Portuguese Commercial Companies Code, we hereby inform of the following::

a) In addition to all operations described in the notes above, as well as in the Management's Report, there are no other operations considered relevant that are not already contained either in the balance sheet or its annex;

b) The total remuneration paid to the External Auditor and Chartered Accountant in 2013, was 879,471 euros, of which 792,314 euros correspond to legal accounts audit services, while the remaining 87,158 euros, the most relevant are the access to a tax database and consulting on improving the reporting in the field of Corporate Responsibility with implementation of Global Reporting Initiative indicators;

c) Note 32 of the Notes to the Consolidated Financial Statements includes all the related parties disclosures, in accordance with the International Accounting Standards.

36. EVENTS AFTER THE BALANCE SHEET DATE

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

Lisbon, 25th February 2014

The Certified Accountant **The Board of Directors**

STATEMENT OF THE BOARD OF DIRECTORS

Within the terms of paragraph c), number 1 of article 245 of the Portuguese Securities Code, the members of the Board of Directors, identified below, declare that to the best of their knowledge:

i) the information contained in the management report, the annual accounts, the Auditors' Report and all other accounting documentation required by law or regulation, was produced in compliance with the applicable accounting standards and gives a true and fair view of the assets and liabilities, the financial position and the results of Jerónimo Martins, SGPS, S.A. and the companies included in the consolidation perimeter.

ii) the management report is a faithful statement of the evolution of the businesses, of the performance and of the position of Jerónimo Martins, SGPS, S.A. and the companies included within the consolidation perimeter, and contains a description of the main risks and uncertainties which they face.

Lisbon, February 28th 2014

PEDRO MANUEL DE CASTRO SOARES DOS SANTOS

(Chairman and Chief Executive Officer and Member of the Board of Directors)

ALAN JOHNSON

(Chief Financial Officer and Member of the Board of Directors)

ANDRZEJ SZLEZAK

(Member of the Board of Directors and Member of Committee on Corporate Governance and Corporate Responsibility)

ANTÓNIO PEDRO DE CARVALHO VIANA-BAPTISTA

(Member of the Board of Directors and Member of the Audit Committee)

FRANCISCO SEIXAS DA COSTA

(Member of the Board of Directors and Member of Committee on Corporate Governance and Corporate Responsibility)

HANS EGGERSTEDT

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

JOSÉ MANUEL DA SILVEIRA E CASTRO SOARES DOS SANTOS

(Member of the Board of Directors and Member of Committee on Corporate Governance and Corporate Responsibility)

NICOLAAS PRONK

(Member of the Board of Directors)

SÉRGIO TAVARES REBELO

(Member of the Board of Directors and Member of the Audit Committe)

AUDIT REPORT FOR STATUTORY AND STOCK EXCHANGE REGULATORY PURPOSES ON THE CONSOLIDATED FINANCIAL INFORMATION

INTRODUCTION

1. As required by law, we present the Audit Report for Statutory and Stock Exchange Regulatory Purposes on the financial information included in the consolidated Directors' Report and in the attached consolidated financial statements of Jerónimo Martins, SGPS, S.A., comprising the consolidated balance sheet as at December 31, 2013 (which shows total assets of Euro 5,099,159 thousand and total shareholder's equity of Euro 1,649,262 thousand including non-controlling interests of Euro 266,604 thousand and a net profit of Euro 382,256 thousand), the consolidated statement of income by functions, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the corresponding notes to the accounts.

RESPONSIBILITIES

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

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

SCOPE

4. We conducted our audit in accordance with the Standards and Technical Recommendations issued by the Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Accordingly, our audit included: (i) verification that the Company and its subsidiaries' financial statements have been appropriately examined and, for the cases where such an audit was not carried out, verification, on a sample basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the reasonableness of the estimates, based on the judgements and criteria of the Board of Directors used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations and the utilization of the equity method; (iii) assessing the appropriateness of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; (v) assessing the overall presentation of the consolidated financial statements; and (vi) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the consolidated financial information.

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

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

OPINION

7. In our opinion, the consolidated financial statements referred to above, present fairly in all material respects, the consolidated financial position of Jerónimo Martins, SGPS, S.A. as at December 31, 2013, the consolidated results and the consolidated comprehensive income of its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and the information included is complete, true, up-to-date, clear, objective and lawful.

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Registered at the Sociedades de Revisores Oficiais de Contas with the number 183 and at the CMVM with the number 9077.

AUDIT REPORT FOR STATUTORY AND STOCK EXCHANGE REGULATORY PURPOSES ON THE CONSOLIDATED FINANCIAL INFORMATION

REPORT ON OTHER LEGAL REQUIREMENTS

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

February 28, 2014

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

Represented by:
José Pereira Alves, R.O.C.

REPORT AND OPINION OF THE AUDIT COMMITTEE

Dear Shareholders,

In accordance with sub-paragraph g) of paragraph 1 of article 423-F of the Commercial Companies Code, we herewith present our report on our supervisory activity and our opinion on the Jerónimo Martins, SGPS, S.A. report and consolidated accounts for the year ending December 31st, 2013, as well as on the proposals presented by the Board of Directors.

SUPERVISORY ACTIVITY

Throughout the year, this Committee monitored the management and evolution of the Company's businesses by holding regular meetings with the Directors and Heads of the functional areas of the corporate centre, with the Managing Committee, the Company Secretary and the Statutory Auditor, and in all cases received their full co-operation.

The Committee monitored the development of tax proceedings and litigation involving group companies, having obtained all clarifications necessary from the Company personnel, to assess the adequacy of the Group's provisions and contingencies to which is exposed.

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

It closely monitored the work carried out by the Internal Audit Department, by following its annual activity plan, the conclusions of the reports on the work carried out, as well as the actions that the Company implemented as a result of the recommendations issued by this department and also those contained in the reports issued by the External Auditor. The Committee reviewed and approved the internal audit plan for 2014 as well as the necessary resources allocation.

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

This Committee was given access to all the corporate documentation that it considered relevant, namely the minutes of the meetings of the Managing Committee, the Ethics Committee and the Internal Control Committee, as well as all the related documentation it deemed relevant, in order to assess compliance with its regulations and with the applicable laws.

It met regularly with the External Auditor and those responsible for preparing the Report and Consolidated Accounts and the accounts of the Group's main companies from whom it obtained sufficient necessary information to gauge the accuracy of the accounting documents, accounting policies and valuation criteria adopted by the Company, thereby ensuring that these are a correct representation of the results and the equity of the Company.

Throughout the year, it monitored the work methodology adopted by the External Auditor, the evolution of issues raised by the latter, as well as the conclusions of the work carried out by the Statutory Auditor, which gave rise to the Auditor's Report being issued without any reservations.

Within the scope of its responsibilities, the Audit Committee verified the independence and competence of the Company's External Auditors and Statutory Auditor in carrying out their functions, and in respect of the firm of External Auditors the Committee discussed and considered the costs and advantages of rotating said firm, having decided to give a favourable opinion for the latter's maintenance.

The audit Committee also verified that all other services provided by the firm of External Auditors to the Group's subsidiaries, were carried out by their employees who took no part in the audits, and that these services, due to their type and the amounts involved, in no way jeopardise the independence of the work carried out by the External Auditor nor do they affect the opinion of the Statutory Auditor.

Also in 2013, taking into account the election of Andrzej Szlezak (partner in the firm of lawyers Sołtysiński Kawecki & Szlęzak (SK&S), one of Jerónimo Martins Group's External Legal Counsel) for the position of Director of Jerónimo Martins, within the terms of paragraph 2 of Article 397 of the Commercial Companies Code this Committee issued a favourable opinion concerning the maintenance of the contract between the Company and its subsidiaries and the above-mentioned firm for the provision of legal services.

It also verified that, under the terms of paragraph 5 of article 420.º of the Commercial Companies Code, the Corporate Governance Report includes all the elements mentioned in article 245.º - A of the Portuguese Securities Code.

OPINION

Taking into account the information received from the Board of Directors, the Company's personnel and the conclusions outlined in the Report of the Auditors for Statutory and Stock Exchange Regulatory Purposes in Respect of the Consolidated Financial Information, we are of the opinion that:

i) The Consolidated Management Report should be approved;

ii) The Consolidated Financial Statements should be approved; and

iii) The Board of Directors' results appropriation proposal should be approved.

STATEMENT OF RESPONSIBILITY

In accordance with sub-paragraph c) of paragraph 1 of article 245.º of the Portuguese Securities Code, the members of the Audit Committee, identified below, declare that to the best of their knowledge:

i) the information contained in the Management Report, the Annual Accounts, the Auditors' Report and all other accounting documentation required by law or regulation, was produced in compliance with the applicable accounting standards and gives a true and fair view of the assets and liabilities, the financial position and the results of Jerónimo Martins, SGPS, S.A. and the companies included in the consolidation perimeter.

ii) The Management Report is a faithful statement of the evolution of the businesses, the performance and position of Jerónimo Martins, SGPS, S.A. and of the companies included within the consolidation perimeter, and contains a description of the main risks and uncertainties which they face.

Lisbon, February 28th, 2014

Hans Eggerstedt
(Chairman of the Audit Committee)

António Pedro Viana-Baptista
(Member)

Sérgio Tavares Rebelo
(Member)

4

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

4

4

We've innovated support to communities

We support the Colombian "Madres Comunitarias" programme by offering food hampers weekly in order to combat child malnutrition.

Supporting Surrounding Communities

"Madres Comunitarias"

Donations

Over 90% of the Pingo Doce´s stores and Distribution Centres donated products to around 600 charities in 2013.

600

Charities

18,500

Children

Were supported by the Jerónimo Martins Group in 2012 and 2013

Indirect support in 2013

1870

Tonnes

Of food collected by Biedronka and Pingo Doce in partnership with the Food Banks of Poland and Portugal.

150 thousand smiles

We brought smiles to over 150,000 people in Poland by holding themed picnics on the Day of the Child and at Christmas time.

Direct Support in 2013

13.4

Million Euros

At the end of the year, the total direct support granted, in Portugal and in Poland, was around 13.4 million euros

PART I INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

SECTION A SHAREHOLDER STRUCTURE

SUBSECTION I CAPITAL STRUCTURE

1. CAPITAL STRUCTURE, RESTRICTIONS ON THE TRANSFER OF SHARES AND OWN SHARES

The Company's share capital is 629,293,220 euros. It is fully subscribed and paid up, and divided into six hundred and twenty-nine million, two hundred and ninety-three thousand, two hundred and twenty shares with a nominal value of one euro each.

All issued shares are ordinary and there are no other categories of shares.

All shares are admitted to trading and there are no restrictions concerning their tradability.

The Company holds 859,000 shares in its own portfolio, which were acquired in 1999 at an average price of 7.06 euros per share (price adjusted by the restatement of capital). These shares represent 0.14% of the Company's share capital and voting rights.

In 2013 there were no transactions concerning own shares.

2. SHARE PRICE PERFORMANCE

2013 was a positive year for most of the share indexes, supported by the economic recovery, a drop in interest rates in the Euro Zone and stimulation plans from the central banks. The reference index in the Portuguese market - PSI-20 – recorded its best performance since 2009.

In the first six months of 2013, the PSI-20 showed a negative trend, registering the minimum price for 2013 in the beginning of the second semester, on July 3, which represented a devaluation of 7.4% against the previous year. The Portuguese share index was under pressure from the political instability that was felt in Portugal during May and June.

During the second half, the index recovered strongly and the PSI-20 ended the year with an increase in value of 16.0%. This performance reflected the positive evolution in GDP as from the 2nd quarter, following six consecutive quarters of contraction, and the positive indicators from manufacturing and services in the Euro region.

Despite the above-mentioned increase in value, the Portuguese share index remained below the main European indices: DAX30, the German index, rose 25.5%, the best performance in Europe, the Spanish IBEX35 rose 21.4%, the CAC40 (Paris) grew 18.0%, whilst the AEX (Amsterdam) increased by 17.2%. The PSI-20 was ahead of the FTSE 100, which rose 13.9%, and the Polish index, WIG 20, which fell 7.6% in 2013. In the USA, despite the rate of growth being successively revised downwards throughout 2013, the FED's programme for monthly asset purchases was more than sufficient to offset this effect and led the S&P 500 and the Dow Jones hitting new maximum highs.

Among the 20 companies listed on the PSI-20, apart from Jerónimo Martins, five lost value in 2013: Banif devalued 92.8%, Portugal Telecom -15.7%, Cofina -14.9%, Espirito Santo Financial Group -8.0% and EDP Renováveis -3.3%. Among the companies with the highest increases, of note are Mota-Engil, which almost tripled its value (+175.9%), Millennium BCP, which increased 121.3% and Zon Multimédia which grew 81.8%.

3. PERFORMANCE OF JERÓNIMO MARTINS SHARES

Shares Description	
Listed Stock Exchange	Euronext Lisbon
IPO (year)	November 1989
Share Capital (€)	629,293,220
Nominal Value	1.00 €
Number of shares issued	629,293,220

Euronext

Description	Type	ISIN Code	Symbol
Jerónimo Martins SGPS	Shares	PTJMT0AE0001	JMT

Other Codes	
Reuters RIC	JMT.LS
Bloomberg	JMT PL
Sedol	B1Y1SQ7
WKN	878605

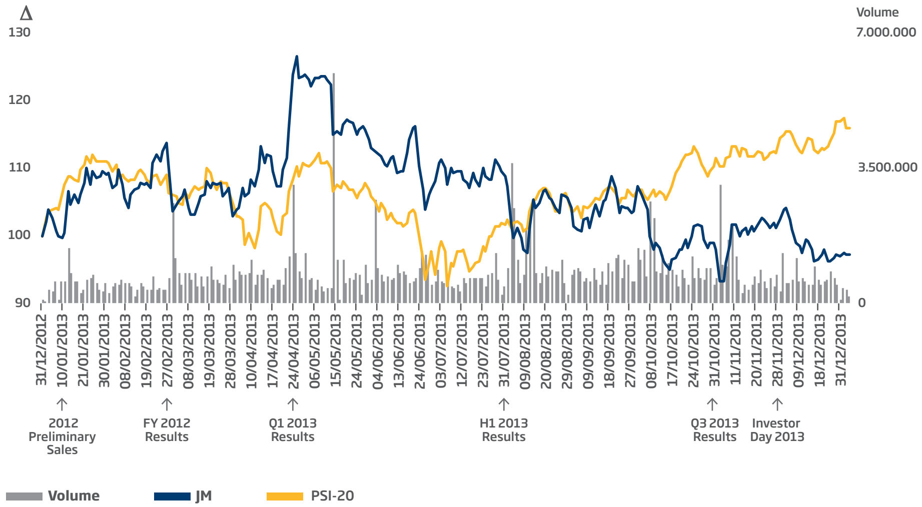
Jerónimo Martins' shares are part of 44 indices, namely the PSI-20, the Euronext 100 and the EuroStoxx Index, among others, and are negotiated on 33 different platforms, mostly in the main European markets. After having the best share increase in the PSI-20 in 2011 (+12.2%) in 2011 and achieving the eighth best performance in the index in 2012 (+14.2%), in 2013 Jerónimo Martins fell 2.6% against the previous year.

According to the NYSE Euronext Lisbon, in 2013, Jerónimo Martins was the Portuguese company with the second highest market capitalisation and closed the year with a relative weight of 12.3% in the PSI-20 - the reference index of the NYSE Lisbon Euronext. The Group ended 2013 with a market capitalization of 8.9 billion euros, compared with 9.2 billion euros at the end of 2012.

Jerónimo Martins is one of the four Portuguese companies that are part of the Euronext 100 index, with a weight in the index of 0.5% (0.6% in 2012).

Jerónimo Martins' shares were among the most traded on the NYSE Euronext Lisbon, with around 202.7 million shares, a daily average of 794.9 thousand shares (29% higher than in 2012), at an average price of 15.51 euros. In terms of turnover, these shares represented the equivalent of 11.3% (3.2 billion euros) of the overall volume of shares traded on the PSI-20 index in 2013 (27.9 billion euros).

In the first four months of the year, despite some volatility, Jerónimo Martins shares performed well, with a maximum high of 18.47 euros on 25 April (following the publication of the 2013 1st quarter results), representing an increase of 26.5% against the end of the previous year. Following this positive evolution, there was a sharp devaluation of Jerónimo Martins's shares, which on 31st October cancelled out the accumulated gains and recorded the minimum price for 2013 (13.61 euros), lower than that at the end of 2012 (14.60 euros). Despite having a slight recovery in the last two months of the year, Jerónimo Martins' shares ended 2013 at a price of 14.22 euros, representing a decline of 2.6% compared to the end of the previous year.



At the end of the year, 38.7% of Jerónimo Martins' shares were freely traded on the market (excluding the qualifying holdings held by Sociedade Francisco Manuel dos Santos, B.V. and Asteck, S.A.), the largest part of this percentage belonging to institutional investors. The portfolio of shareholders includes investors from various countries and the visibility of Jerónimo Martins in the international market is confirmed by the fact that almost all the institutional portfolio was distributed outside of Portugal. British, French and American institutional investors occupy the leading positions, representing a significant percentage of the total investors.

	2013	2012	2011	2010	2009
Share Capital (€)	629,293,220	629,293,220	629,293,220	629,293,220	629,293,220
Number of shares issued	629,293,220	629,293,220	629,293,220	629,293,220	629,293,220
Own Shares	859,000	859,000	859,000	859,000	859,000
Free Float	32.0%	27.2%	29.0%	31.2%	33.9%
EPS (€)	0.61	0.57	0.54	0.45	0.32
Dividend per share (€)	0.30	0.51 *	0.21 **	0.14	0.11
Stock Market Performance					
High (€)	18.47	15.62	14.34	12.58	7.05
Low (€)	13.61	11.87	10.64	6.33	3.07
Average (€)	15.51	13.71	12.33	8.63	4.97
Closing (End of year) (€)	14.22	14.60	12.79	11.40	6.99
Market Capitalisation (31/12) (million euros)	8,945	9,188	8,049	7,174	4,396
Transactions Volume (1.000 shares)	202,709	157,916	254,571	300,343	347,603
Annual Growth					
PSI20	16.0%	2.9%	-27.6%	-10.3%	33.5%
Jerónimo Martins	-2.6%	14.2%	12.2%	63.2%	75.9%

* The value refers to the payment of a gross dividend of 0.275 euros per share, on April 30, 2012, regarding the distribution of 2011 results and to the distribution of free reserves corresponding to a gross dividend of 0.239 euros per share, paid on December 31, 2012. ** This dividend, regarding the 2010 financial year, was paid by the end of 2010.

SECTION A SHAREHOLDER STRUCTURE

SUBSECTION I CAPITAL STRUCTURE

4. DIVIDEND DISTRIBUTION POLICY

The Company's Board of Directors maintained a policy of dividend distribution based on the following rules:

- The value of the dividend distributed must be between 40% and 50% of ordinary consolidated net earnings;
- If, as a result of applying the criteria mentioned above, there is a drop in the dividend in a certain year compared to that of the previous year, and the Board of Directors considers that this decrease is a result of abnormal and merely circumstantial situations, it may propose that the value from the previous year should be maintained. It may even resort to free existing reserves, providing that the use of these reserves does not jeopardise the principles adopted for balance sheet management.

According to the guidelines above, the gross dividend related to 2010 paid to the shareholders was 0.21 euros per share, which was distributed at the end of that year. With regard to 2011, the gross dividend given to the shareholders was 0.275 euros per share, paid in April 2012. In 2012, the Extraordinary General Meeting of the Company's Shareholders, which took place on 19th December, also approved the distribution of free reserves amounting to 150,195,778.58 euros, the equivalent of a gross value of 0.239 euros per share. With regard to 2012, the gross dividend paid to the shareholders in May 2013 was 0.295 euros per share.

In view of the above, the net results for 2013 and the established dividend distribution policy, at the General Shareholders Meeting the Board of Directors will propose the distribution of a gross dividend of 0.305 euros per share, excluding the 859,000 own shares in the portfolio.

This proposal represents an increase of 3.4% over the dividend paid in respect to the previous year, corresponding to a dividend yield of 1.97% on the average share price in 2013, which was 15.51 euros.

5. SIGNIFICANT AGREEMENTS TO WHICH THE COMPANY IS A PARTY AND THAT TAKE EFFECT, ARE ALTERED, OR CEASE IN CASE OF CHANGE IN CONTROL OF THE COMPANY

There are no significant agreements to which the Company is a Party and that come into effect, are amended or terminated in case of a change in the control of the Company after a takeover bid.

6. DEFENSIVE MEASURES

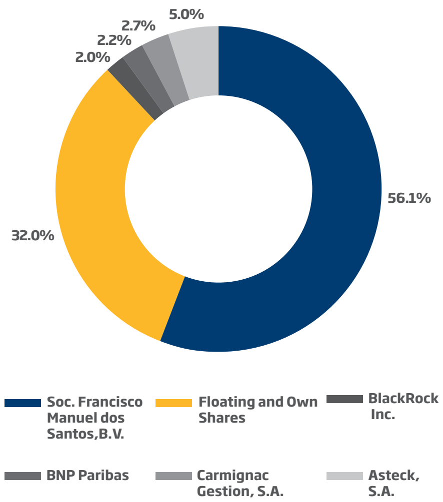
No defensive measures that require payments or the assumption of costs by the Company in the event of a change of control or a change in the composition of the Board of Directors and that are likely to impair the free transfer of shares and the free assessment by the shareholders of the performance of the Board members, were adopted.

7. SHAREHOLDERS AGREEMENTS KNOWN TO THE COMPANY

Pursuant to the communication regarding the qualifying holding received by the Company on January 2, 2012, the Board of Directors were informed of a shareholders' agreement between Sociedade Francisco Manuel dos Santos, B.V. and Sociedade Francisco Manuel dos Santos, SGPS, S.A. concerning the exercise of voting rights. The Board, however, does not know of any restrictions concerning the transfer of securities or voting rights.

SUBSECTION II SHAREHOLDINGS AND BONDS HELD

1. SHAREHOLDER STRUCTURE AND SHAREHOLDERS WITH QUALIFYING HOLDINGS



Source: Last communications made by the shareholders with qualifying holdings to Jerónimo Martins, SGPS, S.A..

The holders of Qualifying Holdings, calculated in accordance with the terms of paragraph 1 of Article 20 of the Portuguese Securities Code, as at 31st December 2013, are identified in the table below.

LIST OF QUALIFYING HOLDINGS AS AT 31ST DECEMBER 2013

(Pursuant to paragraph 4 of article 448 of the Commercial Companies Code and in sub-paragraph b) of paragraph 1 of article 8 of the Portuguese Securities Code Regulations no. 5/2008)

Shareholder	Nr. of Shares Held	% Capital	Nr. of Voting Rights	% of Voting Rights*
Sociedade Francisco Manuel dos Santos, SGPS, S.A. Through Sociedade Francisco Manuel dos Santos, B.V.	353,260,814	56.136%	353,260,814	56.136%
Heerema Holding Company Inc. Through Asteck, S.A.	31,464,750	5.000%	31,464,750	5.000%
Carmignac Gestion Directly	16,859,313	2.679%	16,859,313	2.679%
BNP Paribas Through Investment Funds Managed by BNP Paribas	13,536,757	2.151%	12,604,860	2.006%
BlackRock Inc. Through Investment Funds Managed by BlackRock Inc.	12,694,453	2.017%	12,694,453	2.017%

Source: Latest communications made by the holders of qualifying holdings to Jerónimo Martins, SGPS, S.A.
* Calculated based on the total number of shares, in accordance with sub-paragraph b) of paragraph 3 of article 16 of the Portuguese Securities Code.

SECTION A SHAREHOLDER STRUCTURE

SUBSECTION II SHAREHOLDINGS AND BONDS HELD

2. NUMBER OF SHARES AND BONDS HELD BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS

INFORMATION ON THE SHAREHOLDING IN THE COMPANY BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD

(Pursuant to paragraph 5 of article 447 of the Commercial Companies Code)

THE BOARD OF DIRECTORS

Members of the Board of Directors	Held on 31.12.12		Increases during the year		Decreases during the year		Held on 31.12.13	
	Shares	Bonds	Shares	Bonds	Shares	Bonds	Shares	Bonds
Elísio Alexandre Soares dos Santos [1]	156,531	-	34,445	-	-	-	190,976[4]	-
Pedro Manuel de Castro Soares dos Santos [2]	216,305	-	19,500	-	-	-	235,805	-
Alan Johnson [3]	14,450	-	6,950	-	-	-	21,400	-
António Mendo Castel-Branco Borges	-	-	-	-	-	-	-	-
António Pedro de Carvalho Viana-Baptista	-	-	-	-	-	-	-	-
Hans Eggerstedt	19,700	-	-	-	-	-	19,700	-
José Manuel da Silveira e Castro Soares dos Santos	-	-	-	-	-	-	-	-
Nicolaas Pronk	-	-	-	-	-	-	-	-
Andrzej Szlezak	n.a.	-	-	-	-	-	-	-
Sérgio Tavares Rebelo	n.a.	-	-	-	-	-	-	-
Francisco Seixas da Costa	n.a.	-	-	-	-	-	-	-

[1] The 34,445 shares were bought on: 15,000 shares on 14/05/2013, at a price of 16.945 euros each, 12,500 shares on 31/07/2013, at a price of 14.849 euros each and 6,945 shares on 08/08/2013, at an average price of 14.354 euros each.
[2] The 19,500 shares were bought on 01/03/2013, at a price of 15.440 euros each.
[3] The 6,950 shares were bought on 07/08/2013, at a price of 14.30 euros each.
[4] This position refers to the termination of functions date, December 18, 2013.

STATUTORY AUDITOR

As at 31 December, 2013, the Statutory Auditor PricewaterhouseCoopers & Associados, SROC, Lda., did not hold any shares or bonds of Jerónimo Martins, SGPS, S.A. and had not made any transactions with Jerónimo Martins, SGPS, S.A. securities.

3. POWERS OF THE BOARD OF DIRECTORS, NAMELY IN RELATION TO DELIBERATIONS ON CAPITAL INCREASES

Any capital increase is subject to prior deliberation by the General Shareholders' Meeting.

4. SIGNIFICANT BUSINESS RELATIONSHIPS BETWEEN SHAREHOLDERS WITH QUALIFYING HOLDINGS AND THE COMPANY

Pursuant to the policy that has been followed by the Company in this area, no business was carried out by the Company with the owners of Qualifying Holdings or entities in any type of relationship with the owners of such holdings, outside of normal market conditions.

There are no significant business relationships between holders of Qualifying Holdings and the Company.

SECTION B CORPORATE BODIES AND COMMITTEES

SUBSECTION I GENERAL MEETING

1. COMPOSITION OF THE PRESIDING BOARD OF THE GENERAL MEETING

On 10 April 2013 João Vieira de Castro and Tiago Ferreira de Lemos were appointed as Chairman and Secretary of the General Shareholders' Meeting respectively, for the term of office that expires on 31 December 2015.

On 17 December 2013 the Company was informed of the resignation of the Chairman of the General Shareholder's Meetings.

2. EXERCISING THE RIGHT TO VOTE

2.1. ANY RESTRICTIONS ON THE RIGHT TO VOTE AND QUALIFIED MAJORITIES

No special rights for Shareholders or restraints on the exercise of voting rights are provided for in the Company's Articles of Association. The Company and its Board of Directors particularly value the principles of free transferability of shares and assessment by Shareholders of the performance of members of the Board of Directors.

As such Article Twenty Four of the Articles of Association of the Company establishes the rule that each share has the right to one vote.

Accordingly, the Company has not established mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting ritgh of each ornidary share, inter alia, no special rights for shareholders or restraints on the exercise of voting rights are provided for in the Company's Articles of Association, nor there is any special rule in the Articles of Association regarding systems whereby the financial rights attached to securities are separated from the holding of securities.

Attending the Shareholders' Meeting is not subject to holding a minimum number of shares, nor are there rules stating that voting rights over a certain number are not counted, when issued by a single shareholder or shareholders related to it.

According to Article Twenty Six of the Articles of Association of the Company, the Shareholders' Meeting may take place upon the first convocation, as long as more than 50% of the Company's capital is present or represented. There is no special rule in the Articles of Association regarding deliberative quorums.

2.2. PARTICIPATION IN THE GENERAL SHAREHOLDERS' MEETING

Under the provisions of the Portuguese Securities Code and Article Twenty Three of the Articles of Association, the Shareholders meeting the following conditions can participate and vote at the General Meetings:

i) On the Record Date, corresponding to 00:00 am (GMT) of the fifth trading day prior to the General Shareholder's Meeting, they held shares of the Company entitling them to at least one vote;

ii) By the end of the day prior to the day of the Record Date, they had stated in writing, to the Chairman of the General Shareholder's Meeting and to the respective financial intermediary, their intention to participate in the meeting;

iii) By the end of the day of the Record Date, the respective financial intermediary has sent to the Chairman of the General Shareholder's Meeting information on the number of shares registered under that shareholder's name on the Record Date.

SECTION B CORPORATE BODIES AND COMMITTEES

SUBSECTION I GENERAL MEETING

2.3. POSTAL VOTE

According to paragraph 3 of Article Twenty Five of the Articles of Association, postal votes are allowed. Pursuant to the Articles of Association, postal votes count for the formation of a constitutive quorum for the General Shareholders' Meeting, and it is the responsibility of the Chairman of the Board of the Shareholders' Meeting or his substitute to verify their authenticity and fully complying with the procedures, as well as to assure confidentiality when a vote is submitted. In the event that a shareholder or a shareholder's representative is present at the General Shareholders' Meeting, the postal vote that was issued is revoked.

Postal votes count as negative votes in relation to deliberative proposals presented subsequent to the date on which those votes were issued.

The Company has provided a form to exercise the right to vote by post on its web page.

As the Company's Articles of Association do not state anything on this matter, the Company has established a deadline of 48 hours prior to the General Shareholders' Meeting for receipt of postal votes, thus complying with and, to a certain extent, exceeding the recommendations of the CMVM on this matter.

2.4. VOTE BY ELECTRONIC MEANS

The Company, recognising that using new technologies encourages shareholders to exercise their right to vote, has adopted, since 2006, adequate mechanisms so that they may vote electronically in General Shareholders' Meetings. Thus, shareholders must state their intent to exercise their right to vote electronically to the Chairman of the Board of the General Shareholders' Meeting, at the Company's Head Office or using the Jerónimo Martins website, at www.jeronimomartins.pt. In that expression of interest, shareholders must indicate the address of the financial intermediary with whom the securities are registered, to which a registered letter will be subsequently sent containing the electronic address to be used to vote, and an identification code to use in the electronic mail message by which the shareholder exercises its right to vote.

SUBSECTION II MANAGEMENT AND SUPERVISION

1. COMPOSITION

1.1. ADOPTED CORPORATE GOVERNANCE MODEL

The Company has adopted the anglo-saxon governance model which corresponds to the option foreseen in subparagraph b) of article 278 of the Commercial Companies Code. According to this model the management and supervision of the Company are organized through a Board of Directors, which includes the Audit Committee, and a Statutory Auditor.

1.2. RULES APPLYING TO THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE BOARD OF DIRECTORS AND OF THE SUPERVISORY BOARD

The first article of the Regulations of the Company's Board of Directors foresees that this body has the composition that will be decided in the General Shareholders' Meeting pursuant to the terms indicated in paragraph one of Article Twelve of the Articles of Association, and it will be presided over by the respective Chairman, chosen by the General Shareholders' Meeting.

Paragraph number three of article eight of the same Regulations prescribes that in the event of death, resignation or impediment, whether temporary or definitive, of any of its members, the Board of Directors will agree on a substitute. If the appointment does not occur within 60 days of the absence of the Director, the Audit Committee will be responsible for appointing the substitute.

According to article one of the respective Regulations, and Article Nineteen of the Articles of Association, the Audit Committee is composed of three Members of the Board of Directors, one of whom will be its Chairman. The members of the Audit Committee are appointed simultaneously with the members of the Board of Directors, and the lists of proposed members of the latter body must indicate those that are intended to form the Audit Committee.

The members of the Audit Committee cannot perform executive roles in the Company.

There is no specific regulatory provision regarding the appointment and replacement of Members of the Audit Committee, being applicable only what is set forth in law.

1.3. COMPOSITION OF THE BOARD OF DIRECTORS

According to the Articles of Associations, the Board of Directors is comprised of a minimum of seven and a maximum of 11 members, elected by the General Shareholders' Meeting for three year terms. Currently, the Board of Directors has nine members and there are no substitute members.

At the Annual General Shareholder's Meeting held on 10 April 2013, the following members of the Board of Directors were appointed:

E. ALEXANDRE SOARES DOS SANTOS

- Chairman of the Board of Directors until 18 de December 2013
- Non-Executive Director
- First appointment in 1968
- Resigned to the position on 18 December 2013

PEDRO MANUEL DE CASTRO SOARES DOS SANTOS

- Chairman of the Board of Directors since 18 de December 2013
- CEO
- First appointment on 31 March 1995
- Expiry of the term of office on 31 December 2015

ALAN JOHNSON

- Director with special tasks and Chief Financial Officer
- First appointment on 30 March 2012
- Expiry of the term of office on 31 December 2015

ANDRZEJ SZLEZAK

- Non-Executive Director
- First appointment on 10 April 2013
- Expiry of the term of office on 31 December 2015

ANTÓNIO MENDO DE CASTEL-BRANCO BORGES

- Non-Executive Director
- First appointment on 29 June 2001
- Deceased on 25 August 2013

ANTÓNIO PEDRO DE CARVALHO VIANA-BAPTISTA

- Independent Non-Executive Director
- First appointment on 9 April 2010
- Expiry of the term of office on 31 December 2015

FRANCISCO MANUEL SEIXAS DA COSTA

- Independent Non-Executive Director
- First appointment on 10 April 2013
- Expiry of the term of office on 31 December 2015

HANS EGGERSTEDT

- Non-Executive Director
- First appointment on 29 June 2001
- Expiry of the term of office on 31 December 2015

JOSÉ MANUEL DA SILVEIRA E CASTRO SOARES DOS SANTOS

- Director with special tasks
- First appointment on 31 March 1995
- Expiry of the term of office on 31 December 2015

NICOLAAS PRONK

- Non-Executive Director
- First appointment on 30 March 2007
- Expiry of the term of office on 31 December 2015

SÉRGIO TAVARES REBELO

- Independent Non-Executive Director
- First appointment on 10 April 2013
- Expiry of the term of office on 31 December 2015

SECTION B
CORPORATE BODIES AND COMMITTEES

SUBSECTION II
MANAGEMENT AND SUPERVISION

With regard to changes in the composition of the Board of Directors throughout 2013, of note is the resignation from the position of Chairman of the Board of Directors by Alexandre Soares dos Santos with effect from 1st November and which became permanent on 18th December 2013, with the election of the current Chairman of the Board of Directors, Pedro Soares dos Santos. Also of note is the death of the Director António Borges on 25th August, 2013.

It should also be added that 2013 was the year for electing the statutory bodies for the 2013-2015 term and so the 11 Directors at that time remained in office until 10th April, 2013: Alexandre Soares dos Santos (Chairman of the Board of Directors), Pedro Soares dos Santos (CEO), Alan Johnson, António Borges, António Viana-Baptista, Artur Santos Silva, Hans Eggerstedt, José Soares dos Santos, Luís Palha da Silva, Marcel Corstjens and Nicolaas Pronk.

The Company seeks a balance in the composition of the Board of Directors through the integration of Non-Executive Directors and Independent Directors alongside Executive Directors.

The Board of Directors is composed of Non-Executive Directors, in particular Independent Directors who possess a wide range of technical skills, contact networks and connections with national and international bodies, which enrich and optimise the Company's management in terms of creating value and ensuring adequate protection of the interests of all its shareholders, thereby ensuring effective monitoring, supervision and assessement of the activity of the remaining members of the Board of Directors.

In accordance with the principles by which the Company is run, although all Board Members are accountable to all shareholders equally, the independence of the Board of Directors in relation to the shareholders is further reinforced by the existence of Independent Board Members.

Pursuant to the new recommendation II.1.7 applicable to the year of 2013, which establishes the independence criteria to be used in the evaluation made by the Board of Directors, Francisco Seixas da Costa, António Viana-Baptista, Sérgio Rebelo and Hans Eggerstedt qualify as Independent Directors. The latter three Directors are also members of the Audit Committee therefore they are further subject to the independence criteria indicated in paragraph 5 of article 414 of the Commercial Companies Code. According to these criteria Director Hans Eggerstedt cannot be regarded as independent. Each of the members of the Audit Committee also complies with the rules of incompatibility laid down in paragraph 1 of article 414-A of the Commercial Companies Code, except that provided for in sub-paragraph b).

There being three Independent Directors, in accordance to the criteria above mentioned, out of a total of nine Directors, the Company complies with recommendation II.1.7. also in the part where it establishes that Non-Executive Directors shall include an appropriate number of independent members (*in casu*, one third).

1.3.1. CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board of Directors, according to the Board of Directors' Regulations, in addition to the institutional representation of the Company, has a special responsibility for managing the respective meetings, for monitoring the action taken on the decisions made by this body, for taking part in the meetings of other committees set up by the Board of Directors and for defining the overall strategy of the Company.

1.4. PROFESSIONAL QUALIFICATIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS

E. Alexandre Soares dos Santos, Chairman of the Board of Directors until 18 December 2013, began his professional career in 1957, when he joined Unilever. From 1964 to 1967, he acted as Marketing Director for Unilever Brasil. In 1968, he joined the Board of Directors of Jerónimo Martins as Chief Executive Officer, a post he combined with that of Representative of Jerónimo Martins' in the joint venture with Unilever. He was the Chairman of the Board of Directors of the Company between February 1996 and 18 December 2013.

Pedro Soares dos Santos joined the Operating Division of Pingo Doce in 1983. In 1985, he joined the Sales and Marketing Department of Iglo/Unilever, and five years later, assumed the post of Assistant Director of Recheio Operations. In 1995, he was named General Manager of the Company. Between 1999 and 2000 he accepted responsibility for operations in Poland and in Brazil. In 2001, he also assumed responsibility for the operations area for Food Distribution in Portugal. He has been a Director of Jerónimo Martins, SGPS, S.A. since 31 March 1995, and has been Chief Executive Officer since 9 April 2010 and Chairman of the Board of Directors of the Company since 18 December 2013.

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

Alan Johnson is a British national, with a degree in Finance & Accounting obtained in the UK. He joined Unilever in 1976, where he made his professional career, occupying various financial positions in several countries such as United Kingdom, Brazil, Nigeria, France, Belgium, the Netherlands and Italy. Amongst other positions, he was Senior Vice President Strategy & Finance for Europe, Senior Vice President Finance & IT and CFO of Unilever Foods Division worldwide. Until March 2011, he was Chief Audit Executive, based in Rotterdam. He was a member of the Market Oversight Committee of the Chartered Association of Certified Accountants between 2007 and 2013 and has been a member of the Professional Accountants in Business Committee of the International Federation of Accountants based in New York since 2011. In January 2012, he joined the Jerónimo Martins Group as Chief Financial Officer, being Director of Jerónimo Martins, SGPS, S.A. since 30 March 2012.

Hans Eggerstedt is a German national, with a degree in Economics from the University of Hamburg. He joined Unilever in 1964, where he has spent his entire career. Among other positions, he was Director of Retail Operations, Ice Cream and Frozen Foods in Germany, President and CEO of Unilever Turkey, Regional Director for Central and Eastern Europe, Financial Director, and Information and Technology Director of Unilever. He was nominated to the Board of Directors of Unilever N.V. and Unilever PLC in 1985, a position he held until 1999. Between 2003 and 2012 he was a Non-Executive Director of the COLT Telekom Group S.A., from Luxembourg. He has been Non-Executive Director of Jerónimo Martins, SGPS, S.A. since 29 June 2001.

Andrzej Szlezak is a Polish national and has a Master degree in English philology and in law from Adam Mickiewicz University in Poznan, Poland; in 1981, he passed the judicial exam and in 1994, he was admitted to the Chamber of Legal Advisors (Poznan Chapter). In 1979 he started is academic career at said university where he was awarded his doctorate and post-doctorate degrees ("Habilitated Doctor") in Law in 1985 and in 1992, respectively. In 1994, he was awarded a professorship at Adam Mickiewicz University (Law School), which he held until 1996. At present, he is a professor at Warsaw School of Social Sciences and Humanities. In 1981, he joined the law firm of Soltysinski, Kawecki & Szlezak ("SK&S") where he became Partner in 1993 and Senior Partner in 1996. During his practice at SK&S he has provided legal advice in numerous privatization and restructuring transactions in many sectors of Polish economy (mostly in M&A, corporate and greenfield projects). Since 1999, he has been an arbitrator of the Arbitration Court at the Polish Chamber of Commerce (KIG) in Warsaw, being at the moment Deputy Chairman of the Arbitration Board of this Court. He has also been appointed an arbitrator in several proceedings (national and international) before the ICC International Court of Arbitration in Paris and in ad hoc proceedings conducted according to the UNCITRAL Arbitration Rules. He is also the author of several publications, including foreign-language publications, in the fields of civil, commercial and arbitration law. He has been a Non-Executive Director of the Company since 10 April 2013.

António Viana-Baptista holds a degree in Economics from Universidade Católica Portuguesa (1980), has a postgraduate diploma in European Economics from Universidade Católica Portuguesa (1981) and an MBA from INSEAD (Fontainebleau, 1983). Between 1985 and 1991 he was Principal Partner of Mckinsey & Co. in the Madrid and Lisbon office. He held the post of Director in the Banco Português de Investimento between 1991 and 1998. From 1998 to 2002 he was Chairman and CEO of Telefónica International. From 2002 to 2006 he was Chairman and CEO of Telefónica Móviles S.A. From 2006 to 2008 he was Chairman and CEO of Telefónica España. Between 2000 and 2008 he was a Non-Executive Director of the Board of Directors of Portugal Telecom. Since 2011, he is CEO of Crédit Suisse AG for Spain and Portugal. He has been Non-Executive Director of the Company since 9 April 2010.

António Borges, with a degree in Economics from Universidade Técnica de Lisboa and a PhD in Economics from Stanford University, joined INSEAD in 1980. He was the Vice-Governor of the Portuguese Central Bank and Dean of INSEAD. He has taught at Universidade Nova de Lisboa and Stanford University, and he is visiting full professor of the Faculdade de Ciências Económicas e Empresariais da Universidade Católica Portuguesa. He has held various management posts, including at Citibank Portugal, Petrogal, Vista Alegre, Paribas and Sonae. He was Vice-President of Goldman Sachs between 2000 and 2008. In June 2008 he was appointed Chairman of the Board of Directors of the Hedge Funds Standards Board and between 2010 and 2011 he was Director of the European Department of the International Monetary Fund. He was a Non-Executive Director of Jerónimo Martins, SGPS, S.A., between 29 June 2001 and 31 December 2010, and again from 30 March 2012 until 25 August 2013, the date he deceased.

Francisco Seixas da Costa is a Portuguese national and has a degree in Political and Social Sciences from the Universidade Técnica of Lisbon. He started his diplomatic career in 1975 as a diplomat in the Portuguese Ministry of Foreign Affairs. Between 1995 and 2001, he was Secretary of State for European Affairs, where he had several official functions, amongst others, Portuguese chief negotiator of the EU Amsterdam treaty, from 1995 to 1997, Portuguese coordinator for the negotiation of the EU financial framework, from 1997 to 1999, and President of the Council of Ministers of the EU Internal Market in 2000. From 2001 until 2002 he was Ambassador, Permanent Representative to the United Nations, in New York and, from 2002 until 2004, he was Ambassador, Permanent Representative to the Organization for Security and Cooperation in Europe (OSCE), in Vienna. Between 2004 and 2008 he was Ambassador to Brazil, in Brasília and between 2009 and 2013 he was Ambassador to France and Permanent Representative to UNESCO (since 2012), in Paris. Since 2013 he has been member of the Consultative Council of Fundação Calouste Gulbenkian and member of the Strategic Council of Mota-Engil, SGPS, S.A. He has been a Non-Executive Director of the Company since 10 April 2013.

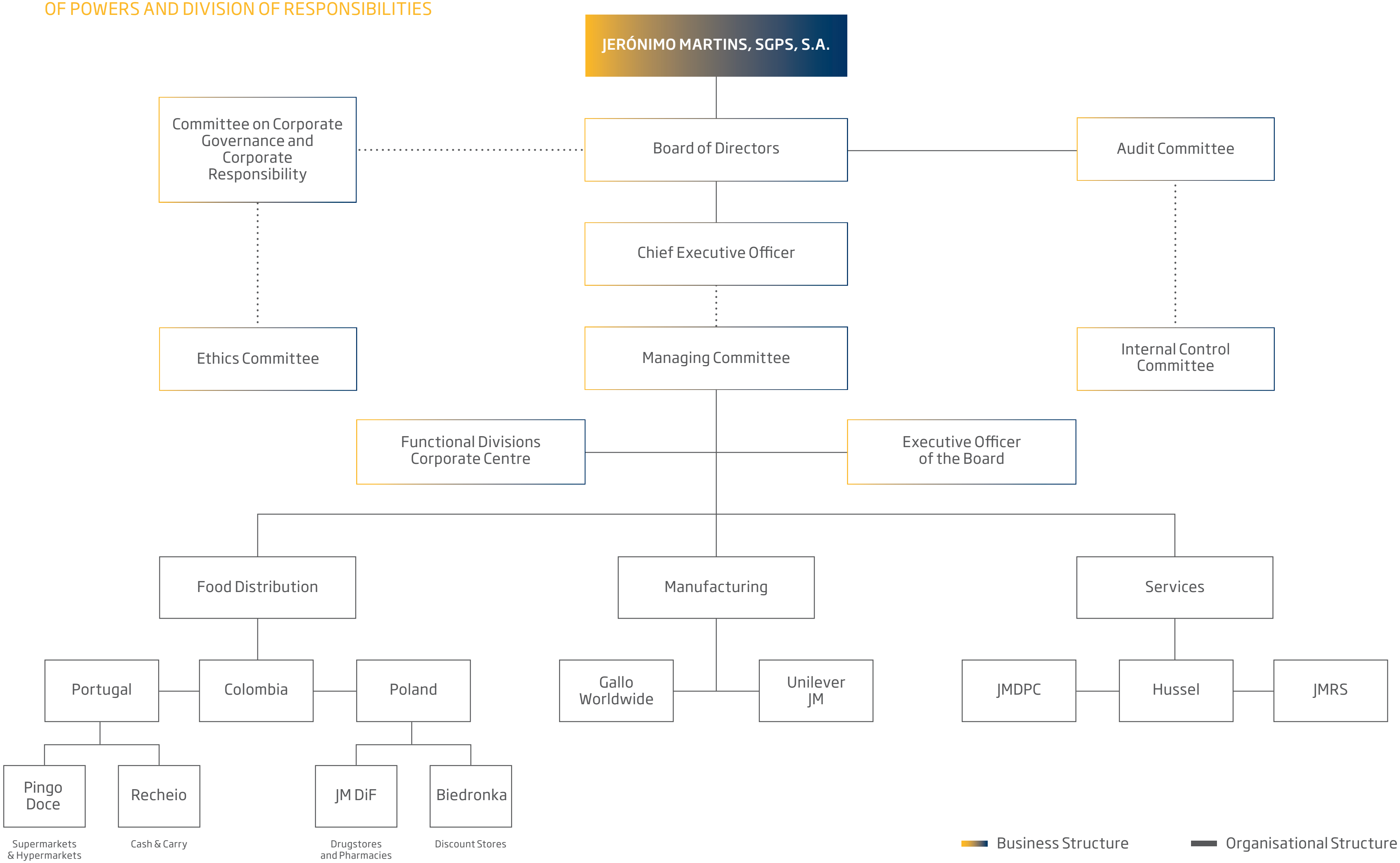
Nicolaas Pronk is a Dutch national, and has a degree in Finance, Auditing, and Information Technology. Between 1981 and 1989 he worked for KPMG in the Financial Audit area for Dutch and foreign companies. In 1989 he joined the Heerema Group, created the Internal Audit Department, and since then has performed various functions within the Group, having been responsible for various acquisitions and disinvestments and defining Corporate Governance. Since 1999 he has been the Financial Director of the Heerema Group, including responsibility for the areas of Finance, Treasury, Corporate Governance, Insurance and Taxation, reporting to that Group's President. He has been a Non-Executive Director of the Company since 30 March 2007.

Sérgio Tavares Rebelo is a Portuguese national and has a degree in Economy from Universidade Católica Portuguesa. He also has a M.Sc. in Operations Research from Instituto Superior Técnico of Lisbon, as well as a M.A. and a Ph.D. in Economy from University of Rochester. He began his academic career as an instructor at Universidade Católica Portuguesa in 1981. In 1988 he joined Northwestern University as Assistant Professor of Finance and became Associated Professor of Finance in 1991. Between 1992 and 1997 he was Associated Professor of the Department of Economics of the University of Rochester and since 1997 he has been Tokai Bank Distinguished Professor of International Finance, Kellogg School of Management, of Northwestern University. Since 1982, he has published numerous articles and books on economics and finance. He has been a Member of the Advisory Council to the Global Markets Institute at Goldman Sachs since April 2012. He has been Non-Executive Director of the Company since 10 April 2013.

1.5.
CUSTOMARY AND SIGNIFICANT RELATIONSHIPS OF THE MEMBERS OF THE BOARD WITH SHAREHOLDERS WITH QUALIFYING HOLDINGS

Member of the Board of Directors	Type of Relationship	Shareholder with Qualifying Holding
Alexandre Soares dos Santos	Director	Sociedade Francisco Manuel dos Santos, B.V.
José Soares dos Santos	Director	Sociedade Francisco Manuel dos Santos, B.V.
Nicolaas Pronk	Director	Astek, S.A.

1.6.
ORGANISATIONAL CHARTS, DELEGATION OF POWERS AND DIVISION OF RESPONSIBILITIES



1.6.1. DELEGATION OF POWERS

The Board of Directors, by resolution, delegated various duties to Pedro Soares dos Santos regarding the day-to-day management of the Company, which are identified in more detail in point 3.2. Chief Executive Officer of current subsection II.

Nevertheless, pursuant to the terms of its Internal Regulation, the Board of Directors retains authority over strategic matters of management of the Group, in particular those regarding the definition of general policies of the Company and the corporate structure of the Group and those that, due to their importance and special nature, may significantly impact on the business activity of the Group.

The matters referred to in Article 407(4) of the Commercial Companies Code are off-limits to the Chief Executive Officer.

Apart from the powers on strategic matters of management of the Group, the Board of Directors has effective control on directing corporate activities by always seeking to be duly informed and by ensuring the supervision of the Company's management.

To this end, the Board of Directors has at its disposal the minutes of the Managing Committee, the body which supports the Chief Executive Officer. These minutes contain the matters discussed in the meetings, and they are sent to the Chairman of the Board of Directors and the Company Secretary.

At each Board of Directors meeting the Chief Executive Officer reports on the Company activity since the last meeting and provides any further clarification that the Non-Executive Directors may require. All information requested by the Non-Executive Directors in 2013 was provided in full and in a timely manner by the Chief Executive Officer.

With reference to 2013, the Company considers recommendation II.1.10, which is equivalent to the previous recommendation II.2.3., as not applicable, bearing in mind that the accumulation of the role of Chairman of the Board of Directors with the role of Chief Executive Officer only occurred on 18 December 2013 and has not produced practical effects in the functioning of the Board of Directors until year end.

Nevertheless, it shall be stressed that the Company already ensures, inter alia through the Company Secretary, that Non-Executive Directors have timely access to all the information needed for them to carry out their duties on an independent, informed and coordinated manner.

Pursuant to Article 407(1) of the Commercial Companies Code, the Board of Directors also allocated to the director Alan Johnson the special task as responsible for the financial management of Jerónimo Martins Group, including investor relations, and to the director José Soares dos Santos the special task of monitoring the activities of the joint-venture Unilever Jerónimo Martins, the activities of Jerónimo Martins – Distribuição de Produtos de Consumo, Lda. and of Jerónimo Martins – Restauração e Serviços, S.A.

1.6.2. ORGANISATIONAL STRUCTURE AND DIVISION OF RESPONSIBILITIES

Jerónimo Martins SGPS, S.A. is the Holding Company of the Group, and as such is responsible for the main guidelines for the various business areas, as well as for ensuring consistency between the established objectives and available resources. The Holding Company's services include a set of Functional Divisions which provide support for Corporate Centre and services to the Operating Areas of the Group's Companies, in the different geographical areas in which they operate.

In operational terms, Jerónimo Martins is organised into three business segments: **i.** Food Distribution, **ii.** Manufacturing, and **iii.** Marketing Services, Representations and Restaurant Services. The first area is organised into Geographical Areas and Operating Areas.

1.6.2.1.
HOLDING COMPANY FUNCTIONAL DIVISIONS

The Holding Company is responsible for: **i.** Defining and implementing the development strategy of the Group's portfolio; **ii.** Strategic planning and control of the various businesses and consistency with the global objectives; **iii.** Defining and controlling financial policies; and **iv.** Defining human resources policy, with direct responsibility for implementing the Management Development Policy.

The Holding Company's Functional Divisions are organised as follows:

JERÓNIMO MARTINS GROUP
Functional Divisions of Corporate Support

Environment and Food Safety
Fernando Frade

Risk Management
Pedro Correia

Legal Affairs
Carlos Martins Ferreira

Financial Operations
Conceição Carrapeta

Internal Audit
Madalena Mena

Quality and Private Brand Development
Carlos Santos

Corporate Communications and Responsability
Sara Miranda

Human Resources
Marta Maia

Financial Control
António Pereira

Investor Relations
Cláudia Falcão

International Expansion and Strategy
João Nuno Magalhães

Security
Eduardo Dias Costa

Fiscal Affairs
Rita Marques

Information Security
Henrique Soares dos Santos

Information Technology
Luís Ribas

SECTION B
CORPORATE BODIES AND COMMITTEES

SUBSECTION II
MANAGEMENT AND SUPERVISION

Environment and Food Safety – Responsible for defining the strategy, policies and procedures to be implemented within the areas under its responsibility across all the countries where the Jerónimo Martins Group is present.

Concerning the environment, Jerónimo Martins has defined the principle of establishing processes, projects and goals, as part of the value chain, in order to minimise the impacts caused by its operations, especially those linked to the consumption of energy and water, the proper use of materials, correct waste management and protecting biodiversity. The main actions implemented in 2013 and the results obtained can be found in the Chapter V of the Annual Report and Accounts.

In Food Safety terms, a crucial activity at Jerónimo Martins, the management has defined plans and objectives, aiming to bring the concept of Food Safety to the customer's home, thereby contributing towards maintaining the quality and freshness of the products until the time of their consumption.

Legal Affairs – It ensures ongoing legal assistance to the Company, preparing contracts, opinions and studies, assisting the Board of Directors in decision making, implementing risk planning policies and giving support to other functional divisions. It also ensures the necessary coordination between the legal departments of subsidiaries in the different jurisdictions in which they operate.

In 2013, this Division focused on monitoring the evolution of the corporate rules and recommendations in the Group's various reorganization operations and on supporting the Board of Directors and other functional divisions in the project of internationalisation of the Group, among other matters.

It also had an important role regarding the prevention of legal disputes, through legal counselling and internal training.

Internal Audit – Evaluates the quality and effectiveness of the systems (both operational and non-operational) of internal control and risk management established by the Board of Directors, ensuring their compliance with the Group's Procedures Manual. It also guarantees full compliance with the procedures laid out in the Operations Manual of each business unit and ensures compliance with the legislation and regulations applicable to the respective operations.

This Division reports hierarchically to the Chairman of the Board of Directors and functionally to the Audit Committee. The activities carried out by this Functional Division are detailed further in this Report.

Corporate Communications and Responsibility – It is responsible for the strategic management of the Jerónimo Martins brand, by enhancing relations with the various non-financial stakeholders and promoting and strengthening the integration of environmental, social and ethical issues in the value chain, preserving and developing the Group's capital reputation.

It operates as an agent fostering inter-departmental integration with the aim of ensuring the alignment of messages and initiatives with the values and objectives of the Group in the various regions where it operates. It manages the digital communication channels of Jerónimo Martins and coordinates the organisation and holding of corporate events. It is the quintessential point of interaction with journalists, providing support and media and communication consultancy to the various Companies and Functional Divisions. It produces publications and contents that are internally and externally-oriented, in various formats and media.

The Corporate Responsibility area coordinates the alignment of the Companies' action programmes with the defined operational priorities, encouraging inter-departmental dialogue and synergies and cooperation with business partners with the aim of sustainable development.

Among the main projects that involved the Corporate Communications area in 2013, of note are both the internal and external communications about the start-up of the Group's operations in Colombia, with the inauguration of the Ara banner's first stores. Within this context, the www.aratiendas.com website was developed and launched.

In the Corporate Responsibility area, 2013 was a year of consolidation and deepening of the alignment between the various functional divisions with a view to improving the quality of information, and thus, bring it closer to world's best practices, and also to the calculation of new performance indicators.

Financial Control – Responsible for providing financial information to support decision-making by the Company's Corporate Bodies. It encompasses the areas of consolidation, accounting, financial planning and control of the Group.

The Consolidation and Accounting area prepares consolidated financial information in order to comply with legal obligations and supports the Board of Directors by implementing and monitoring the policies and the accounting principles adopted by the Board that are common to all the Companies of the Group. The Division also verifies compliance with obligations stated in the Articles of Associations.

It also supervises the financial reporting of the different Group companies to ensure that it conforms with the accounting standards adopted by Jerónimo Martins, supporting the Companies in the accounting assessment of all non-recurrent transactions, as well as the Group's restructuring and expansion operations.

The area of Planning and Control coordinates and supports the process for creating the Jerónimo Martins Strategic Plans, which are used as a basis for strategic decision-making by the Corporate Governance bodies.

In addition, it has a control function, monitoring the performance of the different business units of the Group and investigating any deviations from the plans. It thus provides the Managing Committee of Jerónimo Martins with relevant information and proposals to guarantee corrective measures that allow the defined strategic objectives to be achieved.

It also makes a financial assessment of all investment projects that are relevant for the Group, providing support to the Managing Committee for its approval and subsequent follow-up.

Throughout 2013, the mechanisms for controlling and monitoring political, macro-economic and competitor information were reinforced in the countries where Jerónimo Martins is present, thereby making a decisive contribution towards improving the performance assessment of each of the Group's business areas, as well as in anticipating any potential gaps against the set objectives.

Careful attention was given to supporting new businesses, especially the start-up of operations in Colombia, namely supporting the reporting and budgetary processes implemented in this new country.

International Expansion and Strategy – Responsible for prospecting and evaluation of opportunities for developing the Jerónimo Martins Group's business portfolio and for leading strategic projects.

With regard to developing the business portfolio, its responsibility is to search for, analyse and evaluate opportunities for the Group to expand and increase its value, focusing its activity on the prospection of new markets and businesses that will boost the development of new important business units to be included in the Jerónimo Martins portfolio.

With regard to strategic projects, it is responsible for leading or supporting strategic projects, both from the point of view of corporate projects common to the entire company, and from the point of view of strategic projects specific to Group Companies.

During 2013, it led and supported various strategic projects in all the Group's countries and continued to develop international prospects in new markets and businesses.

Fiscal Affairs – Provides all of the Group's Companies with assistance in tax matters, by ensuring compliance with legislation in force and the optimisation of the business units' management activities from a tax perspective. The Division also manages the Group's tax disputes and its relations with external consultants and Tax Authorities.

During 2013, the Department of Fiscal Affairs carried out the following activities: assisted in the Group's internationalisation and restructuring processes; **i.** carried out special work on transfer prices in order to make the policies of the various Group Companies uniform; **ii.** followed-up the preparation of various applications for tax benefits, within the scope of the Corporate R&D Tax Incentive Programme (SIFIDE); **iii.** drew up various procedural documents in order to defend the Group's best interests before the Tax Authorities; and **iv.** developed an internal training programme on fiscal matters.

Risk Management – Responsible for implementing the Group's risk management policies and procedures, as well as for providing the necessary support to the Governance bodies in identifying any risks that might compromise the strategy defined by the Group, as well as its business objectives.

The activities carried out in the area of Risk Management are described in Sub-section III of Section C of this Report.

Financial Operations – This Division includes two distinct areas: Financial Risk Management and Treasury Management. The activity of the first area is discussed in detail later in Subsection III of Section C of this Report.

Treasury Management is responsible for managing relations with the financial institutions that have or intend to have business dealings with Jerónimo Martins, establishing the criteria that these entities must fulfil. It also performs treasury planning with the aim of selecting the most suitable financial sources according to individual need, for all the Companies of the Group. The Treasury is responsible for conducting business with financial institutions so that the best possible conditions may be obtained at all times.

A large part of the treasury activities of Jerónimo Martins is centralised in the Holding Company, which is a structure that provides services to all other Companies of the Group. It is also this area's responsibility to elaborate and ensure compliance with the treasury budget that is based on the activity plans of the Group's Companies.

In compliance with the above-described activities, during 2013, commercial paper programmes and the JMR/2012 loan were restructured. New debt was also issued, to finance the investments in Poland and in Colombia.

Quality Control and Private Brand Development – Responsible for defining, planning, implementing and controlling the policies, procedures, methodologies and rules throughout the entire food chain, in order to ensure the use of the best and most up-to-date practices in this area. This responsibility is extended to the various countries where Jerónimo Martins operates and where there must be harmonisation and consistency of the methods and procedures used, thereby ensuring the same overall activity across the Group.

In 2013 the main activities carried out focused on: **i.** implementing the "Guidelines on Private Brand-Food" as well as the "Guidelines on Quality and Food Safety" - documents applicable across the three countries and which comprise the basic rules to be adopted for our brands and the best practices to be observed in our supply chain, respectively; **ii.** continuing with the improvement process for our brands by reformulating existing products; **iii.** using the IT tool, QMS Projects, in Portugal to support the development of new products in the three countries; **iv.** increasing the control of products and suppliers in Poland and in Colombia; **v.** adapting and strengthening the Quality teams in the three countries; **vi.** maintaining the Quality and Food Safety certifications.

Human Resources – Founded on the Culture, Values and Principles of Jerónimo Martins, this area is responsible for defining and implementing the global strategy and policies of Human Resources. This Division, which acts across the Group as a whole, is responsible for ensuring compliance with the policies, standards, procedures and good practices as regards the main pillars of Human Resource Management - Recruitment, Training, Development, Compensation and Benefits - while respecting the individual nature of the different Companies and the uniqueness of the different geographical areas in which Jerónimo Martins operates.

The activities that this Functional Division carried out can be found in detail in Section 8 - Being a Benchmark Employer, of Chapter V - Corporate Responsibility in Value Creation, of the Annual Report of which this Corporate Governance Report is a part of.

Investor Relations – This Division is responsible for the communication with investors – shareholders or not, institutional and private, national and foreign - as well as with the analysts who formulate opinions and recommendations regarding that company.

It is also the responsibility of this Divsion to co-ordinate all matters related to the CMVM.

The activities carried out by this Functional Division can be found in detail in Subsection IV of Section C hereinafter.

Security – This area defines and controls procedures in terms of protecting the security of the Group's people and assets, intervening whenever there are thefts and robberies, fraud and other illegal and/or violent activities perpetrated in the facilities or against employees of the Group.

Information Security – This division is responsible for implementing and maintaining an information security management system which ensures the confidentiality, integrity and availability of information that is critical for the business and assures system recovery in the event of any disruption to the operations of Jerónimo Martins.

The core objective of this Division is to protect the Group's information from a wide range of threats in order to guarantee business continuity, minimising the risk and maximising the automation of security processes. Through the Information Security Officers (ISO) in each country, it ensures compliance with the Information Security Policy, in which the rules for applying, using and maintaining Jerónimo Martins information assets are defined.

In 2013, the project that began in 2012 to make the information security software uniform in Portugal and Poland was concluded. Part of the effort to standardise security policies and processes, using the Information Security Best Practices - ISO 27701 and 27002 as a reference – the security processes and solutions between Portugal and Poland were aligned and converged into an information security model common to all the countries. Equally relevant was the risk assessment on segregating functions with regard to systems access profiles, which was carried out in Poland.

Information Technology – Its mission is to harmonise the information systems of the Group and define common policies, procedures and processes for managing IT, as well as outlining a strategic IT plan aligned with the strategy of Jerónimo Martins. It is also responbible for promoting inovation, based on technology, within the Group's businesses.

It is responsible in particular for providing and supporting information and communication technology services that create the conditions for the business to achieve its goals and objectives, as well as for implementing and providing support to the solutions that are necessary for the processes of the organisation, all the way from the architecture up to the applications.

Of the work carried out in 2013, the following should be highlighted: **i.** development of replicable and flexible solutions, which support the new Hebe and Ara business models; **ii.** support to Biedronka's expansion process; **iii.** adaptation of Pingo Doce's systems in order to support the strategic change based on a strong promotional aspect and on the loyalty card; **iv.** introduction of new systems in the Food Service business.

In addition, major progress towards convergence was achieved, by aligning various applications and infrastructure components.

1.6.2.2. OPERATIONAL AREAS

The organisational structure of Jerónimo Martins is aimed mainly at ensuring specialisation in the Group's various businesses by creating Geographical Areas and Operational Areas, thus guaranteeing the required proximity to the different markets.

The Food Distribution business is divided into Geographical Areas - Portugal, Poland and Colombia - and then further divided within those countries into Operational Areas. In Portugal there are two Operational Areas: Pingo Doce (supermarkets and hypermarkets) and Recheio (cash & carry), which encompasses the Foodservice division through Caterplus. In Poland there are also two Operational Areas: Biedronka (food stores) and Hebe (drugstores) that includes Apteka Na Zdrowie (pharmacies). In Colombia one area: Ara (food stores).

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

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

Information about the organisation model is provided in Chapter 1 – Management Structure, of the Annual Report of which the present Corporate Governance Report is part.

2. FUNCTIONING

2.1. BOARD OF DIRECTORS REGULATION AND NUMBER OF MEETINGS HELD

The Board of Directors, whose duties are described in Article Thirteen of the Company's Articles of Association, meets at least four times a year, and any of its members may be represented at the Board meetings by another member, by means of a letter addressed to the Chairman.

Unless otherwise provided for, decisions will be carried by a majority vote of the members present or represented, and of those who vote by post. In the event of a tie, the Chairman has the casting vote.

The Regulation of the Board of Directors is available on the Company's website, through the link mentioned below in Section C, Subsection V, point 1 Relevant Addresses.

During 2013, the Board of Directors met six times. The respective minutes were prepared for all meetings.

The attendance of each Director to the referred meetings during the exercise of respective duties was as follows:

Alexandre Soares dos Santos (ceased duties on 18.12.2013)	100%
Pedro Soares dos Santos	100%
Alan Johnson	100%
Andrzej Szlezak (started duties on 10.04.2013)	100%
António Viana-Baptista	100%
António Borges (ceased duties on 25.08.2013)	75%
Artur Santos Silva (ceased duties on 10.04.2013)	100%
Francisco Seixas da Costa (started duties on 10.04.2013)	100%
Hans Eggerstedt	100%
José Soares dos Santos	100%
Luís Palha da Silva (ceased duties on 10.04.2013)	100%
Marcel Corstjens (ceased duties on 10.04.2013)	100%
Nicolaas Pronk	100%
Sérgio Rebelo (started duties on 10.04.2013)	100%

SECTION B
CORPORATE BODIES AND COMMITTEES

SUBSECTION II
MANAGEMENT AND SUPERVISION

2.2. PERFORMANCE APPRAISAL OF EXECUTIVE DIRECTORS

As in previous years, it was the responsibility of the Chairman of the Board of Directors, which ceased his functions in the end of 2013, Alexandre Soares dos Santos, and of the other Non-Executive Members of that Board to evaluate the performance of the Executive Directors and of the various existing committees. They meet at least once per year in ad-hoc meetings specifically devoted to this matter, without the presence of the Executive Directors. At such meetings the performance of the Executive Directors and their influence on Jerónimo Martins' businesses is debated in depth, including an assessment of the impact of their activity and of the alignment with the medium and long-term interests of the Company. The same procedure is used to analyse the performance of the various committees existing within the Group.

The predefined criteria for assessing Executive Directors' performance arise from that that is established in the Remuneration Policy, described below in Section D, Subsection III, point 1 Remuneration Policy of the Board of Directors and of the Supervisory Board.

2.3. POSITIONS THAT THE MEMBERS OF THE BOARD OF DIRECTORS HOLD IN OTHER COMPANIES

ELÍSIO ALEXANDRE SOARES DOS SANTOS

- Chairman of the Board of Curators of Fundação Francisco Manuel dos Santos
- Member of the Supervisory Board of Warta – Retail & Services Investments B.V.*
- Member of the Supervisory Board of Beleggingsmaatschappij Tand B.V.*
- Director of Sindcom – Sociedade de Investimento na Indústria e Comércio, SGPS, S.A.
- Director of Sociedade Francisco Manuel dos Santos, SGPS, S.A.
- Director of Sociedade Francisco Manuel dos Santos, B.V.
- Director of Nesfia – Sociedade Imobiliária, S.A.
- Director of Sociedade Imobiliária da Matinha, S.A.
- Director of Quinta da Parreira – Exploração Agrícola, S.A.

PEDRO SOARES DOS SANTOS

- Director of Jerónimo Martins Serviços, S.A.*
- Director of Jeronimo Martins Polska, SA*
- Director of Jeronimo Martins Drogerie i Farmacja Sp. z o.o.*
- Director of Jeronimo Martins Colombia, SAS*
- Director of Imocash – Imobiliário de Distribuição, S.A.*
- Director of Recheio Cash & Carry, S.A*
- Director of Recheio, SGPS, S.A.*
- Director of Funchalgest – Sociedade Gestora de Participações Sociais, S.A.*
- Director of Lidinvest – Gestão de Imóveis, S.A.*
- Director of Larantigo – Sociedade de Construções, S.A.*
- Director of João Gomes Camacho, S.A.*
- Director of JMR – Gestão de Empresas de Retalho, SGPS, S.A.*
- Director of JMR – Prestação de Serviços para a Distribuição, S.A.*
- Director of Supertur – Imobiliária, Comércio e Turismo, S.A.*
- Director of Imoretalho - Gestão de Imóveis, S.A.*
- Director of Cunha & Branco – Distribuição Alimentar, S.A.*
- Director of Pingo Doce – Distribuição Alimentar, S.A*
- Director of Casal de S. Pedro – Administração de Bens, S.A.*
- Director of Masterchef, S.A. *
- Director of Escola de Formação Jerónimo Martins, S.A.*
- Director of Quinta da Parreira – Exploração Agrícola, S.A.
- Manager of Jerónimo Martins – Distribuição de Produtos de Consumo, Lda.*
- Manager of Desimo – Desenvolvimento e Gestão Imobiliária, Lda.*
- Manager of Friedman – Sociedade de Investimentos Mobiliários e Imobiliários, Lda.*
- Manager of Servicompra, SGPS, Lda.*

JOSÉ SOARES DOS SANTOS

- Director of Jerónimo Martins Serviços, S.A.*
- Director of Fima – Produtos Alimentares, S.A.*
- Director of Victor Guedes Indústria e Comércio, S.A.*
- Director of Olá – Produção de Gelados e Outros Produtos Alimentares, S.A. *

- Director of Jerónimo Martins – Restauração e Serviços, S.A.*
- Director of Nesfia – Sociedade Imobiliária, S.A.
- Director of Sociedade Imobiliária da Matinha, S.A.
- Director of Sociedade Francisco Manuel dos Santos, SGPS, S.A.
- Director of Sociedade Francisco Manuel dos Santos, B.V.
- Director of SFMS – Imobiliária, S.A.
- Director of Fundação Francisco Manuel dos Santos
- Member of the Supervisory Board of Warta – Retail & Services Investments B.V.*
- Member of the Supervisory Board of Beleggingsmaatschappij Tand B.V.*
- Manager of Unilever Jerónimo Martins, Lda.*
- Manager of Gallo Worldwide, Lda.*
- Manager of Jerónimo Martins – Distribuição de Produtos de Consumo, Lda.*
- Manager of Transportadora Central do Infante, Lda.

ALAN JOHNSON

- Director of Jerónimo Martins Serviços, S.A.*
- Director of JMR – Gestão de Empresas de Retalho, SGPS, S.A.*

HANS EGGERSTEDT

- Member of the Board of Directors of Arica BV
- Member of the Advisory Board of the Amsterdam Institute of Finance (The Netherlands)
- Member of the Supervisory Board of Warta – Retail & Services Investments B.V.*
- Member of the Supervisory Board of Beleggingsmaatschappij Tand B.V.*

ANDRZEJ SZLEZAK

- Chairman of the Supervisory Board of Agora, S.A..

ANTÓNIO VIANA-BAPTISTA

- CEO of Crédit Suisse AG for Spain and Portugal
- Chairman of the Board of Directors of Largo Ltd
- Member of the Board of Directors of Semapa, SGPS, S.A.
- Member of the Board of Directors of Arica BV
- Member of the Board of Directors of Jasper Wireless Inc.

ANTÓNIO BORGES

- Manager of ABDL, Lda.
- Manager of Sociedade Agrícola do Monte Barrão, Lda.
- Manager of Sobreira Borges, Lda.

FRANCISCO SEIXAS DA COSTA

- Member of the Consultive Board of Faculdade de Economia da Universidade de Coimbra
- Member of the Consultive Board of Faculdade de Ciências Sociais e Humanas da Universidade de Nova de Lisboa
- Member of the Consultive Board of Fundação Calouste Gulbenkian
- Member of the Strategic Committee of Mota-Engil, S.A.
- Member of the Supervisory Board of Warta – Retail & Services Investments B.V.*
- Member of the Supervisory Board of Beleggingsmaatschappij Tand B.V.*

NICOLAAS PRONK

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

SÉRGIO TAVARES REBELO

- Member of the Advisory Council to the Global Markets Institute at Goldman Sachs

The positions held by the members of the Board in other companies did not affect their availability to take part in the Company's affairs, as demonstrated in the attendance report above mentioned in point 2.1 Board of Directors Regulation and Number of Meetings Held in the present Subsection.

* Companies that are part of the Group

SECTION B
CORPORATE BODIES AND COMMITTEES

SUBSECTION II
MANAGEMENT AND SUPERVISION

3. COMMITTEES WITHIN THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

3.1. COMMITTEES WITHIN THE BOARD OF DIRECTORS

Up to 10th April, 2013, the date of the election of the new Board of Directors for the 2013-2015 term, there were two Committees within the Board of Directors: the Committee on Corporate Responsibility and the Evaluation and Nominations Committee.

Each of these committees was made up exclusively of Board members and their responsibilities were those mentioned in point 3.3. Powers of the Committees above in this Sub-section II.

The regulations of the above-mentioned committees could be viewed on the Company's website during the period in which the committees were operating and the information was up-to-date.

3.2. CHIEF EXECUTIVE OFFICER

The Board of Directors appointed a Chief Executive Officer, responsible for implementing the strategic decisions taken by the Board, in accordance with the delegated powers, and a Managing Committee, responsible for assisting the Chief Executive Officer in the duties delegated to that officer by the Board of Directors.

The role of Chief Executive Officer is performed by Mr. Pedro Soares dos Santos who, during 2013, had the following delegated powers:

a. To manage all corporate businesses and perform all operations relating to its corporate objectives, included in the scope of its current role, as the holding company;

b. To represent the Company, in court or otherwise, as well as propose and answer to any lawsuit, compromise in or withdraw from any such lawsuits or engage in arbitration, for which purpose it may designate one or several proxies;

c. To decide on loans to be contracted from the financial market at home or abroad, accepting the supervision of the lending entities up to the amount of 50,000,000 euros;

d. To decide on the provision of technical and financial support, and the granting of loans by the Company to companies whose stakes or shares are held in total or in part;

e. To decide on the sale/transfer of property, as well as shares, units, quotas and bonds of the Company's subsidiaries;

f. To decide on the acquisition of any movable or immovable assets and in general on the execution of any investments up to 20 million euros, if they are included in the plans;

g. To appoint, following consultation with the Chairman of the Board, the individuals to propose to the General Meetings from the companies referred to in sub-paragraph d) above, to fill the roles of the respective Corporate Bodies, indicating those who will fulfil executive functions;

h. To propose, every year, to the Board of Directors, the financial targets to be achieved in the following financial year by the Company itself and by the Group companies, consulting, for the purpose, the Chairman of the Board of Directors;

i. To approve the Human Resources Policies to be followed by the Group;

j. To approve the expansion plans with respect to the activities of each of the business areas, as well as group companies forming part of the group but not included in the business areas;

k. To approve any investment set out in the approved Plan, with acquisitions of fixed assets up to 20 million euros;

l. To approve any divestments set out in the approved Plan, with sales of fixed assets up to 10 million euros;

m. To approve an organic structure for the Group's companies.

For the purpose of the delegation of powers, investments whose amount exceeds by more than 10% each heading contained in the Plan, are considered not to be part of the Annual Plan.

In 2013, the Board of Directors has also reappointed the Managing Committee, as the consultative body which has the primary goal of assisting the Chief Executive Officer in the duties delegated by the Board, in relation to the daily management of the businesses within the corporate purpose of the Company.

3.3.
POWERS OF THE COMMITTEES

3.3.1.
COMMITTEE ON CORPORATE RESPONSIBILITY

By decision of the Board of Directors, the Committee on Corporate Responsibility was reformulated on 10th April 2013, to no longer comprise a specialised committee within the Board of Directors, but to accept members who are not Directors. The current Committee on Corporate Governance and Corporate Responsibility essentially maintains the duties of the former, as mentioned above in point 4.2. Committee on Corporate Governance and Corporate Responsibility of this sub-section II.

This committee was comprised of three members of the Board of Directors: Luís Palha da Silva (Chairman), José Soares dos Santos and António Viana-Baptista, the latter being independent.

Due to being reformulated in April 2013, this Committee did not hold any meetings.

3.3.2.
EVALUATION AND NOMINATIONS COMMITTEE

The Evaluation and Nominations Committee (ENC) was composed of the then Chairman of the Board of Directors, E. Alexandre Soares dos Santos, who was also Chairman of the Committee, and three members of the Board of Directors - Luís Palha da Silva, José Soares dos Santos and Artur Santos Silva, the latter being independent.

The mission of the ENC, as a support body of the Board of Directors, was to collaborate with the latter, by assessing and submitting to it proposals for strategic guidance in the area of policies of evaluation and nominations, as well as to monitor and supervise matters relating to: **i.** the assessment of the performance of the members of the statutory bodies of the subsidiary companies of Jerónimo Martins, SGPS, S.A. that are sub-holdings of it or that have a sales figure of more than 100 million euros (Relevant Subsidiary Companies); **ii.** the nomination and succession of members of the statutory bodies of the said subsidiary companies; and **iii.** the policies of management development, including systems of assessment, career planning and salaries of the top level management of the Group, as well as the follow-up of the processes for identifying potential and the validity of candidates for senior positions.

In view of its extinction in April 2013, the ENC did not hold any meetings.

4.
OTHER COMMITTEES OF THE COMPANY

4.1.
MANAGING COMMITTEE

The Managing Committee of the Company, which has the same term of office as that of the Board of Directors that appointed it, is composed of the Chief Executive Officer, Pedro Soares dos Santos, who is the chair, Alan Johnson (the Group's Chief Financial Officer), Pedro Pereira da Silva, Marta Lopes Maia, Nuno Abrantes, Sara Miranda and Carlos Martins Ferreira. In accordance with its regulations, the Managing Committee is responsible for advising the CEO, within the respective delegation of powers, in carrying out the following functions:

- Control over the implementation by the Companies in the Group of the strategic guidelines and policies defined by the Board of Directors;
- Financial and accounting control of the Group and of the companies that are a part thereof;
- Senior coordination of the operational activities of the different Companies in the Group, whether integrated or not in business areas;
- Launching of new business and monitoring them until they are implemented and integrated in the respective business areas;
- Implementation of the management policy of human resources defined for the top-level management of the entire Group.

In 2013, the Managing Committee met 14 times, drawing up minutes of the meetings, which were sent to the Chairman of the Board of Directors and to the Company Secretary.

4.2.
COMMITTEE ON CORPORATE GOVERNANCE AND CORPORATE RESPONSIBILITY

CCGCR derives from the reformulation of previous Committee on Corporate Responsibility above mentioned in point 3.3.1. Committee on Corporate Responsibility of current subsection II.

CCGCR is made up of a minimum of 3 and a maximum of 9 members, who are not required to be directors, appointed by the Board of Directors. One of the members will be the Chairman. Until 18 December 2013 this Committee was comprised of Alexandre Soares dos Santos (Chairman), Andrzej Szlezak, Francisco Sá Carneiro, Francisco Seixas da Costa, Henrique Soares dos Santos, J.J. Gomes Canotilho and José Soares dos Santos.

As Alexandre Soares dos Santos resigned to his position as Chairman of the Board of Directors on 18 December 2013, the Board of Directors decided to appoint the current Chairman of the Board of Directors, Pedro Soares dos Santos, as Chairman of CCGCR while maintaining the other members of the Committee.

In carrying out its mission, the CCGCR collaborates with the Board of Directors, assessing and submitting to it proposals for strategic orientation in the area of Corporate Responsibility, as well as monitoring and supervising on a permanent basis matters concerning: **i.** corporate governance, social responsibility, the environment and ethics; **ii.** the business sustainability of the Group; **iii.** internal codes of ethics and of conduct; and **iv.** systems of assessment and resolution of conflicts of interest, especially regarding relations between the Company and its shareholders or other stakeholders.

4.3.
ETHICS COMMITTEE

The Ethics Committee of Jerónimo Martins is composed of three to five members appointed by the Board of Directors, based on a proposal from the Committee on Corporate Governance and Corporate Responsibility. The mission of the Ethics Committee is to provide independent supervision of the disclosure of and compliance with the Group's Code of Conduct in all the Companies of the Group.

SECTION B CORPORATE BODIES AND COMMITTEES

SUBSECTION II MANAGEMENT AND SUPERVISION

The duties of the Ethics Committee include: **i.** establishing the channels of communication with the addressees of the Jerónimo Martins Group Code of Conduct and with gathering such information as may be addressed to it in this connection; **ii.** ensuring the existence of an adequate system of internal control of compliance with the Jerónimo Martins Group Code of Conduct and with the appraisal of the recommendations stemming from such control; **iii.** appraising such issues as may be submitted to it by the Board of Directors, by the Audit Committee or by the CCGCR within the scope of compliance with Code of Conduct and with analysing in abstract those that may be raised by any employee, customer or business partner (stakeholders); **iv.** proposing to the CCGCR the adoption of such measures as it may deem fit in this connection, including a review of internal procedures and alterations to the Jerónimo Martins Group Code of Conduct; and , **v.** drawing up an annual report on its activities to be presented to the Committee on Corporate Governance and Corporate Responsibility.

The Ethics Committee reports functionally to the CCGCR, which has responsibilities in the fields of corporate governance, social responsibility, environment and ethics, including those related to the internal codes of ethics and of conduct.

4.4. INTERNAL CONTROL COMMITTEE

The Internal Control Committee (ICC), appointed by the Board of Directors and reporting to the Audit Committee, is specifically responsible for evaluating the quality and reliability of the internal control system and the process of preparing financial statements, as well as evaluating the quality of the monitoring process in force in Jerónimo Martins' Companies, with a view to ensuring compliance with the laws and regulations to which they are subject to. In performing this latter task, the ICC must obtain regular information on the legal and fiscal contingencies that affect the Companies of the Group.

The ICC meets monthly and is composed of a Chairman (David Duarte) and three members (José Gomes Miguel, Madalena Mena and Henrique Santos). None of the members is an Executive Director of the Company.

In 2013, the ICC continued its activities of supervision and evaluation of risks and critical processes, analysing the reports prepared by the Internal Audit Department. As a representative of the External Audit team is invited to attend these meetings, the Committee is also informed of the conclusions of the external audit work that takes place during the year.

SUBSECTION III SUPERVISION

1. COMPOSITION

1.1. AUDIT COMMITTEE

According to the Articles of Associations, the Audit Committee is comprised of three members of the Board of Directors, elected by the General Shareholder's Meeting to terms of three years. Currently, the Audit Committee has no substitute members.

At the Annual General Shareholder's Meeting held on 10 April 2013 the following members of the Audit Committee were appointed:

HANS EGGERSTEDT

- Chairman of the Audit Committee
- Non-Executive Director
- First appointment on 29 June 2001
- Expiry of the term of office on 31 December 2015

SÉRGIO TAVARES REBELO

- Independent Non-Executive Director
- First appointment on 10 April 2013
- Expiry of the term of office on 31 December 2015

ANTÓNIO PEDRO DE CARVALHO VIANA-BAPTISTA

- Independent Non-Executive Director
- First appointment on 9 April 2010
- Expiry of the term of office on 31 December 2015

Each member of the Audit Committee complies with the rules of incompatibility laid down in paragraph 1 of article 414-A of the Commercial Companies Code, except that provided for in sub-paragraph b). Except for its Chairman, the other two members further comply with the independence criteria foreseen in article 414, number 5 of the Commercial Companies Code.

With respect to the changes on the composition of the Audit Committee during the year, it should be stressed that 2013 was a year of election of the Corporate Bodies for the term 2013-2015. Hence, until 10 April 2013 the following members of the Supervising Body were kept in functions: Hans Eggerstedt (Chairman), António Viana-Baptista and Artur Santos Silva.

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

The vast experience of the members of the Committee in corporate bodies positions, as well as their special technical merit in this particular matter, have created particular added value for the Company.

1.2. PROFESSIONAL QUALIFICATIONS OF THE MEMBERS OF THE AUDIT COMMITTEE

The professional qualifications of the Members of the Audit Committee are those described above on point 1.4. Professional Qualifications of the Members of the Board of Directors, Subsection II of the current Section B.

2. FUNCTIONING

2.1. AUDIT COMMITTEE REGULATION AND NUMBER OF MEETINGS HELD

The Audit Committe meets, at least, once every three months and is responsible for supervising Company management, carrying out the duties attributed by law and by Article Twenty of the Articles of Association.

The Regulation of the Audit Committee is available on the Company's website, through the link mentioned below in Subsection C of Section V of the present Report on Corporate Governance.

During 2013, the Audit Committee met five times. The respective minutes were prepared for all meetings.

The attendance of each Director at the meetings during the exercise of the respective duties was as follows:

Hans Eggerstedt	100%
António Viana-Baptista	100%
Artur Santos Silva (ceased duties at 10.04.2013)	100%
Sérgio Rebelo (started duties at 10.04.2013)	67%

2.2. POSITIONS THAT THE MEMBERS OF THE AUDIT COMMITTEE HOLD IN OTHER COMPANIES

The positions held by the members of the Audit Committee in other companies are described above in point 2.3. Positions that the Members of the Board of Directors Hold in Other Companies of subsection II of current Section.

3. POWERS AND DUTIES

3.1. POWERS AND OTHER DUTIES OF THE AUDIT COMMITTEE

In addition to the responsibilities conferred by law, the Audit Committee, in performing its activities, is responsible in particular for the following:

- Monitoring the preparation and disclosure of financial information;
- Monitoring the effectiveness of internal control systems, internal auditing and risk management. For this purpose, they may work with the ICC, which shall report to them regularly on their work, pointing out situations that should be analysed by the Audit Committee;
- Evaluating the External Audit on a regular basis;
- Approving activity plans in the area of risk management and following up on their execution, proceeding with the assessment of the recommendations resulting from the audit actions and the revisions of the procedures undertaken;
- Looking after the existence of an adequate internal risk management system for the companies of which the Jerónimo Martins is holder of shares or quotas, ensuring full compliance with its objectives;
- Approving the activity programmes of internal audit, which respective Department functionally reports to it, as well as of the external audit;
- Selecting, as proposed by the Managing Committee, the service provider for the external audit;
- Monitoring the legal accounts audit services;
- Assessing and monitoring the independence of the statutory auditor, especially when he performs additional services for the Company;
- Issuing prior opinion on transactions of significant importance between the Company and its shareholders with qualifying holdings – or entities with them related under the terms of article 20.º, no. 1 of the Securities Code –, establisinhg the procedures and criteria necessary to define the level of significant importance.

The Audit Committee, for the adequate performance of its duties, requests and appraises all the management information deemed necessary. In addition it has unrestricted access to the documentation produced by the auditors of the Company, having the possibility to request any information from them it deems necessary and being the first recipient of the final reports prepared by the external auditors.

During the previous year, the Audit Committee paid particular attention to the financial risk management and to the analysis of the reports and corrective measures proposed by Internal Audit.

In relation to performing these functions, it should be noted that, in accordance with the respective Regulation, the external auditor was chosen by the Audit Committee, which decided to reappoint it for the fiscal year 2013.

It should also be noted, as regards the relationship with the External Auditor, that the Audit Committee, by verifying and evaluating the activities of the external auditor in each accounting year, ensures that the Company provides the Auditor with the necessary conditions to perform its services, and that information is presented in a timely manner with quality and transparency. This Committee has also approved the remuneration proposal of the External Auditor and fixed the respective parameters.

With respect to the provision of non-audit services by the Auditor, in 2011 the Audit Committee established the rules concerning the provision of consultancy services by the External Auditor. These rules determine: **i.** the possibility of contracting those services, if the auditor's independence is assured; and **ii.** the obligation to obtain prior approval of the Committee, from the moment the global amount of fees related to these type of services in that year surpasses 10% of the global amount of fees concerning audit services.

The Audit Committee considered that the provision of non-audit services up to the said amount of 10% is not capable of compromising auditor's independence. Furthermore, the Committee considered this solution as the most appropriate to the Group's geographical multi-location and to the specific needs of its subsidiaries set up in other jurisdictions.

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

SUBSECTION IV STATUTORY AUDITOR

1. STATUTORY AUDITOR

The Company's Statutory Auditor is PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda., represented by Abdul Nasser Abdul Sattar until January 9th, 2014 and, as from that date, represented by José Pereira Alves, ROC no. 711 or by António Joaquim Brochado Correia, ROC no. 1076.

The above-mentioned company has been the Company's Statutory Auditor for 25 years.

The current Statutory Auditor was nominated for the first time during 2005, although for calculating the said number of years, the period in which other statutory auditors, members of the PricewaterhouseCoopers & Associados, SROC, Lda. network carried out that role at Jerónimo Martins was taken into account.

The Statutory Auditor also carries out the role of the Company's External Auditor, as mentioned in sub-section B.V below.

2. OTHER SERVICES THAT THE STATUTORY AUDITOR PROVIDES TO THE COMPANY

Taking into consideration the fact that the Statutory Auditor is also the Company's External Auditor the information regarding other services provided by the Statutory Auditor can be found in Sub-section V External Auditor below.

SUBSECTION V
EXTERNAL AUDITOR

1.
EXTERNAL AUDITOR

The Statutory Auditor is PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda., ROC (Chartered Accountant) No. 183, registered at the CMVM (Portuguese Securities Market Commission) under no. 9077, represented by Abdul Nasser Abdul Sattar, ROC no. 958 until January 9th, 2014 and, as from that date, represented by José Pereira Alves, ROC no. 711 or by António Joaquim Brochado Correia, ROC no. 1076.

PricewaterhouseCoopers & Associados, SROC, Lda. has been carrying out the role of External Auditor to the Company for 25 years.

The partner that represented the External Auditor during 2013 had been carrying out that role for the Company since 2010.

During 2013, the External Auditor monitored the efficiency and functioning of the internal control mechanisms, taking part in the meetings of the Internal Control Committee, reporting any deficiencies identified in the exercise of its activity, as well as making the necessary recommendations regarding the procedures and mechanisms that were analysed.

The External Auditor was able to verify the implementation of the remuneration policies and systems by reviewing the minutes of the Remuneration Committee's meetings, the Remuneration Policy in force and other accounting and financial information that is essential to that purpose.

2.
EXTERNAL AUDITOR ROTATION POLICY AND SCHEDULE

With regard to the rotation of the External Auditor, the Company has not set any external auditor rotation policy based on a pre-defined number of years, taking into account the fact that disadvantages have been identified in carrying out the auditing role when approaching the end of the pre-defined period.

Alternatively, bearing in mind that the Audit Committee is the body responsible for determining the conditions for maintaining, rotating or replacing the External Auditor, this Body performs an annual assessment of the External Auditor, checking the independence necessary for it to remain in office and carries out an analysis of the cost/benefit of changing the External Auditor, advising on the respective maintenance or otherwise.

With regard to this, it should also be mentioned that the Audit Committee discussed and considered the costs and advantages of maintaining the External Auditor, as well as the independence shown in that role, having decided to give a favourable opinion for its maintenance.

3.
NON-AUDIT SERVICES CARRIED OUT BY THE EXTERNAL AUDITOR

From the non-audit services requested by Group's Companies to the External Auditor and other entities belonging to the same network, totalling 87,158 euros, reference is made to those concerning access to a tax database and assistance in improving Corporate Responsibility reporting, with the implementation of indicators from the Global Reporting Initiative.

All these services were necessary for the regular activity of the Companies of the Group and, after due analysis of the situation, the External Auditor and/or the entities belonging to its network were considered as those which could best perform the said services. Besides being carried out by employees who do not participate in any auditing work for the Group, these services are marginal to the work of the auditors and do not affect, either by their nature or by their amount, the independence of the External Auditor during the performance of its role.

In this respect it should also be noted that in 2012 the Audit Committee regulated the commissioning of non-audit services to the External Auditor, as mentioned above in point 3.1. Powers and Other Duties of the Audit Committee, Subsection III, Section B of this Corporate Governance Report, allowing them to be commissioned as long as the independence of the External Auditor was assured and imposing their prior approval as of the moment the global amount of the respective fees in the year surpassed 10% of the global fees of the audit services.

SECTION B
CORPORATE BODIES AND COMMITTEES

SUBSECTION V
EXTERNAL AUDITOR

4.
YEARLY REMUNERATION PAID TO THE EXTERNAL AUDITOR

In 2013, the total remuneration paid to the External Auditor and other individuals or companies' belonging to the same network was 879,471 euros.

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

	Amount	%
On behalf of the Company		
Value of the certification of accounts services (€)	95,390	10.8%
Value of the compliance and assurance services (€)	-	-
Value of the tax advisory services (€)	-	-
Value of services other than the certification of accounts (€)	35,345	4.0%
By entities that are part of the Group		
Value of the certification of accounts services (€)	696,924	79.2%
Value of the compliance and assurance services (€)	-	-
Value of the tax advisory services (€)	1,913	0.2%
Value of services other than the certification of accounts (€)	49,900	5.7%

SECTION C
INTERNAL ORGANISATION

SUBSECTION I
ARTICLES OF ASSOCIATION

1.
RULES APPLICABLE TO AMENDMENT OF THE COMPANY'S ARTICLES OF ASSOCIATION

The Articles of Association do not define any rules applicable to amendment of the Company's Articles of Association, therefore the terms defined by the law apply to these matters.

SUBSECTION II
REPORTING OF IRREGULARITIES

1. COMMUNICATIONS POLICY FOR IRREGULARITIES OCCURRING WITHIN THE COMPANY (WHISTLEBLOWER PROCEDURE)

Since 2004, the Ethics Committee of Jerónimo Martins has implemented a system of bottom-up communication that ensures that every employee at every level has access to communication channels to contact officers who are recognised within the Company with information on possible irregularities occurring within the Group. They may also make any comments or suggestions, particularly with respect to compliance with the procedural manuals in effect, especially the Code of Ethics.

This measure clarifies guidelines on questions as diverse as compliance with current legislation, respect for the principles of non-discrimination and equal opportunities, environmental concerns, business transparency and the integrity of relations with suppliers, customers and official entities, among other matters.

The Ethics Committee has brought to the attention of all Jerónimo Martins employees the effect that, if necessary, they could communicate with this Body. This is possible by means of letter via freepost or internal or external e-mail with a dedicated address. Interested parties may also request from the respective General Manager or Functional Director any clarification of the rules in force and their application, or they may provide them with information regarding any situation that may question them.

Whichever communication channel is used, anonymity is assured for anyone who requires it.

SUBSECTION III
INTERNAL CONTROL AND RISK MANAGEMENT

1. INTERNAL AUDIT

The Internal Audit department assesses the quality and effectiveness of the Internal Control and Risk Management systems that are set by the Board of Directors. The head of the Internal Audit Department reports hierarchally to the Chairman of the Board and functionally to the Audit Committee, and is also a member of the Internal Control Committee, that in turn reports to the Audit Committee.

The Internal Control objectives involve the assurance of the operational efficiency, the financial and operational reporting consistency and the fulfilment of applicable laws and regulations. To assure it, the Internal Audit activity plan takes in consideration the evaluation of the operational risks and the critical processes applicable to each company.

The results of the internal audits performed during each year are made available, on a monthly basis to the Internal Control Committee and to the Group's Managing Committee. Each quarter these reports are presented to the Audit Committee. With the same regularity a report is prepared regarding the status of implementation of the recommendations as agreed with the audited areas managers.

During 2013, the processes related with stock management, cash collection, management of accounts payable, supplementary income, and information systems risks were audited. To address the scope of risks involved in the decision making processes, those audits included the analysis of the compliance with accounting principles.

2. ENTERPRISE RISK MANAGEMENT SYSTEM

The Group, and in particular, its Board of Directors, dedicates a great deal of attention to the risks affecting the businesses and their objectives, and is committed to ensure that Risk Management is an effective and fundamental component of the corporate strategy, culture and value-creation process.

Our goal is to embed Risk Management in a structured manner across the whole organisation, particularly in the strategic and operational processes, to improve the probability of achieving its objectives.

The approach to risk management is detailed in the Group's Risk Management Policy that sets out the Group's Enterprise Risk Management System, and outlines the roles and responsibilities of the persons responsible for its execution.

SECTION C
INTERNAL ORGANISATION

SUBSECTION III
INTERNAL CONTROL AND RISK MANAGEMENT

Due to the size and geographical dispersion of Jerónimo Martins' activities, successful risk management depends on the participation of all employees, who should assume this as an integral part of their jobs, particularly through the identification and reporting of risks associated within their area or responsibility. Therefore, all activities must be carried out with an understanding of what the risk is, with an awareness of the potential impact of unexpected events on the Company and its reputation.

2.1. RISK MANAGEMENT OBJECTIVES

The aim of the Group's Enterprise Risk Management System is not to eliminate risk completely from our activities, but rather to ensure that every effort is made to manage risk appropriately, maximizing potential opportunities and minimizing the adverse effects of risk.

The Group's Enterprise Risk Management System has the following objectives:

- Structure and consistently organize the way the Group identifies, assesses, and quantifies risks, assuring that they are assessed broadly, considering dependencies and correlations within various risks areas;
- Establish procedures for reporting, consultation and for the implementation of risk mitigation measures;
- Assure adequate monitoring of risks and that risk measures are revisited and their effectiveness is assessed, and that risk areas are followed and changes in context are timely accounted for;
- Align propensity for risk within the Group;
- Assign accountability to all employees for the management of risks within their areas of responsibility;
- Ensure compliance with the current best practices and recommendations on Risk Management;
- Build confidence of investors and stakeholders, and enhance Corporate Governance.

Risk Management is set as an integral part of normal decision making and routine management process at all levels across the companies, and it is embedded within strategic and operational planning processes.

The Group is committed to ensuring all employees are provided with adequate guidance and training on the principles of Risk Management and on the criteria and processes set by the risk policy, and to their responsibilities to manage risks effectively.

2.2. ORGANISATION OF RISK MANAGEMENT

The Risk Management Governance Model is defined in order to ensure the effectiveness of Risk Management Framework and is aligned with the "Three Lines of Defence Model", which distinguishes among three groups (or lines) involved in effective Risk Management, namely:

- First Line of defence (Business Operations: Risk Owners) – responsible for the daily Risk Management activities aligned with the business strategy, and also aligned with existing internal procedures and Risk Management Policy;
- Second Line of defence (Oversight Functions: Group and Country Risk Managers) – responsible for the Risk Management analysis and reporting, as well as for future suggestions or policies development that improve or increase the efficiency of Risk Management processes. This second line also includes functions as Financial Control, Security, Quality & Food Safety, amongst other corporate areas.
- Third Line of defence (Independent Assurance: Internal Audit and External Audit) – responsible for providing assurance on the effectiveness of Governance, Risk Management and Internal Controls, including the manner in which the first and second lines of defence achieve Risk Management and control objectives.

Risk Management organizational structure considers the following main roles and responsibilities:

- The Board of Directors is responsible for establishing the Risk Management Policy and strategy, setting goals in terms of risk-taking. It is also the Board's responsibility to provide for the creation of control systems necessary to ensure that the risks effectively incurred are consistent with the goals set;
- The Audit Committee approves the activity plans with regard to Risk Management, monitors their execution and inspects the effectiveness of the internal control, internal auditing and risk management system;
- The CEO, assisted by the Managing Committee, ensures the implementation of the Risk Management Policy and strategy as established by the Board of Directors, as well as promotes a risk awareness culture in the Organization ensuring that Risk Management is embedded into all processes and activities, including employee training. Likewise, it reviews the Group's risk profile, proposes to the Board of Directors the necessary amendments to the policy, strategy and goals in terms of risk taking and decides over the mitigations measures to be implemented;

- The Risk Committee was appointed at the end of 2013 to assist and advise the Managing Committee, as CEO's assisting Body, in assessing and establishing the mitigating measures of the different types of risk to which the Group is exposed, and ensure the existence of an adequate Risk Management framework, taking in account the Group's current and potential future risk exposure;
- Risk Management Division (GRM) is responsible for the implementation of the Risk Management framework, coordination of all Risk Management activities and to support the Managing Committee and the Risk Committee in the identification of individual or aggregate risk exposures that might compromise the Group's strategic and business goals. GRM is also responsible for the coordination of the risk response processes, including Business Continuity Plans (BCP);
- Country risk managers, are responsible for the implementation of Risk Management initiatives within a specific country or region, and to support Risk Owners activities;
- Risk owners, comprises all employees that have a direct responsibility for the execution and/or control over a given process or activity, within a business unit or a corporate structure. Risk owners are accountable for managing the risks involved in the activities under their responsibility, implementing mitigation process and carrying out the actions established in the Risk Management process;
- Internal Audit department, focuses its work on the significant risks, as identified by management and audits the Risk Management processes across the Organization, providing assurance regarding the effectiveness and efficiency on the Management of Risk, and active support in the Risk Management process.

3. THE RISK MANAGEMENT PROCESS

Risk evaluation seeks mainly to distinguish what is irrelevant from what is material and requires active management, therefore involving the assessment of sources of risk, the probability of occurrence of a certain event, and the consequences of its occurrence within the context of the control environment. The controls focus both on the probability of occurrence of a certain event and on the impact of its consequences.

The Group's Risk Management framework considers a continuous process of risk assessment, follow-up and monitoring.

The Group prepares and maintains an overall risk profile, listing all relevant operational and strategic risks and mitigation measures in place. This profile is updated regularly with information from the on-going assessment processes and periodic global revisions, as well as from the extensive business planning and performance review cycle where key risk indicators are set and monitored through both financial and non-financial targets.

The Group regularly reviews and monitors the implementation and effectiveness of the Risk Management framework, and promotes the continuous improvement of the risk framework and processes whenever necessary.

During 2013, the Risk Management framework was aligned with the ISO 31000 International Standard recommendations.

4. MAIN RISKS

STRATEGIC RISKS

Strategic risk management involves monitoring factors such as social, political and macro-economic trends; the evolution of consumers' preferences; the businesses' life cycle; the dynamics of the markets (financial, employment, natural and energy resources); the competitor's activity; technological innovation; availability of resources; and legal and regulatory changes.

The management team uses this information to understand if the analysis of the identified market needs is still up to date and if it is viable to develop a unique value proposition, which adequately meets those needs. That information is also used to know if there is a large enough market of customers who are willing and able to pay the price offered and to see if the Company has enough exclusive and sustainable competitive advantages to obtain a return that is adequate with the risks involved.

In this way, the management team tries to identify any opportunities and threats in the industries and sectors in which it operates, namely in terms of potential profitability and growth, but also in terms of both the strategic alignment and appropriateness of its business model in light of current and future market conditions.

These issues are assessed at the Managing Committees meetings and discussed in several internal forums throughout the year.

OPERATING RISKS

Derives from the execution of normal business functions, across our value chain, and it focus on risks arising from the processes through which our units operate.

The operational risks class covers risks related to category management and sourcing, stock management, cash management, logistics and supply chain and the efficiency in the use of resource and assets as well as its safety and security.

Given the cross-over inherent to some of the risks considered in each of these areas, their management is shared by different functional areas of the companies.

Corruption risks are also considered in the risk assessment for the most relevant operational activities, and the adequacy and range of the controls and mitigation measures are likewise reviewed and reconsidered whenever necessary.

FOOD QUALITY AND SAFETY

The Group seeks to provide healthier products and food solutions and to ensure and enforce product safety in strict compliance with food safety standards.

The Quality and Food Safety departments of the companies are responsible for the following areas: **i.** prevention, through selection, assessment, and follow-up audits on suppliers; **ii.** monitoring, by following the product throughout the whole logistics circuit, to analyse compliance with best practice and certification requirements; and **iii.** training, by carrying out periodic simulations and awareness initiatives.

The Companies are monitored continuously by quality control technicians, to ensure the implementation of procedures and assess the efficiency of training and the suitability of the facilities and equipment.

ENVIRONMENT RISKS

The Companies departments that manage environmental matters have the following responsibilities: i. minimizing the environmental impacts of the activities, products and services; ii. monitoring the establishments to assess their compliance with best practice and legal and certification requirements; iii. training employees to adopt environmental best practice; and iv. co-operating with internal department and external entities, with a view to obtaining process eco-efficiency.

Considering the impact its activities have on the environment, Jerónimo Martins has worked towards the gradual integration of environmental concerns throughout its value chain in order to ensure the sustainability of ecosystems and the business.

The conclusions resulting from the internal studies of 2010 on Biodiversity and Climate Change, two pillars on which the Group's environmental strategy is founded, listed the main risks and opportunities giving rise to an action plan in which short and medium-term actions were defined to mitigate the negative impacts generated.

Considering climate change in particular, we may consider the key risks to the business, among others, the negative effects on fisheries and aquaculture and the abundance and geographic distribution of species. The predictable decrease in agricultural productivity from geographical areas prone to droughts and rising global temperatures may also have significant impacts on the business. These changes, along with the predictable decline of animal and plant species, and the significant reduction of coastal upwelling, could have significant effects in the medium-term on the management of the business and associated costs.

In order to promote sustainability, to protect biodiversity and to mitigate environmental impacts, Jerónimo Martins has a set of ongoing actions that can be found in Chapter V, sub-chapter "Respect the Environment" of the Annual Report, which aim to reduce the negative impacts on the value chain, with possible implications on sales, purchase price or the cost associated with the handling of some products.

PHYSICAL SECURITY AND PEOPLE RISKS

The Security Department is responsible for ensuring that conditions exist to guarantee the physical security of people and facilities, intervening against theft and robbery, as well as fraud and other illegal and/or violent acts perpetrated in the facilities or against the Group's employees. Its tasks are based on defining and controlling procedures for protection and security of the property, and also on providing support to the audits carried out on the security and risk prevention systems.

It is the technical departments' responsibility, in co-operation with the respective operational departments, to define and carry out the regular maintenance plans on the facilities, including supervising the status of electrical equipment, managing the means of protection and detecting fires, as well as storing flammable material.

In Portugal, coordinating the management of Hygiene and Safety is the responsibility of the Head of Hygiene and Safety at Work while in Poland, this responsibility is decentralised among the regions of the Biedronka operation.

Physical security and people risks management involves defining and publicising working standards and instructions, carrying out employee awareness initiatives and training, performing audits on the stores, risk assessments in all establishments, and performing emergency simulations.

INFORMATION SYSTEMS RISKS

The risks associated to information technologies are analysed considering the different components: planning and organization of information technologies, development of information technologies, operations management, information security and continuity. The component of information security is the responsibility of the Information Security Department and consists of implementing and maintaining an information security management system that ensures confidentiality, integrity and availability of critical business information, and recovery of the systems in the event of interruption to the operations.

REGULATION RISKS

Compliance with legislation is provided by the legal departments of the Group companies. With regard to the Holding Company, the Legal Department guarantees the coordination and implementation of strategies aimed at protecting the interests of Jerónimo Martins in legal disputes, and it also manages outside advisers.

In order to ensure the fulfilment of tax obligations and also to mitigate risk due to inadequate checks and balances, the Group Fiscal Affairs department advises the Group's companies, as well as oversees their tax proceedings.

FINANCIAL RISKS

Risk Factors

Jerónimo Martins is exposed to several financial risks, namely: market risk (which includes exchange rate risk, interest rate risk and price risk), liquidity risk and credit risk.

The management of these risks is focused on the unpredictable nature of the financial markets and aims to minimize its adverse effects on the Company's financial performance.

Certain types of exposure are managed using financial derivative instruments.

The activity in this area is carried out by the Financial Operations Department, under the supervision of the Chief Financial Officer. The Financial Risk Management Department is responsible for identifying, assessing and hedging financial risks, by following the guidelines set out in the Financial Risk Management Policy that was approved in 2012 by the Board of Directors.

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

a) Market Risk

a.1.) Foreign Exchange Risk

The main source of exposure to foreign exchange risk comes from Jerónimo Martins' operations in Poland. Although insignificant today, there is also a currency risk in the initial investment in Colombia.

At 31 December 2013, a depreciation of the zloty against the euro of around 10% would have a negative impact on the net investment of 74 million euros. The Company's vulnerability to this risk didn't increase during 2013 even though the net investment in Poland increased in the year.

The other source of exposure regarding exchange rate risk comes from debt issued in US dollars in 2004, with the following characteristics:

In addition to this exposure, within the scope of the commercial activities of its subsidiaries, the Company acquires merchandise that is denominated in foreign currency, mainly zloty and US dollars, for the Portuguese companies and euros and US dollars for the Polish companies. As a general rule, these transactions involve low amounts, and are very short dated. Notwithstanding this, when the cash flow of one commercial transaction exceeds € 1,000,000, the Group's policy is to cover 100% of its value.

Financing	Amount	Maturity
Private Placement #2	$96,000,000.00	23-06-2014

In order to hedge this risk in the same year the Company contracted a swaps that exactly replicates the terms of the financing.

Financing	Amount	Counter-amount	Maturity
Swap #2	$96,000,000.00	80,536,912.75 €	23-06-2014

Thus, net exposure to the US dollar, as a result of these transactions is nil, with no changes occurring in 2013.

SECTION C
INTERNAL ORGANISATION

SUBSECTION III
INTERNAL CONTROL AND RISK MANAGEMENT

Management of the Operational Companies' exchange rate risk is centralized in the Group's Financial Operations Department. Whenever possible, exposure is managed through natural hedges, namely through loans denominated in local currency. When this is not possible, hedging structures are contracted using instruments such as swaps, forwards or options.

The Group's exposure to foreign exchange risk in recognised financial instruments on and off balance sheet at 31 December 2013 was as follows:

(€'000)

As at December 31st 2013	Euro	Zloty	Dollar	Colombian Peso	Total
Assets					
Cash and cash equivalents	270,817	99,557	-	1,297	371,671
Available-for-sale financial investments	1,208	-	-	-	1,208
Debtors and deferred costs	81,668	148,182	-	253	230,103
Derivative financial instruments	-	-	-	-	-
Total financial assets	**353,693**	**247,739**	**-**	**1,550**	**602,982**
Liabilities					
Borrowings	381,164	196,476	71,353	44,796	693,789
Derivative financial instruments	4,384	5,064	9,104	-	18,552
Creditors and accrued costs	803,889	1,520,062	80	8,781	2,332,812
Total financial liabilities	**1,189,437**	**1,721,602**	**80,537**	**53,577**	**3,045,153**
Net financial position in the balance sheet	**(835,744)**	**(1,473,863)**	**(80,537)**	**(52,027)**	**(2,442,171)**
As at December 31st, 2012(*)					
Total financial assets	285,902	304,343	-	5,859	596,104
Total financial liabilities	1,302,920	1,463,155	80,537	6,447	2,853,059
Net financial position in the balance sheet	**(1,017,018)**	**(1,158,812)**	**(80,537)**	**(588)**	**(2,256,955)**

(*) Restated - see note 2 in Chapter III a.2) Price Risk

With the investment in Banco Comercial Português (BCP), the Company is exposed to the risk of share price fluctuation. At 31 December 2013, a negative 10% variation in the trading price of BCP shares would have a negative effect of 33.9 thousand euros. At 31 December 2012, a similar variation would have had a negative effect of 15.3 thousand euros.

a.3) Interest Rate Risk (Cash Flow and Fair Value)

All financial liabilities are directly or indirectly indexed to a reference interest rate, which exposes Jerónimo Martins to cash flow risk. A given portion of this risk is hedged through interest rate swaps, thus the Company is also exposed to fair value risk. Currently, according to the Financial Risk Management Policy, 100% of all new debt should be either issued at, or swapped into, fixed rates.

Exposure to interest rate risk is monitored continuously. In addition to evaluating future interest costs based on forward rates, sensitivity tests to variations in interest rate levels are performed. The Company is essentially exposed to the euro and the zloty interest rate curves, and we now have some exposure to the DTF and IBR rates in Colombia.

The sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect interest gains and losses on financial instruments, traded at variable interest rates;
- Changes in market interest rates only affect gains and losses in interest on financial instruments with fixed interest rates if these are recognised at fair value;
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities;
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated by discounting future cash flows from current net values, using the market rates at the valuation date.

For each analysis, whatever the currency, the same changes to the yield curves are used. The analyses are carried out for the net debt, i.e., deposits and short-term investments with financial institutions and derivative financial instruments are deducted. Simulations are performed based on net debt values and the fair value of derivate financial instruments as of the reference dates and the respective change in the interest rate curves.

Based on the simulations performed on 31 December 2013, and ignoring the effect of interest rate derivatives, a rise of 50 basis points in interest rates, with everything else remaining constant, would have a negative impact of 1.6 million euros (compared to 1.7 million euros at the end of 2012). Incorporating the effect of interest rate derivatives, the net impact would be positive in 2.8 million.

These simulations are carried out at least once a quarter, but are reviewed whenever there are relevant changes, such as: debt issuance, debt repayment or restructuring, significant variations in reference rates and in the slope of the interest rate curve.

Interest rate risk is managed through operations involving financial derivatives contracted at zero cost at the initial moment.

b) Credit Risk

Credit risk is centrally managed. The main sources of credit risk are bank deposits, short-term investments and derivatives contracted with financial institutions and customers.

The financial institutions that Jerónimo Martins chooses to do business with are selected based on the ratings they receive from one of the independent, benchmark rating agencies. Apart from the existence of a minimum accepted rating there is also a maximum exposure to each of these financial institutions.

Although the bank in which Companies collect the deposits from stores may have a lower rating than the one defined in the general policy, the maximum exposure cannot exceed two days of sales from the operating company.

With regard to customers, the risk is mainly limited to Recheio Cash & Carry and to Services businesses, since the other businesses operate sales paid with cash or bankcards (debit and credit). This risk is managed based on experience and individual customer knowledge, as well as through credit insurance and by imposing credit limits, which are monitored on a monthly basis and reviewed annually by Internal Audit.

The following table shows a summary of the quality of credit deposits, short-term investments and derivate financial instruments with positive fair value, as at 31 December 2013 and 2012:

(€'000)

Financial Institutions		2013	2012(*)
Rating Company	Rating	Balance	Balance
Standard & Poor's	[A+ : AA]	68,973	113,055
Standard & Poor's	[BBB+ : A]	152,886	73,169
Standard & Poor's	[BB+ : BBB]	18,054	45,084
Standard & Poor's	[B+ : BB]	89,438	61,776
Standard & Poor's	[B]	587	-
Moody's	[A- : A+]	-	37,751
Fitch's	[A- : A+]	24,495	40,182
Fitch's	[BBB- : BBB+]	12,827	-
	Not Available	605	614
Total		**367,865**	**371,630**

(*) Restated – see note 2 in Chapter III

The ratings shown correspond to the notations given by Standard & Poor's. When these are not available, Moody's or Fitch's notations are used instead.

The following table shows an analysis of the credit quality of the amounts receivable from customers without non-payment or impairment.

(€'000)

Credit quality of the financial assets	2013	2012(*)
New customer balances (less than six months)	899	1,288
Balances of customers without a history of non-payment	48,833	48,694
Balances of customers with a history of non-payment	12,348	12,664
Balances of other debtors with the provision of guarantees	810	1,226
Balances of other debtors without the provision of guarantees	70,346	74,164
	133,236	**138,036**

(*) Restated - see note 2 in Chapter III

The following table shows an analysis of the concentration of credit risk from amounts receivable from customers, taking into account its exposure for the Group:

(€'000)

Concentration of the credit risk from the financial assets	2013		2012(*)	
	No.	**Balance**	**No.**	**Balance**
Customers with a balance above 1,000,000 euros	6	14,542	9	17,107
Customers with a balance between 250,000 and 1,000,000 euros	20	8,338	15	7,108
Customers with a balance below 250,000 euros	8,473	36,753	7,853	35,393
Other Debtors with a balance above 250,000 euros	28	36,139	40	39,702
Other Debtors with a balance below 250,000 euros	2,159	37,464	2,102	38,726
	10,686	**133,236**	**10,019**	**138,036**

(*) Restated - see note 2 in Chapter III

The maximum exposure to credit risk as at 31 December 2013 and 2012 is the financial assets accounting value.

c) Liquidity Risk

Liquidity risk is managed by maintaining an adequate level of cash or cash equivalents, as well as by negotiating credit limits that not only allow the regular development of Jerónimo Martins' activities, but that also ensure some flexibility to be able to absorb shocks unrelated to Company activities.

Treasury needs are managed based on short-term planning, executed on a daily basis, which derives from the annual plans that are reviewed regularly during the year.

The following table shows Jerónimo Martins' liabilities by intervals of contractual residual maturity. The amounts shown in the table are the non-discounted contractual cash flow. In addition, it should be noted that all the derivative financial instruments that the Group contracts are settled at net value.

(€'000)

Exposure to liquidity risk			
2013	**Less than 1 year**	**1 to 5 years**	**+ 5 years**
Borrowings			
Financial Leasing	4,689	1,186	-
Bond Loans	245,909	232,684	-
Commercial Paper	317	78	-
Other Loans	102,879	152,845	-
Derivative Financial Instruments	4,203	1,136	-
Creditors	2,245,422	-	-
Operational Lease Liabilities	257,535	918,639	1,356,448
Total	**2,860,954**	**1,306,568**	**1,356,448**
2012(*)			
Borrowings			
Financial Leasing	12,544	5,899	-
Bond Loans	74,051	514,019	-
Commercial Paper	2,780	50,533	-
Other Loans	46,244	38,275	-
Derivative Financial Instruments	6,013	2,857	-
Creditors	2,073,804	-	-
Operational Lease Liabilities	252,059	888,745	1,015,986
Total	**2,467,495**	**1,500,328**	**1,015,986**

(*) Restated - see note 2 in Chapter III

Jerónimo Martins has entered into some covenants in its Loan Agreements for the medium & long term debt in place.

These covenants include:

- Limitation on sales and pledge of assets above a certain amount;
- Limitation on mergers and/or demergers when these imply the reduction of assets in the consolidation perimeter;
- Limitation in the dividend payment of the subsidiary that issued the debt;
- Change of control clause;
- Observe a limit on the ratios of Net Debt/ EBITDA and EBITDA/Interest charges.

In some cases, the breach of these covenants may trigger the early redemption of the associated debt. In December 2013 The Jerónimo Martins Group was in full compliance with the covenants assumed in the debt loans in place.

CAPITAL RISK MANAGEMENT

Jerónimo Martins seeks to keep its capital structure at appropriate levels so that it not only ensures the continuity and development of its activity, but also to provide adequate returns to its shareholders and to optimise the cost of capital.

Balance of the capital structure is monitored based on the financial leverage ratio (gearing), calculated according to the following formula: Net Debt / Shareholder Funds. The Board established a gearing ratio below 70% as a target for 2013, consistent with an investment grade rating.

The gearing ratios at 31 December 2013 and 2012 were as follows:

(€'000)

	2013	2012(*)
Capital Invested	1,995,105	1,823,241
Net Debt	345,843	321,315
Shareholder´s Funds	1,649,262	1,501,926
Gearing	**21.0%**	**21.4%**

(*) Restated - see note 2 in Chapter III

5. INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors is highly committed in assuring the reliability of financial reporting and the preparation of the Group's financial statements, namely by assuring that the Group has in place adequate policies that provide reasonable assurance that transactions are recorded and reported in accordance with Generally Accepted Accounting Principles (GAAP), and that expenditures are realized only when properly authorized.

The financial reporting risk is mitigated by enforcing segregation of duties and by setting preventive and detecting controls, which involve limiting access to IT systems, and a comprehensive performance monitoring system.

Additional controls are provided by the Audit Committee oversight and Internal Control Committee reliability assessments over the preparation and disclosure of financial information and by the Group's Planning and Control Department monitoring activities over the performance of each business units and in review of the deviations to the approved plans.

SECTION C
INTERNAL ORGANISATION

SUBSECTION IV
INVESTOR ASSISTANCE

1.
INVESTOR RELATIONS OFFICE

As mentioned at the beginning of this chapter, the Investor Relations Office of Jerónimo Martins is responsible for communication with all investors - institutional and private, national and foreign - as well as the analysts who formulate opinions and recommendations regarding the Company.

The Investor Relations Office is also responsible for matters related to the Securities and Exchange Commission, and the Legal Representative for Market Relations is the person responsible for the Investor Relations Office.

2.
COMMUNICATION POLICY OF JERÓNIMO MARTINS FOR THE CAPITAL MARKETS

Jerónimo Martins' Communication Policy regarding the Capital Markets aims to ensure a regular flow of relevant information, which respects the principles of symmetry and simultaneity and creates a faithful image of the Company's business performance and strategy for investors, shareholders, analysts and the general public.

Jerónimo Martins' Communication Policy regarding the financial market is designed to ensure that material information - history, current performance and outlook for the future - is available to all its stakeholders, in order to provide clear and complete information about the Group.

The financial communication strategy outlined for each year is based on the principles of transparency, rigour and consistency, which ensure that all relevant information is transmitted in a non-discriminatory, clear and complete manner to stakeholders.

3.
ACTIVITIES OF THE INVESTOR RELATIONS OFFICE

Annually, the Office draws up a Communication Plan for the Financial Market, which is duly included in the global communication strategy of Jerónimo Martins, and based on the above-mentioned principles.

Therefore, with the objective of transmitting an updated and clear vision of the strategies of the different business areas of Jerónimo Martins to the market, in terms of operational performance and outlook, the Investor Relations Office organises a series of events so that investors can learn about Jerónimo Martins' various businesses, its strategies and prospects for the future, and simultaneously follow the progress of activities during the year, by clarifying any doubts.

Throughout 2013, activities were carried out that allowed the financial markets to dialogue not only with the Investor Relations Office, but also with the Jerónimo Martins management team. The following are highlighted:

- Meetings with financial analysts and investors;
- Responses to questions sent by email, addressed to the Investor Relations Office;
- Telephone calls;
- Release of announcements to the market through the CMVM (Securities and Exchange Commission) extranet, through the Jerónimo Martins and Euronext Lisbon web sites, and mass mailings sent to all the Company's investors and financial analysts listed in the database created and updated by the Office;
- Presentations to the financial community: presentation of results, roadshows, conferences, Annual and Extraordinary General Shareholder's Meetings;
- Investor Day.

Within the scope of information sent to the market, the following communications were published during the year:

Privileged Information	
December 19, 2013	Financial Calendar Plan for 2014
December 18, 2013	Resolution of the Board of Directors
December 18, 2013	Resolutions of the Extraordinary General Meeting
November 28, 2013	Investor's Day Presentation - 1
November 28, 2013	Investor's Day Presentation - 2
November 4, 2013	Resolution of the Board of Directors
October 31, 2013	First Nine Months 2013 Results
July 31, 2013	First Half 2013 Results
May 14, 2013	Second press release from shareholder
May 13, 2013	Press release from shareholder
April 24, 2013	First Quarter 2013 Results
April 10, 2013	Resolutions of the Annual General Shareholders Meeting
February 28, 2013	Modification in the Registered Office
February 27, 2013	Full Year 2012 Results
February 7, 2013	Update on the Financial Calendar Plan for 2013
January 10, 2013	Preliminary Sales 2012

Financial Information	
November 29, 2013	First Nine Months 2013 Report
August 23, 2013	First Half 2013 Report
May 23, 2013	First Quarter 2013 Report
April 10, 2013	2012 Annual Report - Approved in the Annual General Shareholders Meeting
March 14, 2013	2012 Annual Report - To be approved in the Annual General Shareholders Meeting

Corporate Governance	
April 10, 2013	2012 Corporate Governance Report - Approved in the Annual General Shareholders Meeting
March 14, 2013	2012 Corporate Governance Report - To be approved in the Annual General Shareholders Meeting

Dividends	
April 10, 2013	Dividend Payment approved in the Annual General Shareholders Meeting of April 10

Notice of Meetings	
November 22, 2013	Item 2 of the agenda of the Extraordinary General Shareholders Meeting
November 22, 2013	Item 1 of the agenda of the Extraordinary General Shareholders Meeting
November 18, 2013	Notice for the Extraordinary General Shareholders Meeting
March 20, 2013	Items 4, 6 and 7 of the agenda of the Annual General Shareholders Meeting
March 14, 2013	Items 1, 2, 3, 5 and 6 of the agenda of the Annual General Shareholders Meeting
March 14, 2013	Notice for the Annual General Shareholders Meeting

Qualifying Holdings and Shareholders Agreements	
May 20, 2013	Reduction of Qualified Participation – Asteck, S.A.
April 9, 2013	Qualified Participation - BNP Paribas Investment Partners
April 4, 2013	Reduction of Qualified Participation - BNP Paribas Investment Partners
January 21, 2013	Qualified Participation – BlackRock, Inc.

SECTION C INTERNAL ORGANISATION

SUBSECTION IV INVESTOR ASSISTANCE

Management Transactions	
August 13, 2013	Transactions by Directors
August 9, 2013	Transactions by Directors
August 5, 2013	Transactions by Directors
May 21, 2013	Transactions by Directors
May 21, 2013	Transactions by Directors
March 4, 2013	Transactions by Directors

Board Members and Function	
December 18, 2013	Resignation of the Chairman of the General Shareholders Meeting
September 24, 2013	Resignation of a Board Member
August 28, 2013	Board Member passed away
April 10, 2013	Election of the Corporate Bodies for the period 2013-2015

Annual Summary of Information Disclosed	
March 26, 2013	Annual Summary of Information Disclosed on 2012

Within the scope of issues addressed to the Office, sent via email, or through telephone contact, during the course of 2013, the Investor Relations Office recorded 456 requests for information, the majority of which were given an immediate reply or within an appropriate time for the type of request. At the end of the year there were no pending requests for information.

The Office may be contacted through the Market Relations Representative and the Investor Relations Office Manager, Cláudia Falcão - and via the e-mail address:
investor.relations@jeronimo-martins.pt.

In order to make information easily accessible to all interested parties, the communications issued regularly by the Office are available in full on the Jerónimo Martins' institutional website at www.jeronimomartins.pt.

The site not only provides mandatory information but also general information about the Group and the companies that form it, in addition to other information considered relevant, namely:

- Announcements to the market about privileged information;
- Annual, six-month and quarterly reports of the Group, including the Annual Report on the activities of the Audit Committee;
- Economic and financial indicators and statistical data, updated every six or twelve months, in accordance with the Company or business area;
- Jerónimo Martins' most recent presentation to the financial community;
- Information about share performance on the stock market;
- The annual calendar of Company events, released at the beginning of every year, including, among others, General Shareholders' Meetings, the disclosure of annual, half-yearly and quarterly results;
- Information regarding the General Shareholders' Meetings;
- Information about Corporate Governance;
- Code of Conduct of Jerónimo Martins;
- Company Articles of Association;
- Current Internal Regulations;
- Minutes of the General Shareholders' Meetings, extracts of which are available within five days of the meeting's date;
- Historical lists of attendees, agendas, and decisions taken at the General Shareholders' Meetings held over the five previous years.

The website also has all this information in English and is a pioneer in its accessibility for the visually impaired, using a tool specially designed for this purpose.

The site also has a contact/information request form, which allows rapid interaction with the Company via e-mail, and inclusion in a mailing list.

The main contact information for the Investor Relations Office is as follows:

Address: Rua Actor António Silva, n.º 7, 1600-404, Lisboa

Telephone: +351 21 752 61 05

Fax: +351 21 752 61 65

E-mail: investor.relations@jeronimo-martins.pt

4. PUBLICATION OF MARKET RESULTS

During the year, the Investor Relations Office published Jerónimo Martins' quarterly results and also released all relevant information on the performance of the Group's business areas, in order to keep investors and analysts informed as to the development of Jerónimo Martins' operational and financial activities.

In addition to the documents published, all investors and financial analysts who contacted the Investor Relations Office were provided with the information requested.

The financial statements were released to the market on the following dates:

10 January	Preliminary Sales 2012
27 February	FY 2012 Results
24 April	1st Quarter 2013 Results
31 July	1st Half 2013 Results
31 October	3rd Quarter 2013 Results

The following table shows the performance of Jerónimo Martins' shares, taking into account the announcement of results and material information during 2013:

Events	Date	Price Variations JM		
		5 days before	1 day after	5 days after
Preliminary Sales 2012	10 January	3.3%	6.1%	5.5%
FY 2012 Results	27 February	0.4%	-6.1%	-3.2%
1st Quarter 2013 Results	24 April	-5.6%	6.8%	6.7%
1st Half 2013 Results	31 July	1.0%	-5.3%	-8.8%
3rd Quarter 2013 Results	31 October	3.7%	-4.8%	3.8%

SUBSECTION V WEBSITE

1. RELEVANT ADDRESSES

The Company's institutional website is available in Portuguese and English and can be accessed using the following address: www.jeronimomartins.com.

Further relevant information may be found on the Jerónimo Martins institutional website using the following links:

Identification data of the Company	http://www.jeronimomartins.pt/o-grupo/contactos-corporativos.aspx?lang=en
Articles of Association and Regulations	http://www.jeronimomartins.pt/investidor/governo-da-sociedade.aspx?lang=en
Corporate Bodies	http://www.jeronimomartins.pt/investidor/governo-da-sociedade.aspx?lang=en
Investor Relations Office	http://www.jeronimomartins.pt/investidor.aspx?lang=en
Annual Reports/Financial Calendar	http://www.jeronimomartins.pt/investidor.aspx?lang=en
General Shareholders' Meeting	http://www.jeronimomartins.pt/investidor/assembleia-geral.aspx?lang=en
General Meetings' resolutions	http://www.jeronimomartins.pt/investidor/assembleia-geral.aspx?lang=en

SECTION D
REMUNERATION

SUBSECTION I
POWER TO ESTABLISH

1.
COMPETENT BODIES TO ESTABLISH THE REMUNERATION OF CORPORATE BODIES AND OFFICERS

Within the terms of Article Twenty Nine of the Company's Articles of Association, the remuneration of the statutory bodies is set by the Shareholder's Meeting, or by a committee nominated by the latter. Within the scope of the latter possibility, the shareholders of Jerónimo Martins decided to nominate the Remuneration Committee to set the remuneration of the members of the Statutory Bodies.

The remuneration of the Company's management is decided by the respective Board.

SUBSECTION II
REMUNERATION COMMITTEE

1.
REMUNERATION COMMITTEE

The Remuneration Committee is composed of three members, elected by the General Shareholders' Meeting. This committee comprises Arlindo do Amaral (Chairman), José Queirós Lopes Raimundo and Soledade Carvalho Duarte.

None of the members of the Remuneration Committee is a member of the Board of Directors of the Company, or has a spouse, family member or relative in such a position, nor do they have relationships with the members of the Board of Directors that may affect their impartiality in the performance of their duties. Furthermore, the members of this Committee have extensive knowledge and experience in management and remuneration policy, which gives them the necessary skills to perform their duties adequately and effectively. This Committee, in accordance with legal requirements, determines the earnings of the Members of the Board of Directors. During 2013, the Remuneration Committee met two times, and the respective minutes were prepared.

Last year, this Committee submitted a statement to the Annual General Shareholders' Meeting on the Remuneration Policy of the Company's Board of Directors and Supervisory Board.

During 2013, the Remuneration Committee did not consider it necessary to contract services to support it in the performance of its duties.

SUBSECTION III
REMUNERATION STRUCTURE

1.
REMUNERATION POLICY OF THE BOARD OF DIRECTORS AND OF THE SUPERVISORY BOARD

The Remuneration Committee was of the opinion that there was no justification for major changes to the basic principles that have been the core of the Corporate Bodies Remuneration Policy, which should continue having in attention the current legal and recomendatory framework, as well as the organizational model adopted by the Board of Directors, pursuant to the election of the respective members for the 2013-2015 period.

In respect to the organization of the Board of Directors, the Remuneration Committee has especially taken into account the following characteristics:

- The existence of a Chief Executive Officer with delegated duties regarding the day-to-day management of the Company, as well as of a Director or Directors to whom the Board have entrusted or may entrust special duties;
- The participation of Non-Executive Directors in Specialized Committees, who are, therefore, called to devote increased time to Company's affairs.

The remuneration of Directors with executive duties continue to comprise a fixed and variable component, that together guarantee a more competitive remuneration in the market and which also serve as a motivating element for high individual and collective performance, allowing ambitious targets for accelerated growth and the appropriate shareholders remuneration to be set and achieved.

Annually, by proposal of the Chairman of the Board of Directors, the variable component is fixed by the Remuneration Committee, having into account the expected contribution of

Executive Directors to results, shareholder value creation (EVA), evolution of share prices, the work carried out during the preceding financial year, the degree of achievement of the projects integrated on the Group's Strategic Scorecard, as well as the criteria applied in the attribution of variable remuneration to the remaining managers.

The Remuneration Policy continues seeking to reward the Executive Directors for the sustained performance of the Company in the long term, and the safeguarding of the interests of the Company and shareholders within this period of time. For this reason, the variable component takes into account the contribution of the Executive Directors to the conduct of business through **i.** the achievement of EVA objectives set out in the Medium and Long Term Plan approved by the Board of Directors; **ii.** the development of share prices; **iii.** the implementation of a series of projects across the Group's Companies, which, having been identified by the Board of Directors as essential to ensure future competitiveness, have a time scale that may exceed one calendar year, being the Executive Directors responsible for each compliance stage.

The variable remuneration is, as already noted, dependent on predetermined criteria to be fixed at the start of each year by the Chairman of the Board of Directors, which take into consideration the Company's real growth, the wealth created for shareholders, and long-term sustainability.

The Remuneration Committee, under these guiding principles, defines the rules for the attribution of performance bonuses to Executive Directors, bearing in mind the degree to which personal and Company objectives have been met.

As regards the deferral of part of the variable component of the remuneration, the Remuneration Committee conducted a study on the subject in 2011 without reaching a conclusion about the advantages or inconveniences of its adoption, considering that the manner in which the remuneration of the Executive Directors is structured is adequate and ensures full alignment of their interests with those of the Company in the long term. For the same reason, the Remuneration Committee deems unnecessary to determine the thresholds for the fixed and variable component of the remuneration. Furthermore, the Committee considers that the Remuneration Policy of the Company is aligned with the remuneration practices of its counterparts within the PSI-20, bearing in mind the characteristics of the Company.

The Company did not enter into any contracts with its Directors which intend to mitigate the risk inherent to the remuneration variability set by the Company, nor is aware that any such contracts have been entered into between its Directors and third parties.

Besides, the absence of a deferral period for the variable component makes it unnecessary to have mechanisms to prevent the execution of contracts by Executive Directors that subvert the rationale of variable remuneration.

The remuneration of the members of the Audit Committee as well as the remuneration of Directors with non-executive duties continues to comprise a fixed component only.

With respect to Directors with non-executive duties who are part of Specialized Committees (whether or not exclusively composed of Directors), the Remuneration Committee considered appropriate to continue the attribution of meeting fees, bearing in mind that the duties performed within those Committees demand additional availability from the respective member Directors.

Similarly, with respect to Non-Executive Directors who take part of Supervisory Bodies of the Company's subsidiaries, bearing in mind that such duties arise from the exercise of their functions as Directors, the Remuneration Committee considered appropriate to attribute them meeting fees.

As established by the Remuneration Committee in 2010, life and health insurance fringe benefits continued.

The Company still does not have any type of plan for attribution of shares or share purchase options to Directors and officers, as defined in no. 3 of article 248-B of the Securities Code.

In 2013, there was no remuneration paid in the form of profit sharing, or any compensation paid to former Directors, whether Executive or not, related to the termination of their appointment, there being no policy defined with regard to possible compensation to be paid to Directors of the Company in these cases.

The Statutory Auditor is remunerated in accordance with the auditing services agreement signed with the Jerónimo Martins Group, which covers almost all its subsidiaries. This remuneration shall be in line with market practices.

The Retirement Pension Plan for Executive Directors was approved at the 2005 Annual General Metting. It is a Defined Contribution Pension Plan, in which the value of the contribution is fixed in advance – the percentage of the monthly deduction for the Fund is currently 17.5% – the value of the benefits varying depending on the earnings obtained. The Remuneration Committee defines the contribution rate of the Company and the initial contribution.

Plan participants, as defined in the respective regulation, include the Executive Directors of the Company. Those who opt for the current Pension Plan will forego eligibility for the Alternative Pension Plan, by way of expressly and irrevocably waiving it.

The retirement date coincides with the day itself or the first day of the month following the month in which the participant reaches normal retirement age, as established into the General Social Security Scheme. A participant will be considered to be in a state of total and permanent invalidity if recognized as such by the Portuguese Social Security.

The pensionable salary is the gross monthly basic salary multiplied by 14 and divided by 12. To this fixed monthly amount is added, at the end of each calendar year, a variable amount comprising all the amounts received as variable remuneration. This amount is integrated into the above-stated sums indicated as the remuneration of the Directors. Plan participants acquire the right to 100% of the total amount of the contributions of the Company for the Fund, provided that they complete two terms of office as Executive Directors.

As for the complementary pension or retirement systems, under the terms of current Regulations, Directors have the right to a Complementary Pension at retirement age, cumulatively, when they: **i.** are over 60 years old; **ii.** have performed executive functions; and **iii.** have performed the role of a Director for more than 10 years.

SECTION D REMUNERATION

SUBSECTION III REMUNERATION STRUCTURE

This supplement was established in the Annual General Shareholders' Meeting of 1996 and only those Directors that have not opted for the Retirement Pension Plan mentioned above may benefit from this supplement.

This Remuneration Policy was subject to discussion at the Annual General Shareholders' Meeting held last year.

It should also be noted that the said remuneration policy, taking into account the date on which it was prepared and submitted to the General Shareholder's Meeting, had in attention the recommended framework in force in such moment.

SUBSECTION IV REMUNERATION DISCLOSURE

1. REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OF THE SUPERVISORY BOARD

The remuneration of the members of the Board in 2013 totaled 3,174,007.16 euros (2,962,507.16 euros relative to the fixed component and 211,500.00 euros regarding the variable component).

These amounts include the total of 30,000.00 euros below mentioned, attributed by a subsidiary company to the Directors Francisco Seixas da Costa and Hans Eggerstedt for the exercise of functions in the respective Supervisory Board.

Pedro Soares dos Santos received a total of 951,750.00 euros (740,250.00 euros as fixed remuneration and 211,500.00 euros as variable remuneration) in 2013. This total includes the contributions made in the financial year, in the amount of 141,750.00 euros, to the Retirement Pension Plan mentioned in the previous subsection.

Alan Johnson earned a total of 493,500.00 euros during 2013 as fixed remuneration. This total includes the contributions in the financial year to the Retirement Pension Plan mentioned in the previous subsection, amounting to 73,500.00 euros.

José Soares dos Santos earned a total of 575,749.96 euros in 2013 as fixed remuneration. The contributions in the financial year to the Retirement Pension Plan mentioned in the previous subsection in the amount of 109,246.66 euros, are included in the above total.

The members of the Audit Committee earned a total remuneration of 229,000.00 euros, all as fixed remuneration.

Individually, the current members of the Audit Committee earned the following remuneration: António Viana-Baptista received 82,000.00 euros, Sérgio Rebelo received 38,000.00 and Hans Eggerstedt received 97,000.00 euros, of which 15,000.00 euros net refer to the remuneration arising from the exercise of functions in the Supervisory Board of a Group's subsidiary.

The member of the Audit Committee, Artur Santos Silva, who ceased his functions on 10 April 2013, received 12,000.00 euros.

The remaining members of the Board of Directors, currently in functions, received the following, individually and as fixed remuneration: Andrzej Szlezak received 60,000.00 euros, Nicolaas Pronk received 50,000.00 euros and Francisco Seixas da Costa received 75,000.00. of which 15,000.00 euros net refer to the remuneration arising from the exercise of functions in the Supervisory Board of a Group's subsidiary.

The other members of the Board who ceased their functions during 2013 received the following, individually and as fixed remuneration: António Borges received 30,000.00 euros, Luís Palha da Silva received 10,000.00 euros and Marcel Corstjens received 10,000.00 euros.

The Chairman of the Board of Directors, Alexandre Soares dos Santos, received 689,007.20 euros, as fixed remuneration.

Executive Directors benefit from life and health insurance, and there are no other non-pecuniary benefits considered as remuneration not attained in the above situations.

There is no payment obligation whatsoever, in individual terms, in the event of termination of functions during the term of the Board of Directors.

The remuneration of Non-Executive Directors only incorporates a fixed component.

2. REMUNERATION OF THE CHAIRMAN OF THE GENERAL MEETING

The Chairman of the Board of the General Shareholder's Meeting received an annual payment of 5,000 Euros.

SUBSECTION V
AGREEMENTS WITH REMUNERATION IMPLICATIONS

There are no contractual restraints for the compensation payable in the event of dismissal of Directors without due cause. This matter is regulated by the applicable law.

There are no agreements between the Company and members of the managing bodies, officers or employees that foresee indemnity payments in the event of resignation, dismissal without due cause, or termination of the labour relationship as a consequence of change in the Company's control.

SUBSECTION VI
SHARE ALLOCATION AND/OR STOCK OPTION PLAN

The Company does not have any plan in force to attribute shares or options to acquire shares. Although it is possible that the adoption of a plan of this type may be studied, the Board of Directors believes that it has found solutions that allow a fair and effective system of management by objectives, based on analysis of indicators of profitability, business growth and generation of value for Shareholders.

SECTION E
RELATED PARTY TRANSACTIONS

SUBSECTION I
CONTROL MECHANISMS AND PROCEDURES

1. BUSINESS BETWEEN THE COMPANY AND THE MEMBERS OF THE BOARD

Any dealings that may exist between the Company and its Board members are subject to the provisions of article 397 of the Commercial Companies Code, and may only be entered into if so authorised by a resolution of the Board of Directors, for which the interested Director cannot vote, and that authorisation must be preceded by a favourable opinion from the Audit Committee.

In 2013, taking into account the election of Andrzej Szlezak (partner in the firm of lawyers Sołtysiński Kawecki & Szlęzak (SK&S), one of the Jerónimo Martins Group's External Legal Counsels), for the position of Director of Jerónimo Martins, within the terms of paragraph 2 of Article 397 of the Commercial Companies Code and following the favourable opinion of the Audit Committee, the Board of Directors authorised the maintenance of the contract between the Companies and its subsidiaries and the above-mentioned firm for the provision of legal services.

2. BUSINESS BETWEEN THE COMPANY AND COMPANIES IN A PARENT-SUBSIDIARY OR GROUP RELATIONSHIP

Regarding the Companies in a Parent-Subsidiary or Group relationship, the business carried out with the Company was conducted in the normal operation of its business and pursuant to arms-length conditions.

SECTION E
RELATED PARTY TRANSACTIONS

SUBSECTION I
CONTROL MECHANISMS AND PROCEDURES

3.
BUSINESS BETWEEN THE COMPANY AND SHAREHOLDERS WITH QUALIFYING HOLDINGS

As mentioned above on point 4. Significant Business Relationships between Shareholders with Qualifying Holdings and the Company of Subsection II, Section A, no business was carried out by the Company with the shareholders with Qualifying Holdings or entities in any type of relationship with the owners of such holdings, outside of normal market conditions.

In this regard, it should be noted that, in terms of procedure, the Audit Committee, according to its regulations, is responsible for issuing prior opinion on transactions of significant importance between the Company and its shareholders with Qualifying Holdings – or entities with them related under the terms of article 20.º, no. 1 of the Securities Code –, establishing the procedures and criteria necessary to define the level of significant importance.

In 2011, pursuant to a proposal presented by the Committee on Corporate Responsibility after consulting with the Audit Committee, the Board of Directors had approved the relevance criteria that determined the intervention of the Supervisory Body of the Company to assess and give advice on deals to be concluded between the Company and shareholders with a Qualifying Holding.

However, as this matter has moved to the responsibility of the Audit Committee, the latter approved the procedure and criteria applicable to these situtations. Thus, deals between the Company or companies within Jerónimo Martins Group and shareholders with a Qualifying Holding or entities with which the same are linked, shall be subject to the assessment and prior opinion of the Audit Committee, whenever one of the following criteria is fulfilled:

a) Having an amount equal to or higher than 3 million euros or 20% of the sales of the respective shareholder;

b) Despite having an amount lower than the one resulting from the criteria mentioned in the previous paragraph, the addition of that amount to the amount of the previous deals concluded with the same shareholder with a Qualifying Holding, during the same fiscal year, equals or exceeds 5 million euros;

c) Regardless of the amount, they may cause a material impact on the Company's name concerning its independence in the relationships with shareholders with Qualifying Holdings.

SUBSECTION II
DATA ON BUSINESS DEALS

The information concerning business dealings with related parties may be found on note 32 – Related Parties of Chapter III.

PART II
CORPORATE GOVERNANCE ASSESSMENT

1. DETAILS OF THE CORPORATE GOVERNANCE CODE ADOPTED

The Company is subject to the Code of Corporate Governance of the CMVM which is published on the CMVM's web site at: http://www.cmvm.pt/cmvm/recomendacao/recomendacoes/Pages/default.aspx.

The Company is also governed by its Code of Conduct, whose content is linked to Corporate Governance matters, and which may be consulted on its website. All of its Corporate Bodies are governed by regulations, which are documented and available on the Company's website at www.jeronimomartins.pt.

2. ANALYSIS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ADOPTED

2.1. STATEMENT OF COMPLIANCE

The Company complies in its essence with the Recommendations of the CMVM in the Corporate Governance Code of 2013. It is accepted, however, that there are some recommendations that were not adopted in their entirety as it is better explained below.

The following shows the breakdown of the recommendations contained in the Code of Corporate Governance of the CMVM that were adopted, partially adopted, not adopted and not applicable, as well as reference to the text of the Report where the compliance or justification for not adopting or partially adopting these recommendations may be found.

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
I. VOTING AND CORPORATE CONTROL		
I.1	Adopted	Part I, Section B, Sub-section I, points 2.1, 2.2, 2.3 and 2.4
I.2	Adopted	Part I, Section B, Sub-section I, point 2.1
I.3.	Adopted	Part I, Section B, Sub-section I, point 2.1
I.4.	Adopted	Part I, Section B, Sub-section I, point 2.1
I.5.	Adopted	Part I, Section A, Sub-section I, point 6 and Section B, Sub-section I, point 2.1
II. SUPERVISION, MANAGEMENT AND OVERSIGHT		
II.1. Supervision and Management		
II.1.1.	Adopted	Part I, Section B, Sub-section II, points 1.6.1 and 3.2
II.1.2.	Adopted	Part I, Section B, Sub-section II, point 1.6.1
II.1.3.	Not applicable	
II.1.4.	Adopted	Part I, Section B, Sub-section II, points 2.2, 3.1, 3.3.1, 3.3.2 and 4.2
II.1.5.	Adopted	Part I, Section C, Sub-section III, point 1 and 2.2
II.1.6.	Adopted	Part I, Section B, Sub-section II, point 1.3
II.1.7.	Adopted	Part I, Section B, Sub-section II, point 1.3
II.1.8.	Adopted	Part I, Section B, Sub-section II, point 1.6.1
II.1.9.	Not applicable	
II.1.10	Not applicable	Part I, Section B, Sub-section II, point 1.6.1

PART II
CORPORATE GOVERNANCE ASSESSMENT

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
II. SUPERVISION, MANAGEMENT AND OVERSIGHT		
II.2. Supervision		
II.2.1.	Partially adopted	Part I, Section B, Sub-section III, point 1.1 and Part II, point 2.1, sub. a)
II.2.2.	Adopted	Part I, Section B, Sub-section III, point 3.1
II.2.3.	Adopted	Part I, Section B, Sub-section III, point 3.1
II.2.4.	Adopted	Part I, Section B, Sub-section III, point 3.1 and Section C, Sub-section III, point 2.2
II.2.5.	Adopted	Part I, Section B, Sub-section III, point 3.1 and Section C, Sub-section III, point 1
II.3. Remuneration Setting		
II.3.1.	Adopted	Part I, Section D, Sub-section II, point 1
II.3.2.	Adopted	Part I, Section D, Sub-section II, point 1
II.3.3.	Partially Adopted	Part I, Section D, Sub-section III, point 1 and Part II, point 2.1, sub. b)
II.3.4.	Not applicable	Part I, Section D, Sub-section VI
II.3.5.	Adopted	Part I, Section D, Sub-section III, point 1
III. REMUNERATION		
III.1.	Adopted	Part I, Section D, Sub-section III, point 1
III.2.	Adopted	Part I, Section D, Sub-section III, point 1 and Sub-section IV, point 1
III.3.	Not Adopted	Part I, Section D, Sub-section III, point 1 and Part II, point 2.1. sub. c)
III.4.	Not Adopted	Part I, Section D, Sub-section III, point 1 and Part II, point 2.1. sub. d)
III.5.	Adopted	Part I, Section D, Sub-section III, point 1
III.6.	Not applicable	Part I, Section D, Sub-section III, point 1 and Sub-section VI
III.7.	Not applicable	Part I, Section D, Sub-section III, point 1 and Sub-section VI
III.8.	Adopted	Part I, Section D, Sub-section III, point 1, Sub-section IV, point 1 and Subsection V
IV. AUDITING		
IV.1.	Adopted	Part I, Section B, Sub-section V, point 1
IV.2.	Partially Adopted	Part I, Section B, Sub-section III, point 3.1, Sub-section V, point 3 and Part II, point 2.1, sub. e)
IV.3.	Adopted	Part I, Section B, Sub-section V, point 2
V. CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS		
V.1.	Adopted	Part I, Section E, Sub-section I, point 2
V.2.	Adopted	Part I, Section E, Sub-section I, point 2
VI. INFORMATION		
VI.1.	Adopted	Part I, Section C, Sub-section IV, point 3 and Sub-section V, point 1
VI.2.	Adopted	Part I, Section C, Sub-section IV, points 1 and 3

In light of the text of the recommendations, the following recommendations, also referenced in the table above, were not fully complied with. The corresponding explanations are detailed below.

a) Regarding **recommendation II.2.1.** it is hereby clarified that the Audit Committee saw fit to appoint as its Chairman the Director that undertook that role during the previous mandate, despite the fact that this Director no longer met the objective independence criteria defined in Subparagraph b) of Paragraph 5 of article 414 of the Commercial Companies Code, bearing in mind the high degree of independence shown by the Chairman of this Committee in exercising is functions up to date. In the benefit of the Company itself and its shareholders, the Audit Committee decided to maintain its Chairman.

b) With respect to subparagraph b) of **recommendation II.3.3.** it should be noted that this subparagraph was introduced by the Corporate Governance Code of 2013, which was published after the preparation of the Statement on the Company's Corporate Bodies Remuneration Policy by the Remuneration Committee, therefore it was not possible to include this matter in said Statement which was submitted to the 2013 Annual General Shareholders' Meeting of the Company.

c) With respect to **recommendation III.3.** it is important to explain that the matter concerning the remuneration of Directors, including the setting of maximum limits for all the components of the remuneration, depends exclusively on the Remuneration Committee, which is a Committee appointed by the General Shareholder's Meeting and independent of the Board of Directors. Thus, the full compliance with the referred recommendation is within the exclusive competence of the Remuneration Committee. The latter decided not to follow the recommendation, as it recognised that the manner in which the remuneration of Executive Directors is structured ensures full alignment of their interests with those of the Company in the long term.

d) In relation to **recommendation III.4.** it should be noted that the Company's Remuneration Policy does not provide for the deferred payment of all or part of the variable component of remuneration, and the Remuneration Committee believes that it has found, thusfar, the mechanisms that allow the alignment of the interests of the Executive Directors with the long-term interests of the Company and the Shareholders, enabling the sustained growth of the Company's business and the corresponding value creation for the shareholders.

e) As regards **recommendation IV.2.** it is important to explain that, in 2011, the Audit Committee established the rules concerning the provision of consultancy services by the External Auditor. These rules determine: i. the possibility of contracting those services, if the auditor's independence is assured; and ii. the obligation to obtain prior approval of the Committee, from the moment the global amount of fees related to these type of services in that year surpasses 10% of the global amount of fees concerning audit services. The Audit Committee considers that the provision of non-audit services up to the said amount of 10% is not capable of compromising the auditor's independence. Furthermore, the Committee considers this solution as the most appropriate to the Group's geographical multi-location and to the specific needs of its subsidiaries set up in other jurisdictions.

3. OTHER INFORMATION

There is no other data or additional information, which is relevant for understanding the Corporate Governance model and practices adopted.

5

CORPORATE RESPONSIBILITY IN VALUE CREATION

5

CORPORATE RESPONSIBILITY IN VALUE CREATION

We've innovated the job market

The "International Management Trainee Programme" attracts the best talented young graduates to have international professional experience, in the countries in which we operate such as the cases of Inigo Sanchez, Julita Goluche and Anna Bartuś.

Support to Large Families

Training and Support

Training given to hundreds of unemployed people in line with the needs of the operations.

Support to large families: offer of school books to low-income families and discounts on school materials.

Offer of Baby Kits

Offer of Baby kits to all employees who have become fathers or mothers.

3 Million euros invested

In the Social Emergency Fund

Being a Benchmark Employer

Over three million euros have been invested in the Social Emergency Fund since 2011. The Social Emergency Fund was created in order to support Group employees in great need, by providing support for food, health, education, legal matters and financial advice and training.

Biedronka

Univ. of Aveiro

The Jerónimo Martins Group redesigned the curriculum for the degree in Commercial Management at the University of Aveiro to better respond to the needs of the job market.

Degree in Commercial Management

1. OUR APPROACH

Leadership in Food Distribution in both Portugal and in Poland also brings with it an added responsibility

The Jerónimo Martins Group has an active role in the economic and social development of the communities in which it is present. We seek to create value in a sustainable way that takes into account the quality of life of both current and future generations whilst reducing impacts on ecosystems as much as possible.

The Group's history of over 200 years is evidence of the medium and long term approach it takes in managing its activities throughout the entire value chain. Jerónimo Martins seeks a balance between economic prosperity and an active contribution to social and economic development and environmental conservation in the regions where it does business.

Leadership in Food Distribution in both Portugal and in Poland also brings with it an added responsibility, which the Group considers to be one of the pillars of business competitiveness.

The Corporate Responsibility of the Jerónimo Martins Group involves, amongst other things, its ability to innovate and rethink its businesses in line with the expectations and needs of its stakeholders by building in the values of responsibility and thus ensuring the sustainability of the business. Its activity is based on five comprehensive pillars that are incorporated into our Companies' culture:

I - PROMOTING GOOD HEALTH THROUGH FOOD

This is embodied in two strategies applying to all the countries in which we operate: i. Foster the quality and diversity of the food products that we sell and ii. Foster food safety in its broadest sense, including availability, accessibility and sustainability of the products sold.

II - PROTECTING THE ENVIRONMENT

Our aim is to link effectively supply and demand in order to foster more sustainable production and consumption practices. In this area, the Group and its Companies have undertaken a number of initiatives in three priority areas: climate change, biodiversity and waste management.

III - SOURCING RESPONSIBLY

The Group endeavours to incorporate ethical and environmental concerns in its supply chains. It develops lasting business relationships, seeks to ensure that its prices are fair, and actively supports national production in the countries in which it operates.

IV - SUPPORTING SURROUNDING COMMUNITIES

By tradition and out of a sense of mission, the Jerónimo Martins Group is deeply involved with the communities in which it is present. Directly or through its Companies, it aids causes and organisations that provide assistance to society's most vulnerable groups, such as children, young people and the elderly.

V - BEING A BENCHMARK EMPLOYER

By creating employment, we aim to support economic development in the markets in which we operate. At the same time, we promote balanced wage policies and a positive, stimulating work environment within a firm commitment to our employees.

The Group's broad-ranging operating guidelines in terms of Ethics and Corporate Responsibility are described in the Jerónimo Martins Code of Conduct available at: http://www.jeronimomartins.pt/media/431763/code-of-conduct.pdf

To ensure fulfilment, dissemination and reinforcement of the principles included in the Code of Conduct, the Group has an Ethics Committee that supervises compliance with the principles included in the document across all Group Companies.

The Committee on Corporate Governance and Corporate Responsibility (CCGCR), which is responsible for strategic orientation in the area of Corporate Responsibility, is an independent Body that works with the Board of Directors. This Committee permanently monitors and supervises issues of Corporate Governance, Social Responsibility, the Environment and Ethics, as well as the effectiveness of systems of assessment and resolution of conflicts of interest.

	Business Model and Relationship with Sustainable Development
Primary sector	Sustainable exploration of natural agricultural and marine resources; protection of biodiversity
Secondary sector	Quality and innovation in development of Private Brand products
	Reducing packaging
Suppliers	Supporting national production
	Long-lasting partnerships that provide a context of stability and trust
	Measures to support small and medium-sized enterprises
Logistics	Efficiency; reducing emissions
Operations	Intensive workforce; hygiene and safety in the workplace
	Regular assessment of opportunities for professional development and career progression
	Employee training
	Social support for employees and their families
Customer	Public health and nutritional profile of the products we develop/sell
	Quality and Food Safety
	Promotion of responsible consumption (i.e. locally produced fresh produce or nutritionally balanced convenience solutions)
After consumption	Reducing volume of waste generated; disposing of waste in an appropriate way

Organisations to which the Group belongs

The Jerónimo Martins Group is involved in a number of national and international organisations and initiatives in the area of Corporate Responsibility such as:

• Global Compact – The Jerónimo Martins Group subscribes to the 10 principles of Corporate Sustainability set out by the United Nations;

• Conselho Empresarial para o Desenvolvimento Sustentável Portugal (Business Council for Sustainable Development Portugal);

• GRACE RSE – Discussion and Support Group for Corporate Citizenship;

•Consumer Goods Forum;

• Global Food Safety Initiative;

• Global Social Compliance Programme;

• LBG – London Benchmarking Group.

2. ENGAGEMENT WITH STAKEHOLDERS

The Jerónimo Martins Group is guided by the principles of dependence, influence and responsibility

It is only possible to create value through a network of relationships with stakeholders based on rigour and trust.

The Jerónimo Martins Group is guided by the principles of dependence, influence and responsibility in legal, financial and operating terms to establish who it considers to be its key stakeholders:

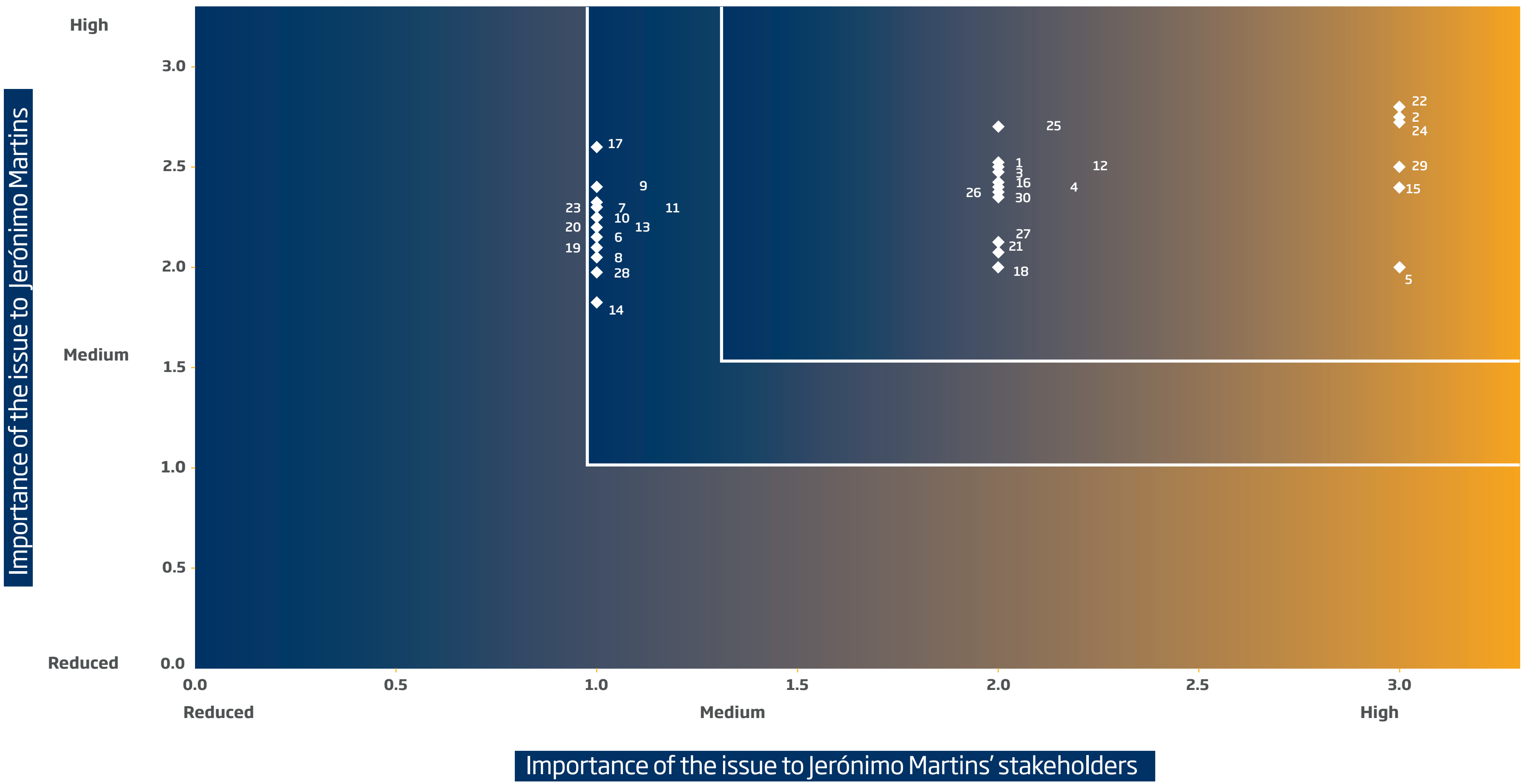
- Customers and Consumers*
- Shareholders and Potential Investors*
- Employees
- Suppliers, Business Partners and Service Providers*
- Official Bodies, Supervising Entities and Local Councils
- Journalists*
- NGOs and Associations

In 2013, a consultation of Jerónimo Martins stakeholders marked with an * was carried out, in Portugal and Poland, in order to analyse the expectations of the parties interested in matters of sustainability. The consultation was carried out with the support of PricewaterhouseCoopers consultants and specialist market research companies GfK and Millward Brown. Over 9,200 interviews were carried out – by telephone, in person and by Internet – and their results gave the Group a clearer view of the concerns of its stakeholders in terms of the dimensions areas in which Jerónimo Martins operates: economic, environmental, social and quality.

The consultation was completed with an internal survey of managers linked to the various areas of sustainability, which was carried out in order to identify the materiality of this issue to the Group.

By cross-checking the information from these surveys a materiality matrix on sustainability was drawn up.

Jerónimo Martins - Materiality Matrix 2013



1. Corporate Governance
2. Ethics and transparency in internal and external relations
3. Risk management
4. Stakeholder engagement
5. Job creation
6. Green packaging
7. Energy efficiency
8. Climate change
9. Waste management
10. Water efficiency
11. Responsible sourcing, protecting biodiversity
12. Green logistics
13. Environmental management systems
14. Animal welfare
15. Support to local (national) suppliers
16. Professional growth based on meritocracy
17. Health and safety at work
18. Support for employees and their families
19. Work-life balance
20. Support to local communities
21. Promotion of healthier lifestyles
22. Affordable products
23. Responsible marketing
24. Quality of products
25. Supplier qualification and selection
26. Acquiring products from local sources
27. Sustainable products
28. Genetically Modified Organisms
29. Customer service
30. Innovation on products and services

2. ENGAGEMENT WITH STAKEHOLDERS

Pingo Doce CS and certification by the Portuguese Association of Contact Centers

Pingo Doce was the first Distribution company to be awarded the Quality Seal of the Portuguese Association of Contact Centers (APCC), which is a tool to differentiate and promote the service quality of Contact Centers in Portugal. The APCC certification process checks six areas that are considered to be a priority for the quality of the service provided: corporate profile, organisation and processes, continuous improvement processes, performance levels, human resources and technology. This seal recognises the quality, rigour and commitment of the work of CS employees.

Certification stamp for the Pingo Doce Contact Centre

SQ
Selo de Qualidade apcc

In this context the relationship between "Affordable prices of products" and "Quality of products" was considered to be the most important from the points of view of the Group and its stakeholders. The survey also confirmed equally the importance of "Ethics and transparency in internal and external relations", "Supporting local (national) suppliers" and "Job creation" which also scored very high on materiality.

Apart from the consultation, which will be carried out regularly, there are continuous communication channels that also get input from all the stakeholder groups presented below.

CUSTOMERS AND CONSUMERS

The first points of contact with customers and consumers are the Pingo Doce and Biedronka Customer Services, which are responsible for answering questions and finding solutions for operating issues.

From the point of view of the Jerónimo Martins Group the role of Customer Services (CS) is based on a positive contribution of building a knowledge of the market and the consumer, as well as on being a driving force - by providing an excellent service - of our brands' image.

These customer services are available 24 hours a day, 365 days a year, by telephone, email or letter to provide immediate support to customers. In Portugal, CS is managed directly by the Pingo Doce and the service in Poland is managed through outsourcing to a third party, with close and permanent supervision by the Group.

Pingo Doce Store Interior

In 2013, the effectiveness of the services provided by the Pingo Doce and Biedronka banners, calculated by comparing the number of received and answered calls, was 96% and 94% respectively.

In addition to this, in Portugal there is a corporate channel for communication, which is impartial, independent and confidential and reports directly to the Board of Directors of the Jerónimo Martins Group - the Customer Ombudsman.

The Customer Ombudsman protects customer rights and encourages solutions that ally their interests to the Group's strategic priorities, as well as customer culture within the organisation.

It is the most appropriate way of resolving complex and structural problems with customer and consumer relations. The relevance and recurrence of the reported situations determine the forum of action.

If the occurrence is considered to be outside the scope of this channel the process is immediately redirected to the relevant competent area, which will then be responsible for resolving it. In 2013, 86% of the occurrences reported were classified as being within the scope of the Ombudsman. However, 26% of these, due to their operational nature, were forwarded to the CS which should, in the first instance, deal with them.

The Customer Ombudsman also plays a proactive role in the business by identifying risk situations and potential opportunities for operational improvements, monitoring commitments and promoting internal debate about customer rights and expectations.

In carrying out its mission to transform complaints and suggestions into opportunities for improvement, in 2013 the Customer Ombudsman recorded 3,059 occurrences, in addition to the 231 occurrences carried over from 2012, making a total of 3,290 managed occurrences. Of this total, 29% were classed as critical severity , 26% high e 45% normal most of which were redirected to Customer Services. In total, in 2013 the Ombudsman closed 3,210 occurrences.

In the context of relationship with its customers, both Pingo Doce and Biedronka banners registered the following satisfaction indicators in 2013:

Banner	NPS - Net Promoter Score*	Position in the ranking of proximity to the ideal store
Biedronka	+47	1.ª
Pingo Doce	+37	1.ª

(*) Net Promoter Score = % of customers that would recommend the banner minus % of customers that would not recommend the banner.

EMPLOYEES

The solidity and cohesion of the organisational culture of the Jerónimo Martins Group is largely based on daily dialogue between employees using the tools developed as part of the strategies, policies and procedures of the Human Resources function.

In Portugal and in Poland employee services are available that guarantee confidentiality and credibility in dealing with the reported occurrences. Employment questions, requests for clarification and social support can be sent by email, regular mail or telephone.

In 2013, 3,355 contacts were made in Portugal and 3,530 in Poland, which resulted in 6,885 procedures initiated. The percentage of concluded procedures was of 99.6% in Portugal and 97% in Poland.

ETHICS COMMITTEE

The Ethics Committee ensures compliance with the Code of Conduct in all of the Group's Companies.

In performing its duties it has set up channels to communicate irregularities with the targets of the Group's Code of Conduct – by regular mail and email - and gathers information sent by employees, customers or business partners for this purpose. After analysing the processes it may make recommendations to the Board of Directors, via the CCGCR, to adopt measures that it considers to be appropriate.

[1] Occurrences classified as being of critical severity include situations that may affect the perception of the brand or the values that govern the Jerónimo Martins Group and/or serious deficiencies in employee behaviour patterns.
[2] Occurrences classified as of high severity include recurrent non-conformities with the brand's standards, which are critical for the practices and management decisions and requests for clarification on public issues.

To consult the Code of Conduct see:
http://www.jeronimomartins.pt/media/431763/code-of-conduct.pdf

For further information about the Ethics Committee, see:
http://www.jeronimomartins.pt/investidor/governo-da-sociedade/comissoes-especializadas/comissao-de-etica.aspx?lang=en

For further information on the Committee on Corporate Governance and Corporate Responsibility, see:
http://www.jeronimomartins.pt/investidor/governo-da-sociedade/comissoes-especializadas/comissao-de-responsabilidade-corporativa.aspx?lang=en

Biedronka Store Interior

3.
HIGHLIGHTS 2013

Over 9,200 interviews with consumers, suppliers, economic, social and environmental risk analysts and journalists

2013 was marked by the consultation that was carried out in Portugal and Poland with over 9,200 interviews with consumers, suppliers, economic, social and environmental risk analysts and journalists.

PROMOTING GOOD HEALTH THROUGH FOOD

- Investment in innovation, achieved by launching over 40 products of Biedronka's exclusive brands and 14 products of the Pingo Doce brand with potential health benefits and/or aimed at consumers with specific dietary requirements;

- Investment in products made with natural ingredients, without the addition of colourant, preservatives or flavour intensifiers (e.g. Domowy Obiadek ready meals or Goraca Chwila instant soups);

- Nutritional reformulation of Private Brand products, in order to reduce the levels of sugar, salt and fat. In Portugal and Poland, in 2013 a total of 161 tonnes of sugar, five tonnes of salt and about three tonnes of fat were removed from our products;

- In Poland, an awareness campaign took place regarding the importance of a correct comprehension of food product labels, involving a total of 12 thousand customers.

RESPECTING THE ENVIRONMENT

- Review of the Group's Environmental Policy, placing value on the performance of the players in the supply chain (available for consultation at http://www.jeronimomartins.pt/media/504235/environmental-policy.pdf);

- Launch of two new types of recycling bins at Pingo Doce. One for collecting coffee capsules; another for plastic caps and stoppers and metal lids. The value of recycling these items went entirely to charities;

- Saving of 5.4 million sheets of paper, due to the rationalisation of operational processes;

- Development of a sustainable agriculture project, in partnership with experts, in order to combat the loss of biodiversity as a result of farming activities;

- Support given to the WWF's Green Heart of Cork project, which aims to preserve the cork oak and to protect biodiversity.

SOURCING RESPONSIBLY

- Maintenance of the policy of giving preference, under the same circumstances and whenever possible, to acquiring products from local suppliers - up to 95% of the products sold in our stores were acquired from domestic suppliers ;

- Sharing of know-how with the most relevant commercial partners in the Perishables area, within the scope of a conference, organised by the Group, in Poland, dedicated to the theme of sustainable agriculture;

- In an effort towards the continuous improvement to the sustainability of the products sold, in 2013 Biedronka launched products certified with the seal of the Marine Stewardship Council: frozen wild salmon (two product references) and cod;

SUPPORTING SURROUNDING COMMUNITIES

- The value of support was 13.4 million euros, representing an increase of 20% over 2012. Of note is the support given by Pingo Doce, which totalled 11.8 million euros, 30% more than in 2012;

- In Colombia, Ara co-designed, in conjunction with Instituto Colombiano de Bienestar Familiar (Colombian Institute for Family Wellbeing), a type of association to the "Madres Comunitarias" (Community Nannies) programme, by regularly offering food baskets with products complementing those provided by the Colombian Government, in order to bridge specific nutrient gaps to ensure better nutrition for the children in care. At the end of 2013, the products offered by Ara were already supporting around 1,000 children from underprivileged social backgrounds;

- Collection of more than two thousand tonnes of food by the Group which was given to institutions to fight hunger;

- Promotion of activities in Poland for combating the social isolation of the elderly and for boosting culture.

BEING A BENCHMARK EMPLOYER

- Creation of 8,256 jobs within the entire Group, representing a net growth of 12% compared to 2012;

- Participation of more than 10 thousand employees, in the three countries in which we operate, in an organisational diagnosis questionnaire entitled “Organizational Health Index Survey”, with the objective of gauging the Group’s Organisation Health and its Culture, Leadership and Values;

- Creation of a Total Reward Policy, common to the entire Group;

- In Portugal, investment of 900 thousand euros in the Social Emergency Fund, 850 thousand euros in the SOS Dentist programme, 820 thousand euros in Holiday Camps for children of the Group’s employees and 150 thousand euros in Study Scholarships for employees and their children;

- The Social Emergency Fund received a Ruban d’Honneur from the European Business Awards, rewarding the Group’s corporate citizenship stance;

- In Poland, creation of an internal communications campaign entitled “Szacunek” (Respect), based on 10 principles, which are the basis for responsible conduct leading to a productive and healthy working environment.

Campaign “Read the Labels”, in Poland

4. PROMOTING GOOD HEALTH THROUGH FOOD

Gluten-free custard tarts

4.1. INTRODUCTION

We believe that a responsible business attitude is one that shows the capacity to recognise and understand the challenges of sustainability which face the sector in which a company operates, as well as adapting strategies and practices with a view to maximising, as far as possible, the value created for all parties involved.

As a company specialised in food, we believe it is essential to contribute towards good public health through high quality, safe and nutritionally-balanced products, whilst at the same time promoting healthy eating habits. Our commitment to Promoting Good Health through Food comes from our recognition of the role that food can play in preventing diseases such as diabetes, osteoporosis and cardiovascular diseases and, consequently, in promoting quality of life.

This strategic orientation also reflects the attention the Group pays to consumer trends such as the demand for convenient food solutions with a balanced nutritional profile or those developed to meet specific dietary needs.

In addition, the activities carried out in the areas of Quality and Food Safety aim to ensure a rapid response to current customer needs and to anticipate their future requirements.

The commitment to Promoting Good Health through Food is achieved through two lines of action common to all the countries in which we operate: i. promoting food quality and variety ii. promoting food safety.

4.2. QUALITY AND VARIETY

The promotion of healthier lifestyles through the consumption of food with balanced nutrition profiles that is also affordable, along with the focus on quality and the adequate quantities of food consumed, are the main guidelines of our Companies in Portugal, Poland and Colombia.

Developing Private Brand products is part of the Jerónimo Martins Group’s Nutritional Policy, which was reviewed in 2010 in accordance with the World Health Organization’s document, “Guidelines for Europe”. This policy is based on six pillars, common to all the Companies of the Group:

- Nutritional profile;
- Ingredients;
- Labelling;
- Size of the portions;
- Continuous improvement;
- Communication.

Within the context of the nutritional profile of our products, we pay special attention to salt, fat (saturated and trans-fatty acids), sugar, additives and the enrichment of micronutrients.

4. PROMOTING GOOD HEALTH THROUGH FOOD

Milk Start

In 2013, the Milk Start range, available in our stores in Poland, was extended with the launch of a new strawberry-flavoured infant cereal.

The Milk Start cereals are enriched with vitamins and minerals (satisfying up to 25% of school-age children's daily needs), selected by specialists from Instytut Matki i Dziecka (Polish Mother and Child Institute). They constitute a balanced meal and can be eaten mid-morning or mid-afternoon.

The Milk Start project was developed to address the problem of malnutrition amongst Polish children[3], within the scope of a strategic partnership between the manufacturers in the agro-food sector and the Polish Mother and Child Institute. The products within this range are sold at a price that is very accessible to the Polish consumer, without any profit for Biedronka.

Between 2012 and 2013, a monthly average of over two million units of the Milk Start range was sold at Biedronka stores.

In addition, in 2013, within the scope of the Partnership for Health, the 3rd edition of the "Breakfast Gives You Power" awareness campaign was carried out with Polish schools, drawing attention to the importance of a balanced diet and healthy eating habits.

[3] It is estimated that around 7.4% of Polish children between the ages of 7 and 12 are malnourished (source: Millward Brown 2013).

4.2.1. PRODUCT LAUNCHES

In 2013, apart from basic products that are essential for a healthy diet, around 40 product references were launched in Poland, which have potential health benefits and/or are aimed at specific dietary requirements.

In this context, of note are the functional product ranges, such as:

- Vitalsss herbal teas: "Weight control" with extracts of Pu-Erh, Yerba Mate and Garcinia Cambogia, "Energy" with extracts of Kola nuts, Hibiscus and Yerba Mate, and "Digestive" with extracts of mint, cumin and ginger;
- Vitalsss supplements, with extracts of plants and containing vitamins and minerals;
- Vitanella drinks, with a reduced level of sugar due to sucrose being partially replaced by stevia vegetable extracts, with the addition of fruit, six vitamins and selenium;
- Aktiplus yoghurts, with probiotic properties due to the presence of Bifidobacterium lactis bacteria in their composition.

Also worthy of mention are the products launched in 2013 that are less processed and do not incorporate any synthetic additives:

- Luximo unfiltered olive oil;
- Zlota Rybka fillets of wild salmon;
- Nasze smaki chicken fillets;
- Kraina Wedlin sliced chicken loin and ham.

In Portugal, 14 product references from the Pura Vida range were launched, of which the following are highlighted:

- Custard tarts without gluten - an innovative product which, despite not containing any cereals with gluten, maintains the original flavour of this traditional Portuguese sweet;
- Wholemeal biscuits with chia seeds, prepared with sunflower oil, whose nutritional profile is similar to that of olive oil, and which have low levels of sugar and a high fibre, calcium and Omega 3 content;
- Mini corn crackers without gluten or added sugar, with a low level of fat and containing fibre, available in convenient sachets.

In addition, in Biedronka's Bakery category we increased the content of whole grain flour in the composition of some products. Also in Pingo Doce's Bakery category, three cakes without added sugar were launched as well as dawnuts with a reduced level of fat, all of these products aimed at consumers with specific dietary requirements.

4.2.2. REFORMULATIONS

Within the scope of the reformulation of the Private Brand products, priority is given to product references that are consumed mostly by children and which may be understood to be beneficial for the health, as well as to fast-moving products.

Aktiplus drink

In 2013, following the guidelines in Jerónimo Martins Group's Nutritional Policy, it was possible to remove the following from the market:

- About three tonnes of fat (of which more than a half were saturated);
- About five tonnes of salt;
- About 161 tonnes of sugar.

In Poland, the reformulations that took place in 2013 aimed to decrease the levels of salt and sugar and also to remove ingredients that consumers consider to be superfluous: flavour intensifiers and other synthetic additives.

Within this context, of note is the reformulation of three children's cereal product references, resulting in a 25% reduction in sugar. In the *Domowy Obiadek* ready-meals range, flavour intensifiers were removed and the level of salt was reduced by up to 63%. Flavour intensifiers were also eliminated from seven *Goraca Chwila* instant soup product references and from the *Swojska Chata* range of tinned meats and white ham.

In Portugal, worth highlighting are the reformulation of the Pingo Doce Brioche Bread Loaf, consisting of the reduction of around 70% of its level of saturated fat and the elimination of palm oil from its composition, as well as of the Chocolocos children's cereals, whose level of sugar was reduced by 10%. Also noteworthy is the removal of flavour intensifier from the Pingo Doce Bolognese Cannelloni. In addition, in the fresh Bakery category, the bread produced in the Fresh Dough Plant was reformulated, in order to reduce the level of salt, resulting in 92 tonnes of salt being eliminated from the products.

4.2.3.
PROMOTING HEALTHIER CHOICES

Considering that the Jerónimo Martins Group's banners stand out particularly as a result of the confidence consumers have in the quality of their Private Brand products and of the educational role that they play in promoting health through food, the Companies are committed to promoting more informed purchasing decisions through proactive engagement with consumers.

In both Portugal and Poland, the Group remains committed to clearly and concisely informing consumers about the nutritional composition of its Private Brand products, continuing to show, whenever feasible, full nutritional tables with values per 100 grams and per portion.

In Portugal, the signs used on the front of the package enhance the visibility of the information, enabling a quicker and more intuitive interpretation of the composition of the product regarding the percentage of calories, fat, saturated fat, sugar, salt or fibre based on the Daily Recommended Values (DRV) for adults or children, depending on the product.

In an endeavour to promote healthy eating patterns, over the last few years Pingo Doce has been following the principles of the Mediterranean Diet as a reference. In 2013, this diet was recognised as World Intangible Heritage by UNESCO.

The "Sabe Bem" ("Tastes Good") bimonthly magazine, directed at customers of Pingo Doce, gives prominence to this diet, providing informative articles and recipes favouring the use of ingredients that are typical of this type of diet.

As a means of involving the Group's own employees, the "A Nossa Gente" ("Our People") internal magazine also includes articles related to the Mediterranean Diet in all its editions.

In Poland, the partnership that Biedronka has with Instytut Żywności i Żywienia (The Polish Institute of Food and Nutrition), for the regular study of the nutritional needs of the society of that country is of particular importance in raising consumer awareness on the role food plays in promoting health.

In 2013, within the scope of this partnership and with the support of Polskie Towarzystwo Dietetyki (Polish Association of Nutritionists) an awareness campaign took place on the importance of a correct comprehension of food product labels. Along with this initiative, which covered around 100 Biedronka stores, free nutrition consultations were provided and informative materials were distributed.

Simultaneously, around seven articles with suggestions from nutrition specialists were published in the Kropka TV weekly magazine (with a circulation of around 300 thousand copies), in the weekly theme-based leaflets, on Biedronka's website, as well as in Fakt, a national daily newspaper.

4.2.4.
PARTNERSHIPS

Promoting a spirit of sharing knowledge on food, nutrition and health, the Group has been actively involved through its Companies with other organisations and institutions of society in finding common positions to combat eating habits that may lead to an increased risk of cardiovascular diseases, diabetes or other diet-related health problems, and in publicising products for people with special dietary needs.

In Portugal and Poland, previously established partnerships between the Group Companies and various institutions continued in 2013, such as:

- The Portuguese Celiac Sufferers Association and Pingo Doce, with the objective of facilitating the purchasing decision for people with gluten intolerance;
- The Portuguese Cardiology Foundation, which kept its recommendations of the Pingo Doce Delicatessen products in Portugal, with the award of the "Escolha Saudável" ("Healthy Choice") symbol.
- The Polish Institute of Food and Nutrition, for sharing knowledge and, in a joint effort with Biedronka, carrying out initiatives for raising the awareness of that country's society;
- The Institute of Mother and Child, within the scope of the Milk Start project, in Poland;

To be noted also the partnership with Instituto Colombiano de Bienestar Familiar (Colombian Institute of Family Well-Being), established to support and reinforce the "Madres Comunitarias" programme, offering food products that complement those provided by the Government of that country to the more underprivileged children.

For Healthy Growth

Being aware that a balanced diet, rich in vitamins and minerals, is essential during childhood - the stage when the bone structure and the organism's functions are formed - the Jerónimo Martins Group has endeavoured to make its children's products healthier, minimising the levels of sugar and adding the vitamins that are essential for their growth, such as B6, B12 and D, among others.

In Portugal, in 2013, peach Fruta e Vitaminas juice was launched, aimed especially at children, as it has no added sugar and contains calcium, as well as Vitamin A, B6, C, D and E.

In Poland, the Sonik range of soft drinks sold in the Biedronka stores includes natural fruit extracts and in the case of three of the iced tea references which started to be sold in 2013, has Vitamin B6, B12 and folic acid. The Miami small cheeses (two product references), launched in 2013, contain calcium and Vitamin D for the healthy development of children's bone structure.

Replacement of palm oil

The Jerónimo Martins Group's banners are committed to gradually replacing palm oil with other fats - mono and polyunsaturated - in their Private Brand products and in the fresh Bakery and Pastry products.

In this context, it is worth noting that more than 90% of Private Brand products, in Portugal, don't have palm oil in its composition. In the fresh Bakery area, the effort of replacing this fat resulted, in 2013, in the reformulation of six products in Poland and one in Portugal.

4. PROMOTING GOOD HEALTH THROUGH FOOD


Food Safety

4.3. FOOD SAFETY

The safety of the food products that the Group's banners sell, especially Perishables and Private Brand products, is an absolute priority in their endeavour to promote consumer health. As such, and being aware of the responsibility resulting from consumer preference for our products, the Group will continue to strive for quality and food safety, which are the fundamental basis of the capital of the Companies' reputation and the sustainability of their activities. We invest every year in the certification and monitoring of our processes, facilities and equipment, as well as our products. We rely on external auditors and our Quality officers to implement adequate procedures and assess performance indicators.

In 2013, with the objective of improving efficiency levels and maintaining high standards of quality, the Quality Control and Food Safety department underwent a restructuring process and two major areas were created which are common to the geographic regions in which the Group operates: the area of Quality, also responsible for safety during product development and for the control of the activities carried out in our Distribution Centres, and the area of Store Food Safety.

4.3.1. CERTIFICATIONS

In 2013, the following certifications were awarded:

- Hazard Analysis and Critical Control Point (HACCP) certification in accordance with the Codex Alimentarius of the Recheio store in Coimbra;
- HACCP certification in accordance with the Codex Alimentarius of a franchised Recheio store in the Azores.

The following certifications were also renewed:

- ISO 22000:2005 certification – warehousing, distribution and product development – of Biedronka;
- HACCP certification in accordance with the Codex Alimentarius of Pingo Doce's central kitchens in Gaia, Aveiro and Odivelas;
- HACCP certification in accordance with the Codex Alimentarius of the Recheio Cash & Carry stores (including the store in Madeira);
- HACCP certification in accordance with the Codex Alimentarius of the Caterplus Food Service platforms.[4]

During the year, the certifications of the Integrated Environmental Management System, in accordance with the ISO 14001:2004 and HACCP standards, and based on the Codex Alimentarius, that had been renewed in 2010 in the Azambuja, Modivas and Guardeiras Distribution Centres, were monitored.

4.3.2. AUDITS

The Group's Food Safety officers use internal performance benchmarks to ensure compliance with food safety indicators, following a philosophy of continuous improvement of our processes, facilities and equipment.

DISTRIBUTION POLAND

The stores and Distribution Centres in Poland carried out internal audits and, in the case of the Distribution Centres carried out external audits to verify the adequacy of the facilities, equipment and procedures.

[4] With the exception of the Lisbon platform, whose certification process was postponed due to the recent move to new premises.

Stores and Distribution Centres	Biedronka Stores		Distribution Centres	
	2013	2012	2013	2012
Internal Audits	2,648	2,797	26	20
External Audits	-	-	25	11

The compliance levels based on the HACCP indicators were as follows:

HACCP Performance*	2013	2012	Δ2013/2012
Stores	78%	79%	-1p.p.
Distribution Centres**	92%	91%	+1p.p.

* At Biedronka, HACCP implementation is evaluated based on specific requirements which are, in turn, based on the Codex Alimentarius.
** In the Distribution Centres, the compliance rate refers to the ISO 22000 – Food Safety Management System certification, which is based on the HACCP principles of the Codex Alimentarius.

DISTRIBUTION PORTUGAL

Similarly, internal and external audits were performed in Pingo Doce and Recheio operating units.

Operating Units	Pingo Doce		Recheio		Distribution Centres	
	2013	2012	2013	2012	2013	2012
Internal Audits	1,362	1,899	99	93	8	4
External Audits	37	2	12	2	3	1
Follow-up Audits	512	576	170	126	47	101

The following levels of performance were found in the internal audits that were carried out:

HACCP Performance*	2013	2012	Δ2013/2012
Pingo Doce	86%	86%	-
Recheio	77%	74%	+3p.p.
Distribution Centres	65%	71%	-6p.p.

* At Pingo Doce, as at Recheio, the implementation of HACCP is evaluated based on specific requirements, based on the Codex Alimentarius and appropriate for each of the situations in which the Companies operate.

Pingo Doce and Recheio, including the Distribution Centres, also carried out around 84 thousand analyses, including those on work surfaces, handlers of Perishables and products handled in stores, and on water and air, in order to reduce microbiological risks.

In Colombia, during 2013 – the start-up year of the operation in that country – 28 audits took place on the stores and two on the Distribution Centre, in order to evaluate the implementation of the HACCP system. A total of 32 analyses on work surfaces, handlers of Perishables and products handled in stores were also carried out.

4.3.3. ANALYSES

In order to guarantee an effective integration of our food safety commitments, the Jerónimo Martins Group undertakes, in addition to the audits mentioned above, laboratory analyses on the Perishables and Private Brand products sold by its banners.

DISTRIBUTION POLAND

Number of Analyses/Samples collected	2013	2012	Δ2013/2012
Private Brand	4,125	3,669	+12%
Fruit and Vegetables	323	379	-15%
Meat	752	600	+25%

DISTRIBUTION PORTUGAL

Number of Analyses/Samples collected	2013	2012	Δ2013/2012
Private Brand - Food	5,839	5,444	+7%
Private Brand - Non-Food	2,346	2,333	+1%
Fruit and Vegetables	1,611	733	+120%
Meat	2,069	1,062	+95%
Fish	1,264	624	+103%
Bakery	286	126	+127%
Meal Solutions	447	-	-

In Colombia, a 311 laboratory analyses on products sold were carried out.

4.3.4 TRAINING

In Portugal, Food Safety and Hygiene training of Group employees totalled 24,701 trainees and 29,620 training hours. In Poland, the volume of this training reached 10,580 trainees and 22,171 training hours. In Colombia training on Food Safety and Hygiene was provided to 25 trainees.

5. RESPECTING THE ENVIRONMENT

The Jerónimo Martins Group's Environmental Policy was reviewed in 2013

5.1. INTRODUCTION

The big environmental challenges currently facing food sector companies, in a context of increasingly scarce raw materials, are related to the way in which their business strategies and operating processes affect the rate of regeneration of natural resources and how they promote a reduction in negative impacts on ecosystems and society.

With this in mind the Jerónimo Martins Group's Environmental Policy was reviewed in 2013 (available at: http://www.jeronimomartins.pt/responsabilidade/respeitar-o-ambiente/politica-ambiental.aspx?lang=en), reflecting the changes in its concerns and strategies and focusing on minimising environmental impacts in the supply chains.

Environmental management of the Group's activities is organised around three categories: Biodiversity, Climate Change and Waste Management, carried out through the following principles of action:

- Binding legitimate demand for growth to the protection of the environment;
- Including environmental performance criteria while developing and carrying out all activities and in management of decision-making processes;
- Promoting and encouraging environmental management practices and eco-efficiency throughout the supply chain;
- Promote and encourage eco-innovation by developing and supporting environmental projects and services that have differentiating features.

In order to continuously improve the environmental performance of its Companies' activities, products and services, the Environmental Management Systems of the Group's companies focus particularly on monitoring and responding to applicable legal requirements, drawing up annual programmes, conducting environmental audits and diagnoses of business units and monitoring environmental aspects.

MAIN ENVIRONMENTAL IMPACTS

In 2013, in Portugal and in Poland, the Group worked continuously to reduce environmental impacts arising from the following: i. water consumption; ii. energy consumption used to preserve foodstuffs, lighting, HVAC (heating, ventilation and air conditioning) and to operate equipment; iii. production of organic solid waste and paper, cardboard and plastic packaging and iv. atmospheric emissions and consumption of fossil fuels for transporting goods and for the Group's vehicles.

ENVIRONMENTAL AUDITS

In 2013, 221 internal environmental audits were conducted at stores and Distribution Centres in Portugal to ensure their compliance with legal requirements and the Group's environmental management procedures. In Poland, 11 internal environmental audits were conducted for the same reasons.

ENVIRONMENTAL CERTIFICATION

In Distribution, in Portugal, three of the nine Distribution Centres (in Azambuja, Vila do Conde and Guardeiras) maintained the ISO 14001:2004 certification for their environmental management system. In 2014, the aim is to extend this certification to the new Silves Distribution Centre and also to certify the Distribution Centres in Poland, based on the same standard.

In 2013 the Polish Distribution Centres renewed their certification for handling organic products according to the EC 834/2007 Regulation.

5.2. BIODIVERSITY

Considering that the Group, based on the nature of its main business, has the added responsibility of protecting biodiversity, assessing the environmental risks of its activities is crucial for identifying threats and opportunities for improvement, whilst trying, whenever possible, to involve other supply chain partners, particularly suppliers.

Adopting the Ecosystems Services Review (ESR) method proposed by the World Research Institute (WRI), an assessment of the risks to ecosystems associated with the different services made it possible to identify priority actions (which will be assessed and reviewed in 2014) and define a strategy for putting activities in place to protect biodiversity.

Projects to support the Group's management systems and practices have been put in place, namely:

- Information management;
- Training;
- Partnerships with suppliers;
- Research and Development.

Following the identification of threats and opportunities for our priority business areas, in 2012 a study was conducted with MRAG – Marine Resources & Fisheries Consultants – in order to establish the requirements and principles to apply to the Policy for Sustainable Sourcing in relation to fish. In 2013 a risk assessment was launched for 10 species of fish that are most important for the Group in terms of biomass.

A Research and Development project was also launched with ECOINSIDE - an Eco-efficiency and Sustainability Solutions company – in the area of agriculture. This project is of particular importance to the Group as it is intended to study and encourage sustainable agricultural practices, reduce a loss of biodiversity and eliminate invasive species, particularly in relation to fruit and vegetables that are important to the Jerónimo Martins Group.

5.3. CLIMATE CHANGE

The approach of the Group to climate change can be seen in the measures implemented to reduce energy consumption and minimise greenhouse gas emissions from logistics processes or from refrigeration gases.

5.3.1. CARBON FOOTPRINT

In 2013 the Group's carbon footprint was estimated at 954,345 equivalent tons of carbon dioxide, which shows an increase of 15.6% against 2012, which is mainly explained by the Group's growth in terms of number of operating units (Δ2013/2012=12.25%) On the other hand, the specific amount rose from 0.077 to 0.081 equivalent tons of carbon dioxide for every thousand euros of sales.

Carbon Footprint	2013	2012	Δ2013/2012
Overall value (scope 1 and 2) – **t CO_2 eq.**	954,345	*825,496	+15.6%
Specific value (scope 1 and 2) – **t CO_2 eq./'000 €**	0.081	*0.077	+5.2%

Carbon Footprint - Indicators	2013 (t CO_2 eq.)	2012 (t CO_2 eq.)	Δ2013/2012
Overall Carbon Footprint (scope 1 and 2)			
• Distribution, Portugal	297,430	*316,906	-6.1%
• Distribution, Poland	655,659	*508,534	+28.9%
• Distribution, Colombia	1,256	56	+2,142.9%
Carbon Footprint (scope 1 – direct impacts)			
• Leakage of refrigeration gases	137,773	*174,326	-21.0%
• Fuel consumption	46,527	*43,764	+6.3%
• Light vehicle fleet	14,372	*13,346	+7.7%
Carbon Footprint (scope 2 – indirect impacts)			
• Electricity consumption	707,023	*538,762	+31.2%
• Heating	47,850	54,918	-12.9%
Carbon Footprint (scope 3 – other indirect impacts)			
• Transport of goods to stores (Distribution)	130,655	124,388	+5.0%
• Disposal of waste in landfills	62,123	*84,831	-26.8%
• Air travel by employees	2,060	*1,657	+24.3%

Notes: The carbon footprint of the different activities at Jerónimo Martins is calculated using the three levels of the WBCSD Greenhouse Gas Protocol method: direct and indirect impacts and impacts of third parties. The figures given took into consideration the emission factors defined by the IPCC - Intergovernmental Panel on Climate Change (for refrigeration gases and waste), by the Direcção-Geral de Energia e Geologia (Portuguese Energy and Geological General-Directorate) and by the Krajowy Ośrodek Bilansowania i Zarządzania Emisjami (Polish National Centre for Emissions Balance and Management) (for fuel), by the International Energy Agency and by suppliers (for electricity) and by the European Environmental Agency (for air travels). The emissions related to the area of Marketing, Representations and Restaurant Services were not included (estimates point out to less than 1% of total emissions) The figures marked with an * were corrected as, in 2012, they included the figures for Manufacturing, quantities and emission factors.

5. RESPECTING THE ENVIRONMENT

Energy and Water Consumption Management Teams

At Distribution Companies in Portugal, one of the highlights in 2013 was the contribution of the "Energy and Water Consumption Management Teams" project in order to rationalise energy and water consumption. This project, which is driven by monthly challenges and an internal benchmarking system, achieved a 6,258,973 k Wh like-for-like reduction in energy and 134,205 m³ in water consumption, i.e. 1.6% and 11.6%, respectively. The target set was a 2% reduction in both cases. Compared to results achieved in 2012, the water consumption savings increased by 1.5 p.p. whereas the energy consumption savings increased by 1.2 p.p..


Solar collectors

5.3.2. RATIONALISATION OF ENERGY AND WATER CONSUMPTION

For the Group, combating climate change and rationalising energy consumption are the priorities inherent to our business and drive a number of initiatives. Rationalisation of water consumption, which is vital for life itself, is the continuous focus of actions to minimise waste and increase efficiency when using this natural resource.

The Group also maintained its investment in new technologies that provide energy savings and therefore reductions of CO_2 emissions, such as renewable energy technologies.

RENEWABLE ENERGY

Technology	No. buildings	Energy saved per month	CO_2 saving per year
Solar collectors for water heating	11	16,426 kWh	98 t
Lamp posts powered by photovoltaic panels	1	6,000 kWh	36 t
Tubular solar light transport system	4	8,300 kWh	50 t
Solar collectors for hot water production used in the air conditioning system and for heating for domestic water	2	16,300 kWh	10 t

Environmental indicators:

ENERGY CONSUMPTION

Total consumption	2013	2012	Δ2013/2012
Energy consumption			
• Overall value – *GJ*	5,450,674	*5,070,588	+7.5%
• Specific value – *GJ/'000 €*	0.460	*0.452	+1.8%
Energy consumption per business unit			
• Distribution, Portugal – *GJ*	1,704,431	1,810,860	-5.9%
• Distribution, Poland – *GJ*	3,693,807	*3,202,893	+15.3%
• Distribution, Colombia – *GJ*	16,734	-	-
• Others business units (estimate) – *GJ*	35,702	56,835	-37.2%

The figures marked with an * were corrected, as in 2012, they included figures for the Manufacturing businesses now deconsolidated.

WATER CONSUMPTION

Total consumption	2013	2012	Δ2013/2012
Water consumption			
• Absolute value - *m³*	2,141,561	*2,225,233	-3.8%
• Specific value - *m³/'000*	0.181	*0.198	-8.6%
Water consumption per business unit			
• Distribution, Portugal - *m³*	1,552,925	1,643,304	-5.5%
• Distribution, Poland - *m³*	561,859	554,743	+1.3%
• Manufacturing - *m³*	12.707	-	-
• Others (estimate) - *m³*	14.070	27,186	-48.2%

The figures marked with an * were corrected, as in 2012, they included figures for the Manufacturing businesses.

5.3.3.
REDUCTION OF ENVIRONMENTAL IMPACTS OF LOGISTICS PROCESSES

The Group's Companies are committed to the target of reducing the environmental impact associated with the logistics processes along the entire value chain by minimising the consumption of raw materials and energy resources and the amount of emissions and waste. The following actions were particularly important in 2013:

EMISSIONS IN DISTRIBUTION

- In Poland, 267 Euro 5 type vehicles were introduced, which are more energy efficient than the previous generation of engines, as was the first Euro 6 goods transport vehicle in the country. The Euro 6 vehicle operates exclusively for the Group;
- Introduction of two refrigeration trucks that use carbon dioxide as their refrigeration gas;
- Testing telemetry systems in trucks, which tend to make eco-driving practices easier, to train drivers and to reduce fuel consumption and carbon emissions;
- Preparation of the vehicle fleet for urban areas by equipping 55 vehicles with refrigeration units and lift platforms with reduced noise emissions;
- The backhauling operation in Poland represented 60,455 pallets collected resulting in a saving of 199,501 km and 198 tonnes of CO_2 emissions;
- In Portugal the backhauling operation represented 290,065 pallets collected. This measure resulted in a saving of 6,029,724 km, the equivalent of 5,793 tonnes of CO_2 emissions.

REUSABLE PACKAGING

In Portugal, reusable plastic boxes are used for Meat, Dairy Products, Fish, Bakery and Fruit and Vegetables:

Percentage of reusable boxes vs. total number of boxes transported	2013	2012	Δ2013/2012
Portugal	14.6%	16.7%	-2.1 p.p.

5.3.4.
MANAGEMENT OF REFRIGERATION GASES

The Group considers that effective management of refrigeration gases is fundamental for minimising emissions of greenhouse gases or others that deplete the ozone layer. The action taken by the Group's companies therefore included rigorously controlling leaks, investing in cleaner technologies and cooperating with providers of refrigeration and HVAC services.

At all of the Companies the only refrigeration substance that depletes the ozone layer is R22 gas, which has been systematically replaced by other substances with a lower environmental impact. The number of systems that still use this gas, compared to 2012, fell by 44%:

Equipment with R22 2013	No. of establishments			
	Portugal	Poland	Colombia	Total
Refrigeration systems	-	-	-	-
Air conditioning systems	37	2	1	40

Truck with Euro 6 Engine

5. RESPECTING THE ENVIRONMENT

P.D. Recycling Points

In terms of fluorinated greenhouse gases information, their impact on climate change is considered in the calculation of the carbon footprint presented in point 4.3.1. of this chapter.

In Poland the implementation of freezer cabinet refrigeration systems to transport meat and frozen items (from seven Distribution Centres to the stores) using dry ice was maintained. This gas has substantially lower environmental impacts than conventional refrigeration gases, which led Biedronka to installing this technology in four more Distribution Centres, increasing the number of logistics facilities using this system to 85% (11 of a total of 13). In Portugal the first CO_2 systems were installed, in the Silves Distribution Centre, which will be opened in 2014.

5.3.5. RATIONALISATION OF PAPER CONSUMPTION

Office paper consumption is substantial in the Group and a number of projects have been undertaken to reduce it, resulting in considerable benefits for the sustainability of forest resources.

In Portugal and in Poland several initiatives were put in place such as electronic invoice management and elimination of paperwork that resulted in a saving of over 5.4 million sheets, or a total of 714 thousand trees.

In Poland the paper used at the central offices has the "European Ecolabel". Both, in Portugal and in Poland many in-house publications are FSC ("Forest Stewardship Council") or PEFC ("Programme for the Endorsement of Forest Certification") certified. The Annual Reports and Accounts are also produced at printing houses that use paper from responsible sources that is FSC certified.

5.4. WASTE MANAGEMENT

The Group is committed to prevention and recovery of waste generated, not only in its own activities but also in the projects it provides to support consumers in these tasks. Raising employee and public awareness of correct waste separation practices and seeking new recovery solutions constitute basic practices at our Companies.

WASTE RECOVERY RATE

	2013	2012	Δ2013/2012
Distribution – Portugal	56.0%	57.8%	-1.8 p.p
Distribution – Poland	79.4%	63.6%	+15.8 p.p
Distribution – Colombia	88.2%	-	-

5.4.1. CHARACTERISATION OF WASTE

Overall in its activities the Group in 2013 generated 307,150 tonnes of waste, which was an increase of 8.1% against the previous year. This number is due to the increase of 352 existing stores in 2013.

Waste	Distribution Portugal		Distribution Poland		Distribution Colombia	
	2013	2012	2013	2012	2013	2012
Cardboard and Paper	41.6%	39.6%	61.5%	57.3%	83.1%	-
Plastic	2.9%	3.3%	3.2%	3.0%	5.1%	-
Wood	0.2%	0.1%	0.9%	1.4%	0.0%	-
Organic waste	5.1%	6.5%	7.0%	2.0%	0.0%	-
Unsorted	41.0%	42.7%	20.6%	36.4%	11.8%	-
Used cooking oil and fat (grease traps)	0.2%	0.2%	0.0%	0.0%	0.0%	-
Sewage Treatment Waste	5.1%	5.2%	0.0%	0.0%	0.0%	-
Hazardous Waste	0.0%	0.0%	0.0%	0.0%	0.0%	-
Other Waste	0.4%	2.4%	6.7%	0.0%	0.0%	-

5.4.2.
WASTE RECOVERY

The following were the most important projects in 2013:

- Pingo Doce remained a point of reference for customers in waste recovery. At year end, 337 establishments had recycling points, accounting for 89% of all Pingo Doce stores. A total of 310 containers for recycling cooking oil, 328 for batteries (in remaining stores there were a cardboard containers set up by Ecopilhas institution), 310 for small household appliances, 45 for fluorescent light bulbs and 45 for ink cartridges were installed;

- In order to boost this strategy in 2013 Pingo Doce launched two new types of recycling points – 247 for coffee capsules (to produce organic fertiliser and recycle the material from which the capsules are made) and 228 for lids/corks/bottle tops. All income from recovering these components goes entirely to charitable institutions;

- In Colombia, the Ara stores are equipped with recycling points to collect waste from customers (cardboard, plastic and batteries);

- A procedure to separate organic waste (fruit and vegetables) was implemented in all Biedronka stores in Poland.

WASTE DROPPED OFF BY CUSTOMERS IN RECYCLING BINS AT STORES

DISTRIBUTION PORTUGAL

Waste (in tonnes)	2013	2012	Δ2013/2012
Batteries	28.20	*30.0	-5.7%
Waste Electrical and Electronic Equipment (WEEE)	94.44	127.2	-25.8%
Used Cooking Oil	128.97	150.1	-14.1%
Printer ink cartridges	3.71	2.2	+68.6%
Capsules	1.29	-	-
Lids, Corks and Bottle Tops	1.63	-	-

* Figures corrected when compared to the 2012 Annual Report.

In Portugal, as in 2012, these performance figures can be explained by two main reasons: i. consumers have not invested in new electrical and electronic equipment, justifying a smaller rate of waste dropped-off; and ii. investment of municipalities in recycling bins made it easier for consumers to drop-off their waste nearer to their homes.

DISTRIBUTION POLAND

Waste (in tonnes)	2013	2012	Δ2013/2012
Batteries	31.5	29.9	+5%
Waste Electrical and Electronic Equipment (WEEE)	213.9	382.9	-44.1%

In Poland, WEEE's decrease reflects the consumer's preference for repair services thus avoiding to discard these equipments in Biedronka's recycling bins.

DISTRIBUTION COLOMBIA

Waste (in tonnes)	2013	2012	Δ2013/2012
Batteries	0.22	-	-

5. RESPECTING THE ENVIRONMENT

Reducing Plastic Film

At the Distribution Centres in Portugal there are five robots that reduce the use of cling film on pallets by 12%.

Ecobiedronka in Zakopane city

5.4.3. ECODESIGN PROJECT

The Group understands that an effective Corporate Responsibility strategy involves influencing the adoption of more sustainable processes by its suppliers, and has promoted initiatives aimed at reducing the deterioration of the ecosystem.

Aiming for a win-win situation, both sides have worked to improve the eco-efficiency of packaging based on ecodesign strategies in order to:

- Reduce the environmental impact of the packaging of items sold by our stores (especially for our Private Brands);
- Reduce the costs of packaging materials and components and of the waste management of packaging;
- Optimising the movement, transport and display of goods.

The Distribution Companies in Portugal have carried out activities with Private Brand suppliers based on the principles described in the Jerónimo Martins Packaging Ecodesign Manual. The following results were achieved in 2013:

Products encompassed	No.	Unit
Products encompassed	131	SKU*
Savings in packaging materials	2,313	t materials / year
Transport avoided	397	t CO_2 eq / year

* SKU – Stock Keeping Unit.

In Poland, cooperation continued with producers of cardboard to improve the eco-efficiency of the packaging used by suppliers of Private Brands. In 2013, around 11 million tonnes of cardboard was collected from around 53 product suppliers (excluding Fruit and Vegetables category).

An important example of this project in Poland was the "BePower" drink, which is one of Biedronka's brands, whose pallet cardboard was reinforced to eliminate the protective plastic film used in transport. This change removed around 12.5 tonnes of plastic film whilst continuing to protect the drinks cans.

5.5. OTHER ACTIVITIES

In order to minimise the environmental impacts of the construction and use of buildings, the Group has continued to boost the use of environmental criteria in construction or refurbishment projects, thus minimising the negative impacts and bolstering positive impacts. In all geographies (Portugal, Poland and Colombia) technical standards or tender documents are followed, which include construction methods and equipment for refurbishments and for new stores. These documents are intended to improve the environmental performance of stores, as well as contributing to greater energy savings and improving operational activities.

In Portugal, it is important to highlight requirements for construction of the Silves Distribution Centre, in Algarve, namely the efficiency in the use of energy and water and construction of green areas using exclusively native species.

Biedronka currently has 12 eco-stores, which include 10 standard measures to reduce water and energy consumption and manage waste.

5.6. RAISING EMPLOYEE AND CUSTOMER AWARENESS

In 2013, the Group continued to focus on training employees in order to change behaviour and ensure better management of natural resources, emissions and waste. These initiatives included:

- Designing a computer application to manage environmental information, covering all geographies, simplifying the process of collecting data and allowing real-time comparisons of performance;

- Launching training by e-learning for internal and external employees at the Distribution Centres in Portugal in order to promote awareness of the principles of the Group's Environmental Policy, adoption of good environmental practices by employees and rational use of natural resources;

- A similar project was launched in Colombia for employees at stores and Distribution Centre;

- Raising employees' awareness in Portugal of the importance of rational use of water through the in-house magazine "A Nossa Gente". This magazine has a bi-monthly print run of 25 thousand copies;

- Raising managers' awareness in Portugal, Poland and Colombia of the importance of rational use of water through the digital Corporate Responsibility newsletter – "Seeds". This bi-monthly newsletter is sent to over one thousand employees;

- Providing training on good environmental management practices for employees in Portugal (1,176 hours of training, including service providers) and in Poland (46 hours of training).

Being well aware of the need to encourage society to adopt more sustainable practices, in 2013 the Group carried out a number of initiatives directed at customers and consumers:

- Conducting the first environmental audits of Amanhecer stores, marking the start of cooperation in environmental management with these business partners. This project follows the Amanhecer Good Environmental Practices Manual developed in 2012;

- Contributing to public discussion and knowledge sharing by taking part in public events;

- "Environmental Management and Packaging Ecodesign" at the "Production and Distribution with Quality and Sustainability" seminar organised by Jerónimo Martins Portugal for Bakery and Pastry suppliers;

- Presentation of the Retail sectors view of the link that ecosystems services (particularly cork production) has with business at the "Wines that Save Trees" workshop organised by the WWF in Lisbon;

- The "Packaging Ecodesign" corporate project was presented on the television news station SIC Notícias, "Imagens de Marca" programme, which was seen by 25 thousand viewers where the results achieved by Pingo Doce's Private Brands were presented;

- At Recheio raising awareness and environmental training of customers in the HoReCa channel by publishing several articles in "Notícias Recheio" magazine;

- Raising awareness and environmental training of Pingo Doce customers by publishing articles in "Sabe Bem" ("Tastes Good") magazine (with a print run of 230 thousand copies), with a view to adopting responsible environmental and social behaviour;

- Publicising at Pingo Doce stores of the environmental campaign "Procuram-se Equipamentos em Fim de Vida" (Seeking End-of-Life Equipment), promoted by ERP Portugal and the Portuguese Distribution Company Association APED – Associação Portuguesa de Empresas de Distribuição, in order to raise consumer awareness of the most appropriate way of disposing of used electrical and electronic equipment;

- Conventional plastic bags are sold for a symbolic amount at Pingo Doce stores (since 2007), Biedronka (since 2008) and Ara (since the opening in 2013 of stores in large urban areas), and reusable bags are also on sale in all these establishments;

- Launch of the Polish environmental campaign, "In Tune with Nature" that collected 300 kg of aluminium packaging and almost seven tonnes of glass packaging;

- Monthly publication of articles on environmental protection entitled "The green side of Biedronka" in weekly magazine Kropka TV (with a print run of around 300 thousand copies);

- Environmental campaign to raise awareness of appropriate management of waste batteries and the risks of their inappropriate disposal, at picnics hosted by Distribution Centres on Children's Day.

5.7. PARTNERSHIPS AND SUPPORT

The Distribution Companies in Portugal participated in the following initiatives focused on the restoration of natural habitats and protection of biodiversity:

- The Group launched its support for WWF, as part of the Green Heart of Cork project, which is intended to preserve the world's largest cork oak forest area covering half a million hectares and Iberia's largest aquifer. This project is also intended to compensate rural landowners who contribute to improving the fundamental services that the ecosystems provide to society: carbon retention, soil formation, regulation of the water cycle and protection of biodiversity. The amount invested in this project was of 10 thousand euros;

- For two years Jerónimo Martins was part of a working group of BCSD Portugal – Business Council for Sustained Development that, in 2013, led to the publication of a brochure that aimed to increase knowledge and lead to actions by the Portuguese business sector to "Integrate Biodiversity and Services of Ecosystems in Corporate Strategy";

- Pingo Doce continued to sponsor the Lisbon Oceanarium by contributing 100 thousand euros a year;

- As part of the ECOs-Locais project, in 2013 Pingo Doce maintained its partnership with Liga para a Protecção da Natureza (League for Nature Protection). The amount invested in this project was 10 thousand euros;

- Also in Portugal, the "Escolas – Geração Depositrão" schools project by ERP-Portugal was supported by Pingo Doce by providing vouchers to the charities chosen by six schools that handed in the most electrical and electronic waste equipment in the 2012/2013 school year. The value of the vouchers totalled 3 thousand euros;

- "Movimento ECO" (ECO Movement), focused on raising the awareness of the population to prevent forest fires, once again received Pingo Doce's support for communications materials.

6. SOURCING RESPONSIBLY

As such, every effort is made to ensure that the Group's activity stimulates social and economic growth in the regions in which we operate

6.1. INTRODUCTION

The activities developed by Jerónimo Martins involve an integrated approach to environmental, social and ethical concerns throughout its value chain[5] . As such, every effort is made to ensure that the Group's activity stimulates social and economic growth in the regions in which we operate and an increase in the levels of quality and productivity, whilst minimising the negative impact of our operations on ecosystems. The Group seeks to develop and sell products that meet the needs of the Portuguese, Polish and Colombian consumers, aiming to create and share value with all of its stakeholders.

In order to meet these objectives, a Sustainable Sourcing Policy (available at http://www.jeronimomartins.pt/media/508828/sustainable-sourcing-policy.pdf) was created in 2010, which defines the principles that govern our commercial activity:

- Quality and Food Safety;
- Fair and accessible prices with a view to making consumption more democratic;
- Preference for food with balanced nutritional profiles ;[6]
- Boosting socio-economic development in the regions in which we operate;
- Sustainability that may bring a positive contribution towards balancing ecosystems and populations.

There is also a Suppliers Code of Conduct, which is an integral part of the contracts that are signed in Portugal, for the areas of Private Brands and Perishables.

The Suppliers Code of Conduct is now being implemented in Poland and in Colombia, endeavouring to ensure that the Group's entire value chain is in line with the required standards (available at http://www.jeronimomartins.pt/media/447222/suppliers_code_of_conduct.pdf).

The Group has sought to establish a lasting relationship with producers through a direct procurement commitment. As such, our Quality and Environmental technical monitoring teams guide and support producers to optimize their processes through proactive dialogue in seeking solutions with greater proximity.

6.2. COMMITMENT: NATIONAL /LOCAL ORIGIN

The Group's Distribution Companies, under equal commercial terms, give priority to local suppliers in order to enhance the socio-economic sustainability of the locations in which they operate and minimise the carbon footprint of the products they sell.

Within this context - through its banners - the Group continues to encourage the consumer to choose national products. In Portugal, national products are identified with "O Melhor de Portugal Está Aqui" (The Best of Portugal is Here) stickers and in Poland, with a "Polski Produkt" (Polish product) sticker.

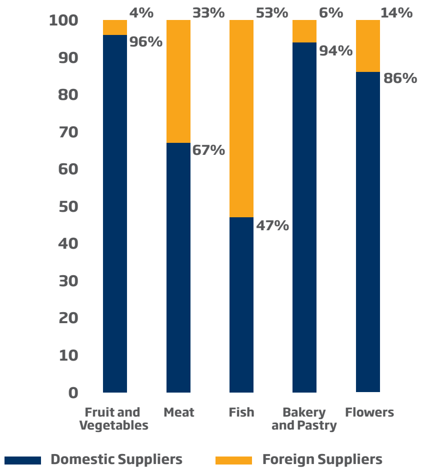
In Portugal, around 85% of the products sold were sourced from local suppliers. In Poland, that ratio was 94% and, in Colombia, 95%.

In Portugal, the Group established a cooperative relationship with the Confederação dos Agricultores Portugueses (Confederation of Portuguese Farmers), enabling a better understanding of the day-to-day difficulties that producers of the primary sector face and, consequently, creating conditions for more effective production support.

PERISHABLES

In the Perishables area, around 70% of the products sold in the stores in Portugal, 92% in Poland and 100% in Colombia, were sourced from local suppliers.

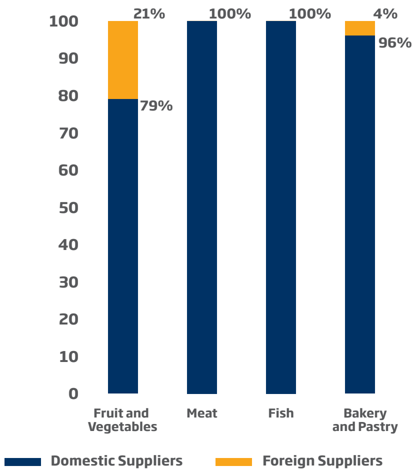
PORTUGAL



[5]To find out our value chain, see page 203 of this chapter.

[6]To learn more about our Nutritional Policy and the related activities carried out, see pages 209-213 of this chapter.

POLAND



COLOMBIA

In pursuit of its policy for giving preference to locally-produced products, Ara acquired all of the Perishables sold in its stores from Colombian suppliers. With this context, it is noteworthy the fruit from the Pereira region: banana, passion fruit and citrus fruits.

A) FRUIT AND VEGETABLES

The Groups chooses to source fresh fruit and vegetables preferably from local producers. Importing occurs in the following cases:

i. For reasons of production seasonality;

ii. When there is no domestic production or the quantity produced in the country is insufficient to guarantee the supply of the stores;

iii. When the quality of domestic products does not allow the quality commitment of the Group to customers and consumers to be met.

Despite these factors, around 95% of the fresh fruit sold by the Group, in Portugal, was acquired from local suppliers. Partnerships are also developed with domestic producers, seeking to ensure a secure product supply and boosting the local economies. In 2013, of note is the relationship with producers of apples, citric fruits and kiwis, which enabled an almost exclusive supply - during the productive season - from within Portugal.

In 2013, Pingo Doce maintained its partnership with Instituto Superior de Agronomia (Institute of Agronomy) and with some Portuguese fruit-growers, in order to develop new varieties of melon with superior organoleptic characteristics. The relationship with Portuguese grape producers was equally strengthened, with the objective of studying paths towards prolonging the harvest period of Portuguese grapes.

In Poland, 81% of the fresh fruit was procured from local suppliers. Of note is Biedronka's commitment to guaranteeing a totally domestic supply of apples throughout the year. As is the case in Portugal, in Poland, new growth opportunities are also explored with Polish producers, and in 2013, a project was developed to implement the cultivation of the Brookfield Gala variety of apples, unknown in that country until now.

In Portugal, fresh vegetables were entirely sourced from local suppliers, as well as 99% of the organic products and 92% of the Root Vegetables category[7], showing a growth trend in all these types compared to 2012[8]. Around 83% of the vegetables in Poland were sourced from local suppliers. Within this context, it should be noted that 100% of the vegetables such as beetroot, Gruntowy cucumber or white, red or Italian cabbage, sold in the Biedronka stores, were grown in Poland, as well almost all the onions, celery root and "Beijing" cabbage.

Also of note is the project for developing the cultivation of traditional varieties of potato in Poland (Lord Denar, Owacja and Irga), carried out in partnership with Portuguese vegetable growers. Also with the objective of guaranteeing a stable supply of locally-grown produce, Biedronka - through its strategic partnership with one of its suppliers - supported the implementation of the cultivation of a variety of traditional Polish garlic, very much enjoyed in that country. This was the first plantation of garlic on such a scale in Poland.

B) MEAT AND FISH

67% of the meat sold in Portugal was sourced from domestic suppliers. Of note is the fact that the poultry and rabbit meat were entirely of Portuguese origin, as well as 95% of the lamb and goat meat.

We maintained our technical support to Portuguese producers of lamb, veal, pork, chicken and turkey in 2013, promoting the use of cereal-based feed, advising on farm management and on more efficient distribution methods. As such, we contributed towards increasing the domestic productive capacity.

Of note is the fact that the lamb sold by Pingo Doce is from animals grazing on natural pastures, in accordance with the assumptions of High Natural Value agriculture and animal husbandry. Within this concept, low intensity production systems with reduced inputs can contribute towards protecting the biodiversity of the regions where they are implemented.

In Poland, we maintained the partnerships with various suppliers of fresh and processed meat were maintained, with a view to being mutually beneficial and all the meat sold in the Biedronka stores was sourced from domestic suppliers.

With regard to fish, the Group has a direct relationship in Portugal with dozens of Portuguese vessels, thereby supporting domestic fishing. Where there are insufficient quantities of fish caught in Portugal to satisfy domestic demand, then it is necessary to import. Even so, in 2013, 47% of the fish sold in Portugal by the Companies of the Group came from local suppliers, representing a slight increase compared to the previous year.

The swordfish sold in the Portuguese stores was sourced entirely from domestic suppliers, as well as for 99% of sardines, over 80% of monkfish and over 70% of sea bream.

Worth highlighting is the partnership that was developed which unites Jerónimo Martins, in Portugal, and a cooperative of fishermen from the Sesimbra area, aiming to enhance the value of fish caught in the waters of that area. Apart from ensuring quality and price competitiveness, the fishermen use traditional fishing methods, such as hook and line, which are less invasive and therefore enable a sustained regeneration of the species. One of these species is the black scabbard fish, which in value terms, represents 4% of the Group's fish procurement, in Portugal, from domestic suppliers.

[7] The Root Vegetable category includes potatoes, onions and garlic.

[8] The only exception is the 4th Range (pre-washed and cut vegetables for salads and soups) where there was a slight decrease of one percentage point in procurement from local suppliers compared to 2012.

6. SOURCING RESPONSIBLY

Modernisation of domestic production

One of the key values of Ara, the Colombian banner, is the focus on efficiency: "We have simple processes so that nobody pays for inefficiencies" is one of the slogans that drives the Group's operations in that country. This requirement also encourages local producers to standardise and modernise their production processes. In its start-up year, Ara - together with its suppliers - managed to create display boxes for all its Private Brand products. This solution is an innovation in the Colombian market and contributes not only towards greater operating efficiency but also towards greater competitiveness from its commercial partners.

Fair Plants & Fair Flowers Certification

With regards to European partners, Biedronka favours suppliers who have the Fair Plants & Fair Flowers certification, attributed to producers who comply with the highest environmental and working standards.

Pingo Doce, supported by its suppliers, pursues a practice for processing imported raw materials in Portugal, with the dual objective of adding value to domestic production and ensuring the high quality of the final product. An example of this is the frozen hake, processed in a Portuguese factory, and the cooked prawns.

Within the current climate of severe pressure on marine ecosystems, aquaculture plays an important part in addressing consumer demand for fish – an excellent source of protein. Bearing this in mind, the Group has been investing in cooperation with domestic producers of trout and sea bream in Portugal, and of trout and tilapia in Poland (to find out more about this project, see page 225 of this chapter). The entire fish sold in the Biedronka stores was sourced from local suppliers.

C) BAKERY

In Portugal, as in Poland, over 90% of the Bakery products were sourced from domestic suppliers.

D) FLOWERS

In Portugal, around 86% of the Flowers were sourced from domestic suppliers. In Poland, where flowers are part of the Fruit and Vegetables category, this ratio was 35%, as there was a significant volume of imports, mainly from the Netherlands.

PRIVATE BRAND

For the Private Brand products that the Group sells, the development of solid and lasting relationships with local suppliers is a determining factor in attaining the quality that consumers demand. An example of this policy is the success of Pingo Doce wines, which, in 2013, won a total of nine medals, within the scope of two renowned international competitions: Concours Mondial de Bruxelles and International Wine Challenge.

With respect to the procurement of the Private Brands products, 97% of the products in Colombia, 95% in Poland and between 58% (Pingo Doce) and 77% (Recheio) in Portugal, were sourced from domestic suppliers.

6.3. COMMITMENT: HUMAN AND WORKERS' RIGHTS

In accordance with the Group's Sustainable Sourcing Policy, it only uses suppliers who commit to practices and activities that wholly comply with the law and any applicable national and international agreements on Human and Workers' Rights.

In addition, the Group is committed to severing business relations with suppliers whenever it becomes aware that they and/or their suppliers violate human, children's and/or workers' rights and/or if they do not incorporate ethical and environmental concerns when conducting their business or they are not prepared to draw up a plan to remedy their operational failings. Within the Suppliers Code of Conduct, our business partners undertake to respect the laws on social ethics, occupational health, and health and safety in the work place in the countries where they operate. The Suppliers Code of Conduct has been an integral part of the commercial contracts for Perishables and Private Brand in Portugal.

Gold Medal, *Concours Mondial de Bruxelles*

Within the context of the Policy, in Poland, the Group's non-local suppliers are given special attention, favouring those who conduct their business with respect for the above-mentioned principles. As an example, it is important to note the fact that all plants of African origin have the More Profitable Sustainability (MPS) certification, which guarantees the control of working conditions in accordance with the standards required by the Universal Declaration of Human Rights, with the international pacts of the World Health Organization and also, with the codes of conduct of the local organisations.

6.4. COMMITMENT: PROMOTING MORE SUSTAINABLE PRODUCTION PRACTICES

Apart from the social aspects mentioned above, which define the aim of some of the supplier evaluation and monitoring criteria, the environment is one of the most important concerns in the relationship of the Group Companies with food production processes.

Aware of the need to ensure that future generations have access to at least the standards of quality of life that we have today, we advocate that diligent and careful management of available resources is imperative, turning environmental challenges into economic opportunities, in conjunction with our suppliers.

INITIATIVES

The Group continues to invest in the production of fruit and vegetables according to integrated farming methods, which aim to minimise the use of chemical products such as fertilisers, herbicides and insecticides, and to ensure the preservation and improvement of the quality of the soil. These methods also provide for the application of indirect measures for tackling pests, using the means that are the least harmful to the environment, such as eliminating infected vegetation or through "biological control".

When developing new products, the Group takes into account concerns regarding quality as well as the environment. In 2013, Biedronka provided its customers with an innovative product in the Polish market - a type of fish from domestic aquaculture. Apart from being a good source of protein and minerals, such as phosphorous, selenium and potassium, tilapia is a species whose diet makes it possible to decrease the environmental risks usually associated with enclosures containing carnivorous species such as salmon. It is a fish that grows rapidly and whose feed is based on plants, thereby exerting no pressure on other marine species in order to survive. The feed is natural and free from any artificial supplements, hormones or antibiotics.

In addition, this species is produced in infrastructures with a closed and totally controlled water circuit, in accordance with the latest and most demanding aquaculture standards, thereby substantially minimising any risk of polluting the environment.

The Group's stable and lasting relationships with its suppliers of frozen products have enabled investments to be made in production solutions that aim to protect ecosystems. For example, the synergies created within the scope of a strategic relationship with a producer of ice-creams has enabled investments to be made in technologies for treating waste water as well as in natural gas for the thermal processing of products.

In 2013, the second annual Jerónimo Martins conference on sustainability took place, with a view to internal development and building on the capacity of the Group's managers and suppliers. This year the topic chosen was sustainable agriculture, which covered subjects such as the control of nutrients and emissions that are harmful to the atmosphere, organic farming practices and genetic manipulation in agriculture.

CERTIFIED PRODUCTS

In an effort towards continuous improvement to the sustainability of the products sold within its range of frozen products, Biedronka launched products certified with the seal of the Marine Stewardship Council: wild salmon and cod. These two species are a part of the ten bestselling species at Biedronka.

In Portugal, Pingo Doce continued to sell packed Asiatic hard clams, also certified with this seal. In addition, 25% of the frozen hake that the Group sells in this banner's stores (which represents around 7% of the frozen fish sales at Pingo Doce), was caught in South African waters by vessels which act in accordance with the standards of this certification. The Pingo Doce brand of canned tuna also includes the Dolphin Safe label.

Whilst in Poland, one of the articles of the Glosima brand of dishwasher tablets was reformulated in order to eliminate phosphates, and it is intended that this will be extended to the other dishwash products. Also at Biedronka, the formula of the Kraft Mix liquid dishwasher detergent was changed, reducing the consumption of the active substance by 24% and the associated potential adverse impacts on the aquatic environment.

Pingo Doce currently sells five Class A energy-saving light bulb product references, under the Home 7 brand, 22 home care product references and the packs of two Pingo Doce juice product references have the Sustainable Forestry Initiative certification. With regard to the Private Brand organic products Pingo Doce had 38 fruit and vegetable products.

CERTIFICATIONS

As far as certifications are concerned, the Group favours (and requires, in the case of foreign suppliers not covered by our internal audit system) a relationship with suppliers who have a Food Safety certification recognised by the Global Food Safety Initiative, namely British Retail Consortium (BRC), Global Good Agricultural Practices (Global G.A.P.), HACCP/Codex Alimentarius or even ISO.

Tilapia fish

6. SOURCING RESPONSIBLY

Safety is Our Priority

In Poland, all our toys, sports and electronic equipment imported from non-European Union countries undergo strict tests, carried out by independent laboratory analysts, such as TÜV Rheinland or Dekra.
All clothing, regardless of its origin, undergoes controls (of its composition, durability and performance) developed in accordance with Intertek's standards.

6.5. SUPPLIER AUDITS

QUALITY AND FOOD SAFETY

Perishables and Private Brand suppliers are regularly audited for assessment and follow-ups. Such audits are mandatory for suppliers conducting their business in the countries where the Group operates. The various aspects analysed include the management and control of processes, the quality system implemented, the formulation of products, labour issues and environmental matters.

Each supplier is reassessed at predefined intervals based on the score they obtained.

AUDITS OF PERISHABLES SUPPLIERS

Portugal	2013	2012	Δ2013/2012
Evaluation Audits	359	160	+124%
Follow-up Audits	191	139	+37%
Poland	**2013**	**2012**	**Δ2013/2012**
Evaluation Audits	37	41	-10%
Follow-up Audits*	1,395	1,350	+3%
Colombia	**2013**	**2012**	**Δ2013/2012**
Evaluation Audits	14	-	-
Follow-up Audits*	10	-	-

*Follow-up audits include the follow-up and product inspection.

Additionally, in 2013, 205 quality audits were performed of Portuguese suppliers of Private Brands, as well as 193 in Poland and 55 in Colombia.

The supplier evaluations carried out within this context cover a set of environmental requirements (legal), which have a 5% weight in the audit assessment. These requirements include criteria associated with the management of water, effluents, waste, atmospheric emissions, noise and hazardous substances.

ENVIRONMENT

Within the scope of its cooperation with suppliers in order to minimise environmental impacts, the Distribution sector in Portugal carried out 30 audits on maintenance, transport and waste service providers. In total, 122 service providers have already been audited. 12% achieved an "Optimum" environmental performance, 13% "High", 73% "Basic" and 2% "Below basic".

The suppliers with an environmental performance below basic have received a corrective action plan which must be addressed within a maximum of six months.

6.6. TRAINING SUPPLIERS

In Portugal, within the scope of Quality and Food Safety, seminars took place for suppliers in the Bakery category as well as for those of the Fruit and Vegetables category.

Regarding the Environment, with the objective of promoting the application of the technical standard on "Environmental Management for Suppliers of Goods and Services", training continued for suppliers in the fish, meat and fruit and vegetables areas, covering a total of 73 suppliers in 2013.

7. SUPPORTING SURROUNDING COMMUNITIES

As a corporate citizen, Jerónimo Martins as a company is aware of its role in reducing the economic and financial gaps in society and in granting access to food, which is the core business of the Group's activity

7.1. INTRODUCTION

Supporting surrounding communities can take on different forms, depending on the multiplicity of synergies that the Distribution sector harnesses in society. Whether boosting local economies, by creating jobs through the expansion of the Group's activities, as well as through the close link between the primary sector and the agro-industry, on which the business depends; or by supporting disadvantaged groups.

As a corporate citizen, Jerónimo Martins as a company is aware of its role in reducing the economic and financial gaps in society and in granting access to food, which is the core business of the Group's activity.

The Policy of Supporting Surrounding Communities (available at http://www.jeronimo-martins.pt/responsabilidade/apoiar-as-comunidades-envolventes/politica.aspx?lang=en) was established in 2011 and aims to respond to certain challenges faced by the societies in which the Group pursues its activities, thus helping fight against malnutrition and hunger, as well as eradicating the cycles of poverty and social exclusion in two main groups: the underprivileged elderly, and children & young people.

The support provided via the Companies, whether at a central level or at a local one, may be the donation of food, personal and home care products; or through direct support (monetary) or indirect support (promoting campaigns). Involvement in institutions that perform educational work targeting children and young people at risk, to prevent early school drop-out and social exclusion and promote entrepreneurship are also considered.

7.2. MANAGING THE POLICY

At Group level, all activities are carried out within the scope of this Policy. They must be properly monitored and an assessment of their impact is made, to ensure that resources are allocated to social projects that are proven to be effective, namely to reach the largest possible number of underprivileged people.

In 2013, Jerónimo Martins assessed the support provided by means of the criteria outlined by the London Benchmarking Group, a network of companies which the Group joined in 2011. The aim is to enable companies to be agents of social change through the sharing of good monitoring practices and a structured assessment model applied to their impact on the surrounding communities, in the short and medium term.

The Group has information on the mission, objectives and the number of beneficiaries concerning the institutions that receive continual support (with protocols established on an institutional level).

This information is complemented by data provided by the institutions and follow-up visits to assess the conditions of the infrastructures and the services offered to the beneficiaries. These visits also represent important moments in terms of communication, in which the institutions' view of the social situation is analysed, as well as the impact of the Group's support on the beneficiaries. Technical knowledge is also shared, namely regarding the management of infrastructures.

Maria Droste shelter

This shelter was founded in 1928. Its mission is to support girls and young women who are confronted with physical or psychological abuse, or who are the victims of their parents' neglect. Its main focus is to provide educational tools, but the individuals responsible for the day-to-day management of the home also aim to provide emotional and psychological support. This institution's priority is to reintegrate the children and young women into their biological families, thus avoiding a lengthy separation from them. The Group provides support by donating food vouchers, to aid the home serve over 350 meals a day.

7. SUPPORTING SURROUNDING COMMUNITIES

PERA Project

The objective of the PERA Project Projecto Escolar de Reforço Alimentar is to provide the first meal of the day to malnourished schoolchildren. At the same time, it aims to raise awareness amongst children, young people and their families about healthy eating habits and encourage them to adopt them. Several partners were involved in this project, which reached over 10 thousand listed schoolchildren in the 2012/2013 school year and that had a proven impact on their school results: 50% were more receptive to learning, 42% showed better behaviour and 79 % went up a grade. Pingo Doce stood up to the challenge too by providing milk and ham/cheese sandwiches to approximately 2,300 children from 64 schools.

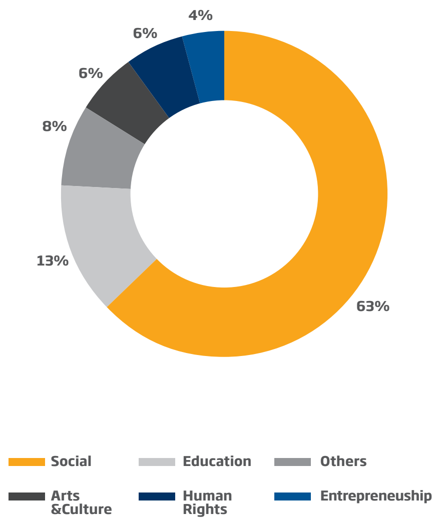
Empresa Comprometida SOS

7.3. DIRECT SUPPORT

In a tough economic environment, the Jerónimo Martins Group has maintained its commitment to provide support to various institutions which carry out relevant social work, by donating food and money.

In 2013, the direct support that the Jerónimo Martins Group gave to surrounding communities amounted to over 13.4 million euros, representing an increase of 20% when compared to 2012.

INSTITUTIONAL SUPPORT



The support provided by the Group to several institutions amounted to 442 thousand euros, 8% less than in 2012. Of this amount, 63% was for social patronage, mainly for children and young people, as well as for the elderly.

In Portugal, since 2004, the Group has provided support to the first SOS Children's Village, built in Bicesse (Cascais) in 1967, by means of food vouchers.

The objective of this SOS Children's Village is to help the 56 children and young people who are vulnerable, orphans who have been abandoned or whose families do not have the financial means to support them. This is done by promoting their full development and independence by fostering them in a family-like environment, doing prevention work and strengthening their family and social ties.

The institution guarantees these individuals an education, helping them to develop their individual skills, interests and talents, thus contributing towards their positive integration into society. In addition to school, the young people take vocational courses and the children participate in sports and cultural activities.

The SOS Children's Village in Bicesse has fostered approximately 280 young people, who are now independent and fully integrated into society.

In 2013, Pingo Doce supported over 600 institutions whose missions fit the profile defined in the Group's Policy of Supporting Surrounding Communities. At a central level, the surrounding communities received support by means of donations in-kind and money, amounting to over 370 thousand euros, representing an increase of approximately 70% compared to 2012.

The donation of 40 thousand euros to build the *Casa dos Marcos*, an infrastructure aimed at sufferers of rare diseases and their families is worthy of note. This institution offers a wide range of physical and clinical medical services, a care home, a residence and a research unit. It belongs to the *Raríssimas* association and is set up according to an innovative assistance model. It is considered a reference in the field of rare diseases.

In addition to this aid, the stores located in mainland Portugal and Madeira and the Distribution Centres also made donations in-kind directly to local social solidarity institutions, totalling over 11.8 million euros. This amount represents 30% more than the donations in 2012.

Recheio and Caterplus donated over 260 thousand euros to the surrounding communities, by means of food donations and financial support. This amount represents less 13% when compared to 2012.

In Poland we also support institutions that help fight hunger and malnutrition. In 2013, the aid provided amounted to approximately 460 thousand euros (circa 2 million zlotys).

In addition, Biedronka helps organise solidarity events such as Day of the Child, World Day of the Sick and St Nicholas's Day. At these events, in addition to the donation of food, the Company also supports their respective communications. Biedronka also made a donation of medical equipment to the Oncology Centre of Poznan.

In 2013, Jerónimo Martins Distribuição de Produtos de Consumo, Caterplus and Hussel supported the Portuguese Food Bank and other institutions with in-kind donations totalling about 90 thousand euros, an increase of 39% when compared to 2012.

In Colombia, where the Jerónimo Martins Group launched its commercial activities in March 2013, the strategy of involvement with the communities consisted of improving the diets of the children living in the areas where the Ara stores are located. The Group's Colombian Company, Ara, has partnered with the Instituto Colombiano de Bienestar Familiar (Institute for Family Well-Being) to reinforce the governmental initiative to support children from disadvantaged families. The "Madres Comunitarias" programme aims to provide financial aid to nannies that take care of children. Jerónimo Martins Colombia has partnered with this programme, and regularly donates food baskets containing products that these children were practically deprived of until then, including eggs, papayas, bananas and yoghurt, thus contributing to a true improvement of their diet and consequently, of their physical and cognitive development.

7.4. INTERNAL VOLUNTEERING AND OTHER CAMPAIGNS

Based on the belief that they can help build the social fabric of the future, in Portugal employees of Jerónimo Martins actively took part in programmes of Junior Achievement Portugal, of which the Group is a founding member. These programmes are based on volunteering and aim to get employees of the partner companies to promote entrepreneurship in children and young people by teaching them about issues such as relations with family and community, the economy, the European Union, and even teaching them about creating and setting up a business.

There were other opportunities for the employees in Portugal to help the disadvantaged target groups. In December, during the Christmas period, internal campaigns were carried aiming to help certain institutions whose missions focus on children and young people, as well as underprivileged families. Thanks to the contributions of the employees from the central offices, the internal campaign "Dê uma Mão, Receba um Sorriso" (Give a Hand, Receive a Smile) led to the donation of gifts requested by 95 children of the Centro Social 6 de Maio (6th of May Social Centre), an institution located on an estate on the outskirts of Lisbon with serious social, housing and economic problems and that carries out various projects to fight against the exclusion of its local community.

At the Christmas dinner attended by approximately 700 of the Group's managers, the matching donation initiative was maintained. This year, the selected institution was the Legião da Boa Vontade (Legion of Good Will), with the "Um Passo Em Frente" (One Step Forward) programme, designed to provide support to low-income families and those who are socially vulnerable. Thanks to their donations, the Jerónimo Martins employees contributed a total of 3,650 euros to the initiative. This amount was matched by the Group, thus permitting the donation of food baskets to over 290 families.

7.5. INDIRECT SUPPORT

In 2013, Pingo Doce and its clients maintained their involvement in various food-collection campaigns, as well as for other goods. Pingo Doce contributed by providing facilities and producing all the communication materials. These campaigns aimed to support institutions and underprivileged people.

In this regard, one of the most emblematic campaigns to fight hunger and which involves all the Distribution companies operating in Portugal is the Portuguese Food Bank campaign. During this campaign, volunteers collected over 1,400 tonnes of food in Pingo Doce stores and food vouchers totalling approximately 140 thousand euros were sold.

In partnership with the ACAPO (Association for the Blind and Visually-Impaired of Portugal), a benchmark institution that promotes the social inclusion of the visually-impaired, a campaign to raise funds was carried out that resulted in the collection of over 7.5 thousand euros.

In 2013, the "10 Million" Stars campaign, in partnership with Cáritas Portuguesa, resulted in the collection of revenue totalling about 60 thousand euros for this institution.

In the course of several campaigns in Poland, Biedronka managed to collect 470 tonnes of food in collaboration with the Polish Food Bank Federation. Activities to collect food in partnership with Caritas Polska also took place, leading to the collection of 190 tonnes of food.

7.6. OTHER SUPPORT

The "Sniadanie Daje Moc" ("Breakfast Gives You Power") programme, set up in partnership with other food companies in Poland, maintained its aim to reach an increasing number of children, involving approximately 4,700 schools in the 2012/2013 school year (in 2011/2012, the number was 2,400).

In Poland, other support is offered within the framework of the Group's activities with the local communities. In 2013, Jerónimo Martins Polska supported the construction of a municipal playground for children, as well as the renovation of a hospital. We also provided support for the recovery of an access lane.

Inclusion through culture

In Poland, Jerónimo Martins Polska has also supported the inclusion of groups that were socially and culturally isolated. As a result of a partnership with the Open Arts Project Foundation, the National Centre for Culture, the Senior University of Otwock and the National Library, the residents of the city of Otwock, most particularly the elderly, had the opportunity to attend workshops and cultural conferences.

"Breakfast Gives You Power" project

8. BEING A BENCHMARK EMPLOYER

The Jerónimo Martins Group is a driving agent in the societies in which it operates.

8.1. INTRODUCTION

The Jerónimo Martins Group is a driving agent in the societies in which it operates, contributing towards improving the quality of life of citizens by creating employment and through competitive and balanced salary practices.

Respect for Human and Workers' Rights and elimination of any type of discrimination are the cornerstones of the solid relationship, based on trust that it has with its employees. With that relationship there is a constant concern for ensuring that the conditions we offer are competitive which is reflected in the investment in training, the creation of opportunities for career progression and the development of social support programmes, within the context of an internal social responsibility programme. In addition, the importance of the Internal Health and Safety in the Workplace Policy is reinforced, based on prevention.

Within the context of the globally challenging economic environment, 2013 was marked by the beginning of Jerónimo Martins' operation in Colombia. In Poland, the investment in expansion was maintained, strengthening further the relationship between Biedronka and Polish consumers. The operations in these two countries made a significant contribution towards creating employment.

In 2013, the Group created 8,256 jobs, representing a net growth of 12% compared to 2012.

The main indicators for the Jerónimo Martins team are:

- There are 76,810 of us;
- 77% are women;
- 66% of the management positions are held by women;
- 12% are under 25 years of age, 43% are aged between 25 and 34; 31% between 35 and 44; 11% between 45 and 54; 3% are aged 55 or over;
- 82% are hired on a full-time basis;
- 67% are permanent staff.

8.2. PRINCIPLES AND VALUES

The Jerónimo Martins Group complies strictly with national and international legislation regarding Human and Workers' Rights and follows the guidelines of the United Nations Organization and the International Labour Organization. Its entire activity is based on the principles of respect and the decent treatment of each individual, both during the recruitment and selection processes and their subsequent professional development, with the objective of eliminating any direct or indirect discrimination.

Our concern for ensuring that the professional development process is free from discrimination is ensured through annual performance assessments, carried out in an objective and transparent manner. Through these assessments, it is possible to fit the employees' profiles to the roles carried out, contribute towards positive rates of internal satisfaction, confidence and motivation, as well as to prioritise the training sessions held, with a view to guaranteeing the Group's competitiveness. Equally, they promote a culture of meritocracy and justice at the heart of the organisation.

"Among Us" employee service

DISCLOSURE

In order the above-mentioned principles are respected throughout the entire Organization and reflected every day in the conduct of our employees, enabling a healthy and balanced working environment, it is essential to ensure that they are effectively communicated.

The Code of Conduct (available at http://www.jeronimomartins.pt/media/431763/code-of-conduct.pdf) serves this purpose and is given to all employees when they start working for the Group, in any location.

In Poland, there are also formal Policies to Prevent Harassment and Discrimination, with the objective of preventing any type of behaviour that may threaten the equal treatment and dignity of our employees.

Apart from disclosing the Code of Conduct, the Group uses its internal means of communication to disclose the Organization's principles and values. Examples of this are its magazines, "Nossa Gente" (Our People) in Portugal and "Nasza Biedronka" (Our Biedronka) in Poland, or the internal portal.

APPLICATION

The Group provides in both Portugal and Poland a telephone, email or letter service for employees to report situations of non-compliance with the content of the Code of Conduct or its underlying principles, thereby fostering a relationship of trust and proximity. This service guarantees total confidentiality and availability and may also be used to clarify any labour issues or to request social support.

The Ethics Committee, and the functions of Labour Relations and the Internal Social Responsibility may be involved, depending on the areas concerned, to guarantee that situations are properly investigated and resolved.

	Employee Assistance Service	
	No. Contacts /Procedures initiated	% of procedures concluded
Portugal - "Entre Nós" (*Among us*)	3,355	99.6%
Poland	3,530	97.0%

The Group also acknowledges the Freedom of Association and Collective Contract in the countries in which it operates. In Colombia, a Committee for Labour Coexistence was created internally, in accordance with the applicable legislation, aimed at resolving labour complaints, including situations involving discrimination.

Over 90% of the Group's employees in Portugal are covered by an Instrument of Collective Labour Regulation.

8.3. GLOBAL APPROACH

Although the three countries in which we operate have quite specific challenges - the Group's continuous growth in Poland, the recent expansion into Colombia and the consolidation of the operations in Portugal - 2013 was also a year for reinforcing our Human Resources corporate structure. The competencies of the Corporate area were reinforced in order to align practices in that area and contribute towards building an international Organisation renowned for the quality of its people management.

Of note is the consolidation of the "Overall People Management Approach", launched in 2012 and aimed at the managers in all the countries.

This approach, common to all the countries in which the Group operates, accompanies the "life cycle" of an employee's career right from the time of induction into the Organization, and is based on two main focus points:

- JM Way – a competencies model which guides behaviour and attitudes, taking into consideration the business objectives;
- Taste Of – an integrated concept for people management based on five pillars, Taste of a New Journey, Taste of Ambition, Taste of Evolution, Taste of Recognition and Taste of Significance, which represent the different stages in the life cycle of the employees within the Organization.

We have created the "People Management Platform", an integrated electronic tool supporting the Human Resources Policies and Processes in all the countries.

In September 2013, the Jerónimo Martins Group launched an organisational diagnosis questionnaire called "Organizational Health Index Survey", with the objective of gauging the Organisational Health of the Group and its Culture, Leadership and Values. This project consisted of using a standard questionnaire for all managers and a short questionnaire (culture and values) for a sample of around 15% of the non-managers of all the Companies in Portugal, Poland and Colombia. Over 10 thousand employees participated in this diagnosis.

The consolidated results were very positive, positioning the Jerónimo Martins Group in the first quartile (top 25%), proving that these results are based on solid management practices which guarantee the medium and long-term sustainability of the business.

This standard survey has already been conducted in over 800 companies internationally, and so it is possible to make a direct comparison with Jerónimo Martins Group's results, both globally and in the Food Retail sector. The Jerónimo Martins Group's score of 75 means that it stands out positively not only in comparison with the average of all the companies assessed (score of 61) but also in comparison with the average of score of 71 obtained by the companies in the first quartile.

Culture and Values were also assessed and the results were subsequently shared and discussed with the Group's top management and will be one of the main concerns in 2014.

In Poland, a communication campaign called "Szacunek" (Respect) was developed in 2013, whose main objective is to promote a positive working environment among the teams, based on mutual respect and cooperation. This campaign was promoted by Biedronka's top management and it also highlighted the need to maintain an ethical behaviour in internal relations between employees and in external relations with the banner's business partners. It is based on the following 10 principles, which are the basis for a responsible conduct and which lead to a productive and healthy working environment, and employees are encouraged to practice the values of the Jerónimo Martins Group:

- Honest and upright dialogue;
- Cooperative management;
- Acknowledgement of other people's work;
- Consideration for other people's time;
- Respectful approach;
- Cooperation;
- Individual accountability;
- Respect for other people's dignity;
- Impartial treatment;
- Constructive opinions.

"Respect" project

8.
BEING A BENCHMARK EMPLOYER

"International Management Trainees" Logo

8.4.
FROM ATTRACTION TO RETENTION

Although at different specific paces, the recruitment practices in the countries were in harmony with the values that are inherent to the Group's positioning as an employer (Employer Branding) and aligned with the needs of the respective businesses.

Recognising the growing role of new technologies in attracting and selecting applicants, and favouring direct and up-to-date contact with whoever wants to get to know the Group, in 2013, the recruitment area strengthened its position on LinkedIn, the professional social network, which nowadays plays a key role in publicising career opportunities and attracting applicants for the three countries.

Equally, the Group believes in internal mobility as a factor for boosting the development of its people and the driver for the exchange of best practices between business units. This certainty is a reality within the Group, which is achieved through unique, challenging, rewarding and stimulating professional paths.

In the countries in which the Group runs its activities, employees were given the opportunity of professional development including roles within the stores, Distribution Centres and Head-offices. More than 12 thousand employees were promoted in 2013.

TRAINEES PROGRAMME AND INTERNSHIPS

The recruitment requirements in Poland and Colombia, due to the growth in the business and the need for age regeneration in Portugal, are the reasons for the Group's close relationship with universities and other entities considered to be sources of recruitment.

Another edition of the "Trainees" programme took place in Poland, which is representative of the Group's practices in terms of strict recruitment requirements. Being a Jerónimo Martins Group trainee means building a career, acquiring knowledge and skills through a unique combination of on-the-job experience and a dedicated training programme.

In 2013, the 2nd edition of the "International Management Trainees" programme took place, which is an international exchange, aiming to provide young business management graduates with effective development and expose them to a different operational culture and reality than those in their country of origin. The trainees recruited in Portugal and in Poland joined the Company in those countries and received regular follow-up.

In 2014, the Jerónimo Martins Group will extend this programme to Colombia, with the objective of sharing best practices for developing technical and behavioural competencies.

The "Rethink Retail" concept was also created within the scope of Employer Branding and was implemented in Poland in 2013. Throughout the 2013/2014 academic year various events took place directed at university students, which were created with the objective of informing them about the business trends in Food Retail, as well as the career opportunities that the Group offers.

PERFORMANCE ASSESSMENT AND REMUNERATION

Consolidating a single performance assessment model for the managers, common to all the countries, was one of the main challenges in the area of Management Development in 2013. This process was a determining factor for aligning objectives and identifying areas of growth for employees.

We also believe that the responsibility for individual development lies mainly with the employee him or herself. That is why we encourage our managers to identify their next challenges and growth opportunities.

With regard to remuneration, we promote competitive, fair and balanced salary policies and practices. We have created a Total Reward Policy, with the objective of strengthening the Group's positioning as a benchmark employer in the sectors and countries in which it operates.

In this context, the Group monitors and reviews the Compensation Policies in Portugal, Poland and Colombia constantly, in order to ensure the competitiveness necessary to attract and retain its human capital.

In Poland, the Policy for Attributing Bonuses to Employees in the stores was reviewed. Following the best practices for which the Group is known, Colombia developed and implemented a Salary Structure for its employees in the stores and Distribution Centre and awarded the first bonuses to its employees.

In 2013, in the three countries the Group attributed approximately 54.7 million euros in bonuses to its employees.

As in previous years and in the majority of its Companies, the Group maintains a policy for a competitive minimum wage above the national minimum wage.

TRAINING

In order for an organisation to develop and grow, it is essential to provide employees with knowledge, practices and procedures that enable them to reach excellent levels of performance, fostering innovation and a culture of merit and continuous out-performance.

During the year the first common programme for developing the Organization's Leaders took place with the joint participation of employees from Portugal and Poland. This executive programme, called Strategic Management Programme, was designed and tailor-made for the Jerónimo Martins Group, with training modules at the Universidade Católica, in Lisbon and at the Kellogg School of Management, in Chicago. Within the training component of this programme, of special importance is the focus given to innovation.

In Portugal, the partnership that was created in 2012 between the Jerónimo Martins Group and Universidade de Aveiro, involving tutoring for the bachelor's degree in Commercial Management, started showing its first results, with an increase in demand from applicants with high grades at the beginning of the 2013/2014 academic year. Some of the characteristics of this tutoring programme, which links theoretic knowledge to concrete experience (learning-by-doing), include study visits to companies, open classes, workshops and professional internships. In this way, the Group endeavours to contribute towards the more effective integration of students into the job market.

We also highlight the investment in high quality training through the protocols that have been entered into with the best universities in the world, leaders in terms of management, with prestigious programmes, such as Insead's Transition to General Management and the Stanford Executive Program, which were attended again by some of our Group's top management.

In 2013, the Jerónimo Martins Training School created training programmes for all the Group's employees, with the objective of integrating them into the Organization and continuously supporting them in developing their competencies. The following training programmes are highlighted:

- Advanced Store Management Programme (ASMP), consisting of providing management tools for Pingo Doce store managers. 36 managers in total attended the 1st edition of this programme, amounting to 3,700 training hours.

- General Store Management Programme (GSMP), which has already had 21 editions, and has the main objective of training future store managers, enabling them to develop their technical competencies in a theoretical-practical context.

In order to ensure the excellence of our Perishables, in 2013 we also invested in the development of the technical knowledge of our employees who work in these areas. The Perishables School trained over five thousand employees, recording a volume of around 51 thousand training hours in the different Companies.

It should be noted that the training and transmission of knowledge and the Organization's best practices is the responsibility of a group of highly experienced employees with advanced technical knowledge, who accompany our employees in their places of work. This team of Perishables experts will be reinforced during the 1st quarter of 2014.

As we believe that the key to customer loyalty in our stores can only be achieved through an excellent and differentiating service, in 2013 we trained over 3,550 employees and gave courses in Service and Sales Techniques in the Pingo Doce and Recheio stores and in the Jeronymo coffee shops.

During 2013, the Jerónimo Martins Group also signed various protocols with several national benchmark training institutions, enabling 316 internships to take place and this provided training opportunities for the unemployed through actions within the framework of the National Qualifications Catalogue, having provided over 22 thousand hours of training to people outside the Organization.

In Poland, training programmes dedicated to leadership were developed:

- Management Academy, for 200 new professionals per year in business management roles divided into three modules: Self-Management, Managing Others and Team Management;

- Biedronka Management Academy, which is for all the new store managers and deputy store managers. This programme is also divided into three modules and covered around 350 new store managers and 1,800 deputy store managers;

- Distribution Centre Academy, dedicated to logistics professionals who manage the warehouse staff and which covers around 80 employees every year.

In Colombia, an intensive training programme was launched for store and warehouse employees in order to ensure they have a set of competencies considered to be critical in carrying out their roles. This programme was designed by taking into consideration the best practices implemented in Portugal and in Poland.

Training Indicators	2013	2012	Δ2013/2012
Total No. of Sessions	50,841	22,655	+124%
Training Volume *	1,977,579	1,781,898	+11%

* Training Volume – No. of training hours x no. of employees in training

8. BEING A BENCHMARK EMPLOYER

Child and Adolescent Development Clinic

The Child and Adolescent Development Clinic was created in 2013 and its mission is to accompany our employees' children who have development, learning or behavioural problems. As this programme is in its pilot stage, it was initially launched in the Lisbon region, although the objective is to extend it to the rest of the country. 883 consultations were given, the value of the nominal fee being allocated to the Social Emergency Fund.

8.5. HEALTH AND SAFETY IN THE WORKPLACE

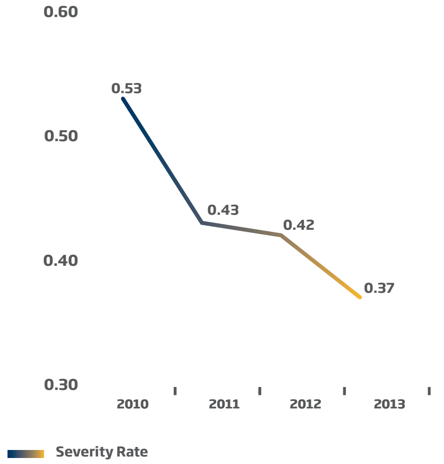
In order to guarantee the safety of all those who contribute every day towards the success of the business, the Jerónimo Martins Group is committed to pursuing a "Zero Accident Tolerance" policy, based on prevention. In 2013 training was reinforced through audio-visuals and the individual protection equipment was improved, among other measures.

Emphasis was also given to controlling risks and to carrying out simulations in the Group's infrastructures, both in Portugal and in Poland, thereby preparing the teams to respond in emergency situations.

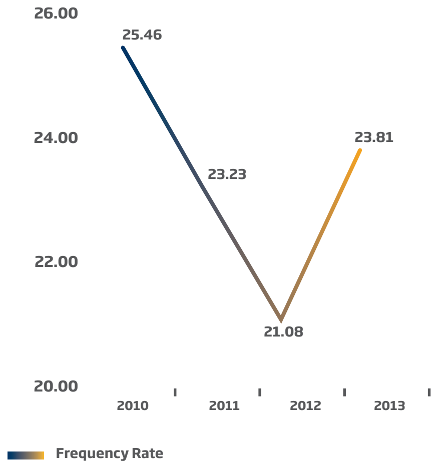
2013 was also the year for creating the Prevention and Safety in the Workplace award, in order to raise awareness on these topics amongst employees. In 2014, a safety campaign will be promoted throughout the Distribution business areas in Portugal.

AGGREGATE HEALTH AND SAFETY IN THE WORKPLACE (HSW) INDICATORS

SEVERITY RATE



FREQUENCY RATE



DISTRIBUTION PORTUGAL

The following initiatives are highlighted in the Distribution area in Portugal:

- Provision of 2,041 training hours on Health and Safety in the Workplace (compared to 3,128 hours provided in 2012);
- 236 simulations;
- 518 audits performed (compared to 480 audits in 2012);

DISTRIBUTION POLAND

In Poland, a risk prevention plan linked to manual load handling was implemented and "Biedronka's Academy of Health" was launched, aimed at preventing work accidents and professional illnesses, through physical exercise and massage, respectively before and after the day's work.

A project for creating new methods of preventing occupational illnesses was developed in cooperation with the Nofer Institute of Occupational Medicine.

The following activities are also highlighted:

- Provision of 7,482 training hours on Health and Safety in the Workplace;
- 579 audits performed.

RESTAURANTS AND SERVICES

In the Restaurants and Services area, of note are the following initiatives that were carried out in 2013:

- Provision of 43 training hours on Health and Safety in the Workplace (compared to 170 hours taught in 2012);

- 70 audits performed (compared to 78 audits in 2012).

8.6. OCCUPATIONAL HEALTH

In 2013, over 20 thousand health exams were carried out in Portugal (19% on Admission, 63% Periodic and 18% Occasional), divided across around 175 health offices which exist in the Group's commercial units and warehouses. 97% of employees ended the year with an updated health exam.

Cooperation began with the National Centre for the Protection of Professional Risks, with the objective of sharing information and having access to expert opinions and databases.

The External Automatic Defibrillation (EAD) programme was also implemented in nine Pingo Doce stores and 34 Biedronka stores. Apart from providing each store with this equipment, a group of employees in the above-mentioned stores received first aid training.

At Recheio, a training programme in Paediatric First Aid and Child Safety was given to educational professionals of the nursery in the Braga store.

8.7. INTERNAL SOCIAL RESPONSIBILITY

The Jerónimo Martins Group has a deep concern for the well-being of its employees and their families in all the countries in which it operates. The Internal Responsibility area's mission is to contribute every day towards improving the quality of life of our employees and their families by creating policies and projects that promote and enhance their well-being and motivation, whilst at the same time contributing towards the sustained growth of the Group.

The area of Internal Social Responsibility comprises three strategic pillars with a view to supporting and building on the capacities of our employees: Health, Education and Family Well-Being.

HEALTH

Aiming to support the oral health of employees without the economic means to bear the costs of the necessary treatment, the SOS Dentist Programme, implemented in Portugal, enabled almost one thousand employees to conclude their dental treatments, involving an investment of over 850 thousand euros.

Throughout 2013, the Nutrition Programmes were also maintained, especially aimed at preventing illnesses resulting from imbalanced eating habits, which lead to obesity. 489 consultations were given, at a nominal cost of one euro, which was allocated to the Social Emergency Fund.

In order to assist employees going through difficult periods of their lives, such as socio-economic difficulties or family issues, Psychology Consultations also continued to be held in Portugal with over 115 employees being accompanied by specialists.

In Poland, under the "Let's Take Care of our Health" programme, medical check-ups were carried out in the facilities of various partners of the programme, aimed at both women and men. In 2013, around four thousand women joined this programme, which carried out breast cancer and cervical cancer screenings. In the case of the men, around 600 underwent screening for cardiovascular diseases. The programme for free vaccination against seasonal influenza continued in 2013, covering close to one thousand people.

EDUCATION

Believing that building on people's capacity is part of personal development and represents an investment in a sustainable future, in 2012 the Group launched the Study Scholarship programme, for employees or their children to be able to start or re-start higher education. Following a selection process, depending on each case, the scholarships cover the expenses with tuition fees, books and school materials, food, housing and transport, for employees without the economic means to bear these costs. In 2013, 94 study scholarships were awarded (34 more than in 2012), which was a total investment of 150 thousand euros.

There were other opportunities for Jerónimo Martins employees in Portugal to complete their academic paths, such as the "Learn and Evolve" internal programme, which enabled more than 20 employees to obtain the equivalent of 9th and 12th year schooling. This programme was implemented, as in previous years, at the Jerónimo Martins Training School.

The children of our employees in Portugal who started primary school for the first time were given 946 school kits, containing all the material considered to be essential to start their classes. In Poland 2,600 kits were provided.

School books were given to 93 large families with low incomes and special school book purchasing conditions were provided (price discount, payment by instalment and prompt delivery) for families of employees in economic difficulty. At the start of the school year, about 2,600 orders were received.

In 2013, eight holiday camps were organised in various locations in Portugal, which were totally free for children of employees with low incomes. 1,324 children (between the ages of 6 and 18) attended these holiday camps. In Poland, there was a total of 850 children in the three holiday camps. The total investment in this project, in both countries, is around 820 thousand euros.

"Do the Accounts of Life" Programme

The "Do the Accounts of Life" programme was created in 2011 with the objective of transmitting ideas for saving and improving the management of household budgets and in 2013, over 2,250 employees were trained.

Nutrition Program

8. BEING A BENCHMARK EMPLOYER

Social Emergency Fund

The Social Emergency Fund, created in 2011, seeks not only to assist but also to develop and build on the capacities of its beneficiaries. Employees in difficulties receive financial training, teaching them the basic concepts such as prioritising expenses and investments and savings. The employees are accompanied throughout the various stages in the process by an internal volunteer who receives training. With the aid of financial and social criteria, the "ambassador" volunteer proposes a support model, which in a structured way, enables the employee to reach a more sustainable economic and family situation. Since its beginning, over three million euros have already been directly invested in this Fund, whilst almost 80% went towards food support.

FAMILY WELFARE

In Portugal, the Social Emergency Fund was conceived to minimise the recessive effects of the Portuguese economy on our employees and their families who are in difficulties, through structured support in various areas. In 2013, 1,114 employees were assisted, resulting in a total investment of 900 thousand euros, broken down between food support (73%), health and education (11%), legal advice and financial guidance (15%).

This Fund was elected national champion and received the Ruban d'Honneur distinction within the scope of the European Business Awards in the "Environmental & Corporate Sustainability" category, due to its relevant nature to corporate citizenship.

These awards aim to differentiate projects with a more significant impact on the communities (internal or external) in which the companies operate.

The "You Can Count on Biedronka" programme, a fund to support employees in need, maintained its activity in 2013, granting monetary donations. During the course of the year, more than four thousand employees received this aid, which also helped around 600 children of employees, who have chronic illnesses or disabilities.

As the birth of a child is a special moment in the lives of parents, baby kits were also offered to all employees who experienced maternity/paternity. A total of 574 kits were given in Portugal and 1,800 kits in Poland.

The Group also marks special festive seasons, as well as international days, especially those for children. On World Children's Day, books and games were offered to over 12 thousand Portuguese children up to the age of 12. In Poland children are encouraged to visit their parent's workplaces and, on that day, almost 29 thousand Polish children received gifts.

In December, 12,834 Christmas vouchers were given to employees' children in Portugal and 94,300 to the Biedronka employees and their children.

European Business Awards recognition for the Social Emergency Fund

9. COMMITMENTS FOR 2012-2014

Corporate Responsibility Pillars	Commitments 2012-2014	Progress
PROMOTING GOOD HEALTH THROUGH DIET	Develop policies that cover all the Group Companies;	In progress;
	Further improve the nutritional profile of the Private Brand products in Portugal and in Poland;	2012: Removal of about 1,241 tonnes of sugar, 19 tonnes of salt and 36 tonnes of fat from Private Brand products, in Portugal and in Poland 2013: Removal of about 161 tonnes of sugar, five tonnes of salt and about three tonnes of fat
	Repackage 800 SKUs in Poland, placing greater focus on the nutritional information on packaging;	Goal met in 2013;
	In the Meal Solutions area in Portugal, adjust the doses to those for healthy eating (focusing on the target group of children); develop and implement nutritional information;	In progress;
	Reduce the level of sugar and fat in Pastry products in Portugal;	2013: launch of three SKU's of cakes with no added sugar and one SKU of doughnuts with reduced fat content;
	Develop and implement nutritional information in the Bakery, in Portugal;	2012: In Portugal, in cooperation with Bakery suppliers, the share of products with complete nutritional information on the packaging was increased from 23% to 64%;

Corporate Responsibility Pillars	Commitments 2012-2014	Progress
RESPECTING THE ENVIRONMENT	Reduce the carbon footprint by 5% (LFL per €'000 of sales) between 2012 and 2014;	2012: Reduction of 8.8% 2013: Increase of 15.6%
	In Portugal, reduce water and electricity consumption by 2% per year (LFL per m² of sales area);	Goals met: 2012 – Water: -10.1% (business units). Electricity: -0.4% (business units) 2013 – Water: -11.6%; Electricity: -1.6%
	In Portugal, increase the amount of customer waste collected by at least 15% between 2012 and 2014;	In progress;
	In Portugal, increase the rate recovery of waste by at least 5 p.p. by 2014;	In progress. 2012: +4 p.p. 2013: -1.8 p.p.;
	In Poland, test and implement the Building Research Establishment Environmental Assessment Method (BREEAM) certification in Biedronka's eco-stores;	In progress;
SOURCING RESPONSIBLY	Guarantee the continued procurement in all banners of at least 80% of food products from domestic suppliers;	Goals met both in 2012 and in 2013 (more than 80% in Portugal and more than 90% in Poland and Colombia);
	Introduce products with sustainability certification (UTZ certification, Fairtrade, MSC or otherwise) for at least: - Private Brand - two products; - Perishables - four products;	2012-2013: four SKUs certified by MSC were launched: Vietnamese clams in Portugal and, in Poland, frozen salmon (two SKUs) and cod;
SUPPORTING SURROUNDING COMMUNITIES	Select carefully the fields of social investment, according to our policy;	In progress. It is an on-going goal;
	Monitor our investments and assess impact in accordance with the London Benchmarking Group model;	Goal met - since 2012 that we apply the LBG model for monitoring;
	In Portugal, increase the number of Pingo Doce stores that support charities. Goal: 95% of all stores by the end of 2014;	Goal met in 2012: 95%;
	In Poland, increase the involvement in projects of social nature in Poland, e.g. through the initiatives undertaken in partnership with Caritas Polska aimed at children;	In progress. It is an on-going goal. For examples of actions carried out, refer to the section 7 "Supporting Surrounding Communities";
	In Poland, expand the programme to combat child malnutrition under the "Partnerstwo dla Zdrowia" project (Partnership for Health);	In progress. It is an on-going goal. The continuation of the Milk Start and the Sniadanie Daje Moc (Breakfast Gives You Power) projects. The Milk Start project registered an average of 2.4 million SKU's sold per month at Biedronka stores in 2012 and 1.8 million in 2013. The Sniadanie Daje Moc project noted an increase in the number of schools involved, between 2012 and 2013, of 96% (to 4,700 schools).
BEING A BENCHMARK EMPLOYER	Remain focused on Internal Social Responsibility through engagement in more extensive dialogue with our employees, especially those of operations, within the aim of improving our understanding of their real situations and, thereby, increase our positive impact on their lives and consequently their motivation and loyalty;	In progress. It is an on-going goal.

10. THE GLOBAL COMPACT PRINCIPLES

THE GLOBAL COMPACT

WE SUPPORT

TEN PRINCIPLES OF UNITED NATIONS GLOBAL COMPACT

1	Businesses should support and respect the protection of internationally proclaimed human rights.	Chapter V – "Corporate Responsibility in Value Creation"; subchapter 8 – "Being a Benchmark Employer", section 8.2 "Principles and Values".
2	Make sure that businesses are not complicit in human rights abuses.	Chapter V – "Corporate Responsibility in Value Creation"; subchapter 6 – "Sourcing Responsibly" and subchapter 8 – "Being a Benchmark Employer", section 8.2 "Principles and Values".
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Chapter V – "Corporate Responsibility in Value Creation"; subchapter 6 – "Sourcing Responsibly" and subchapter 8 – "Being a Benchmark Employer", section 8.2 "Principles and Values".
4	Businesses should uphold the elimination of all forms of forced and compulsory labour.	Chapter V – "Corporate Responsibility in Value Creation"; subchapter 6 – "Sourcing Responsibly" and subchapter 8 – "Being a Benchmark Employer", section 8.2 "Principles and Values".
5	Businesses should uphold the effective abolition of child labour.	Chapter V – "Corporate Responsibility in Value Creation"; subchapter 6 – "Sourcing Responsibly" and subchapter 8 – "Being a Benchmark Employer", section 8.2 "Principles and Values".
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Chapter V – "Corporate Responsibility in Value Creation"; subchapter 8 – "Being a benchmark employee", section 8.2 "Principles and Values".
7	Businesses should support a precautionary approach to environmental challenges.	Chapter IV – "Corporate Governance"; Part I, Section C, subsection III, point 4 "Main Risks". Chapter V – "Corporate Responsibility in Value Creation"; subchapter 5 – "Respecting the Environment".
8	Businesses should undertake initiatives to promote greater environmental responsibility.	Chapter V – "Corporate Responsibility in Value Creation"; subchapter 5 – "Respecting the Environment" and subchapter 6 – "Sourcing Responsibly".
9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	Chapter V – "Corporate Responsibility in Value Creation"; subchapter 5 – "Respecting the Environment" and subchapter 6 – "Sourcing Responsibly".
10	Businesses should work against corruption in all its forms, including extortion and bribery.	Chapter IV – "Corporate Governance"; Part I, Section C, subsection III, point 4 "Main Risks". Chapter V – "Corporate Responsibility in Value Creation"; subchapter 8 – "Being a Benchmark Employer", section 8.2 "Principles and Values".

INDIVIDUAL

ANNUAL

REPORT

6

6

INDIVIDUAL ANNUAL REPORT

"IN THE SAME WAY THAT

A GROUP MUST BE MORE THAN

JUST A SUM OF ITS PARTS,

OFTEN INNOVATION
IS BORN FROM SMALL CHANGES THAT
MAKE A POSITIVE DIFFERENCE IN
CONSUMER'S LIVES."

PEDRO SOARES DOS SANTOS

JERÓNIMO MARTINS, SGPS, S.A.
PUBLIC COMPANY

MANAGEMENT REPORT

FINANCIAL YEAR 2013

Jerónimo Martins (JMH) has a portfolio of investments which controls a set of businesses that comprise food retail in Portugal (Pingo Doce and Recheio) and in Poland (Biedronka, Hebe and Apteka Na Zdrowie), the industrial sector, through Unilever Jerónimo Martins and Gallo Worldwide, specialized retail (Hussel, Olá and Jeronymo) and marketing and distribution services (JMDPC). In March 2013 the Group started a food retail business in Colombia.

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

As the Group's holding company, JMH co-ordinates and provides consultancy services to its subsidiaries. The functional areas of support to the Group range from Administration, Internal Audit, Legal Affairs, Corporate Communication and Responsibility, Financial Control, Consolidation and Accounting, Strategy and International Expansion, Fiscal Affairs, Financial Operations, Quality Control and Food Safety, Human Resources, Investor Relations, Security, Information Technology and Risk Management. The turnover from these services, as well as management services for negotiations on behalf of the Group Companies, reached EUR 20,197 thousand.

1. THE GROUP'S OPERATIONAL PERFORMANCE AND PERSPECTIVES FOR 2014

The Group's business activities are analysed in detail in the Consolidated Management Report that accompanies the 2013 Consolidated Financial Statements.

2. COMPANY'S PERFORMANCE

JMH, as the Holding and manager of company holdings, presented in 2013 negative operating results of EUR 449 thousand, which represents a decrease of EUR 973 thousand compared with 2012. This decrease is due mainly to higher operating costs regarding international expansion and the increase in the exceptional operating losses from restructuring plans.

For 2013, the EUR 250,238 thousand gains in subsidiaries (EUR 88,185 thousand in 2012), are due to dividends received from companies in which JMH holds direct stakes, and correspond to part of previous years consolidated results. Under the current tax legislation, this income (dividends) is exempt from taxation as they were already considered for Income Tax purposes in the companies which generated them.

The net financial costs were increased by EUR 793 thousand to EUR 5,903 thousand. The decrease in interests received from short-term investments, partially compensated by the lower financial charges originated by a lower debt level, contributed for this increase.

In 2013, the net profit rose to EUR 242,861 thousand (EUR 83,258 thousand in 2012), coming from the dividends distributed by its subsidiaries.

The financial debt decreased by EUR 25,884 thousand to EUR 87,240 thousand (EUR 113,124 thousand in 2012). This decrease is explained essentially with the increase in dividends received from subsidiaries, partially compensated by an increase in loans granted to subsidiaries and by the early repayment of bank debt.

3. RISK MANAGEMENT

JMH, and in particular, its Board of Directors, dedicates a great deal of attention to the risks affecting the businesses. Success in this area depends on the ability to identify, understand and handle exposure to events, which whether or not under the direct control of the management team, may materially affect the physical, financial and/or organizational assets of the Company. The Group's Risk Management Policy, which aims to stimulate and reinforce the type of behaviour necessary for success, provides the necessary guidance to the management of the Group to manage risks and opportunities.

3.1 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. To achieve this, certain types of exposure are managed using derivative financial instruments.

The activity in this area is carried out by the Financial Operations department, under the supervision of the Chief Financial Officer. The Financial Risk Management department is responsible for identifying, assessing and hedging financial risks, by following the guidelines set out in the Financial Risk Management Policy that was approved in 2012 by the Board of Directors.

A) MARKET RISK

PRICE RISK

As a result of its investment in Banco Comercial Português (BCP), Jerónimo Martins is exposed to equity price risk. At 31 December 2013, a negative 10% variation in the trading price of BCP shares would have a negative effect of EUR 34 thousand in Other Reserves (at 31 December 2012 would have a negative effect of EUR 15 thousand).

B) INTEREST RATE RISK (CASH FLOW AND FAIR VALUE)

All financial liabilities are directly or indirectly indexed to a reference interest rate which exposes Jerónimo Martins to cash flow risk. A given portion of this risk is hedged through fixed interest rate swaps, thus Jerónimo Martins is also exposed to fair value risk.

Exposure to interest rate risk is monitored continuously. In addition to evaluating future cash flows based on forward rates, sensitivity tests to variations in interest rate levels are performed.

C) 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 Jerónimo Martins chooses to do business with are selected based on the ratings they receive from one of the independent benchmark rating agencies. Apart from the existence of a minimum accepted rating there is also a maximum exposure to each of these financial institutions.

The following table shows a summary of the deposits, short-term investments and derivative financial instruments with positive fair value, as at 31 December 2013 and 2012:

		2013	2012
Rating Company	Rating	Balance	Balance
Standard & Poor's	[A+ : AA]	24	39,505
Standard & Poor's	[BBB+ : A]	31	12
Standard & Poor's	[BB+ : BBB]	4,848	9
Standard & Poor's	[B+ : BB]	9,275	354
Standard & Poor's	[B]	6	-
	Not Available	12	7
	Total	**14,196**	**39,887**

The ratings shown correspond to those given by Standard and Poor's. When not available, the company uses Moody's or Fitch's notations. The maximum exposure to credit risk at 31 December 2013 and 2012 is the financial assets accounting value.

D) 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 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. In addition, it should be noted that all the derivative financial instruments that Jerónimo Martins contracts are settled at net value.

EXPOSURE TO LIQUIDITY RISK

2013	Less than 1 year	1 to 5 years	More than 5 years
Borrowings			
Bond loans	103,050	-	-
Commercial paper	103	-	-
Derivative financial instruments	771	-	-
Creditors	1,130	-	-
Operational lease liabilities	396	479	-
Total	**105,450**	**479**	**-**
2012	**Less than 1 year**	**1 to 5 years**	**More than 5 years**
Borrowings			
Bond loans	3,226	103,162	-
Commercial paper	2,780	50,533	-
Derivative financial instruments	1,963	1,173	-
Creditors	1,414	-	-
Operational lease liabilities	409	414	-
Total	**9,792**	**155,282**	**-**

JMH has entered into some covenants in the Loan Agreements for the medium & long term debt in place. In some cases, the breach of these covenants may trigger the early redemption of the associated debt. At 31 December 2013, JMH was in full compliance with the covenants assumed in the debt loans in place.

4. INFORMATION ON ENVIRONMENTAL MATTERS

There are no environmental matters likely to affect the company's financial performance or its future development.

5. RESULTS APPROPRIATION PROPOSAL

In the financial year of 2013, Jerónimo Martins, SGPS, S.A. declared consolidated profits of EUR 382,256,238 and a profit in the individual accounts of EUR 242,861,469.91.

In accordance with the dividend distribution policy included in the Corporate Governance chapter, the Board of Directors proposes to the shareholders that the net profits be applied in the following manner:

Legal Reserve	12,143,073.50 euros
Free Reserves	39,045,959.31 euros
Dividends	191,672,437.10 euros

This proposal represents a gross dividend payment of 0.305 euros per share, excluding own shares in the portfolio.

6. STATEMENTS FOR LEGAL PURPOSES

Under the law, the Board of Directors is required to provide the following information:

a) In addition to the facts referred above, and those that are given in greater detail in the Report that accompanies the Group's Consolidated Financial Statements for 2013, no other situation has come to the Board of Director's knowledge after the end of the year which warrants special mention.

b) Under the terms of Article 21 of Decree-Law no. 411/91, there are no debts of arrears of payments of Social Security costs.

c) Under the terms of the paragraph 2, article 324 of the Portuguese Commercial Companies Code, there were no purchases or sales of own Shares, and therefore the number of own shares held at the end of 2013 was 859,000 shares, the same as on 31 December 2012.

d) The information regarding subsequent events, stakes held in the company by members of the board of directors and statutory auditor and the list of shareholders with qualifying stakes, can be found in the Consolidated Management Report.

Lisbon, 25th February 2014

The Board of Directors

INCOME STATEMENT BY FUNCTIONS
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

Euro thousand	Notes	2013	2012 (*)
Services rendered	33	20,197	20,379
Cost of the services rendered	3	(11,845)	(12,210)
Gross profit		**8,352**	**8,169**
Other operating revenues	3	668	510
Administrative costs	3	(4,184)	(3,992)
Other operating costs	3	(4,371)	(4,030)
Exceptional operating profits (losses)	9	(914)	(133)
Operating profit		**(449)**	**524**
Net financial costs	4	(5,903)	(5,110)
Gains (losses) in subsidiaries	7	250,238	88,185
Gains (losses) in other investments	8	191	253
Profit (loss) before taxes		**244,077**	**83,852**
Income taxes	6	(1,216)	(594)
Net profit (loss)		**242,861**	**83,258**
Basic and diluted earnings per share - euros	21	0,386	0,132

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

Euro thousand	2013	2012 (*)
Net profit (loss)	**242,861**	**83,258**
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	(993)	(169)
	(993)	**(169)**
Items that may be reclassified to profit or loss		
Change in fair value of cash flow hedges	1,655	(546)
Change in fair value of available-for-sale financial assets	186	(124)
	1,841	**(670)**
Other comprehensive income, net of taxes	**848**	**(839)**
Total comprehensive income for the year	**243,709**	**82,419**

To be read with the attached notes to the Individual Financial Statements
(*) Restated - see note 2

BALANCE SHEET AT 31 DECEMBER 2013 AND 2012

Euro thousand	Notes	2013	2012 (*)
Assets			
Tangible assets	10	476	493
Intangible assets	11	425	436
Investment properties	12	2,470	2,470
Investments in subsidiaries	13	667,928	667,958
Loans to subsidiaries	14	590,542	554,817
Available-for-sale financial assets	15	339	153
Deferred tax assets	16	5,240	6,212
Total non-current assets		**1,267,420**	**1,232,539**
Taxes receivable	16	2,505	2,015
Loans to subsidiaries	14	54,885	56,770
Trade debtors, accrued income and deferred costs	17	5,828	7,396
Cash and cash equivalents	18	14,205	39,895
Total current assets		**77,423**	**106,076**
Total assets		**1,344,843**	**1,338,615**
Shareholders' equity and liabilities			
Share capital	20.1	629,293	629,293
Share premium	20.1	22,452	22,452
Own shares	20.2	(6,060)	(6,060)
Other reserves	20.3	(1,699)	(3,540)
Retained earnings	20.4	568,446	511,966
Total shareholders' equity		**1,212,432**	**1,154,111**
Borrowings	22	-	150,000
Derivative financial instruments	27	-	3,151
Employee benefits	28	17,978	16,821
Provisions for risks and contingencies	25	5,992	6,935
Deferred tax liabilities	16	1,708	1,462
Total non-current liabilities		**25,678**	**178,369**
Trade creditors, accrued costs and deferred income	26	5,399	5,786
Borrowings	22	100,000	-
Derivative financial instruments	27	818	-
Taxes payable	16	516	349
Total current liabilities		**106,733**	**6,135**
Total Shareholders' equity and liabilities		**1,344,843**	**1,338,615**

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Euro thousand	Notes	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Shareholders' equity
Balance sheet at 1st January 2012		**629,293**	**22,452**	**(6,060)**	**(2,870)**	**751,892**	**1,394,707**
Change in fair value of available-for-sale financial assets	15				(124)		(124)
Remeasurements of post-employment benefit obligations (*)							
- Gross amount	28					(230)	(230)
- Deferred tax	16.1					61	61
Change in fair value of cash flow hedges							
- Gross amount	27				(742)		(742)
- Deferred tax	16.1				196		196
Other comprehensive income (*)		-	-	-	**(670)**	**(169)**	**(839)**
Net Profit in 2012 (*)						83,258	83,258
Total comprehensive income		-	-	-	**(670)**	**83,089**	**82,419**
Dividend payment	20.5					(323,015)	(323,015)
Balance sheet at 31st December 2012		**629,293**	**22,452**	**(6,060)**	**(3,540)**	**511,966**	**1,154,111**
Change in fair value of available-for-sale financial assets	15				186		186
Remeasurements of post-employment benefit obligations							
- Gross amount	28					(1,309)	(1,309)
- Deferred tax	16.1					316	316
Change in fair value of cash flow hedges							
- Gross amount	27				2,268		2,268
- Deferred tax	16.1				(613)		(613)
Other comprehensive income		-	-	-	**1,841**	**(993)**	**848**
Net profit in 2013						242,861	242,861
Total comprehensive income		-	-	-	**1,841**	**241,868**	**243,709**
Dividend payment	20.5					(185,388)	(185,388)
Balance sheet at 31st December 2013		**629,293**	**22,452**	**(6,060)**	**(1,699)**	**568,446**	**1,212,432**

To be read with the attached notes to the Individual Financial Statements
(*) Restated - see note 2

CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

Euro thousand	Notes	2013	2012 (*)
Operating activities			
Cash received from customers and other debtors		24,754	23,608
Cash paid to suppliers		(16,537)	(14,329)
Cash paid to employees		(8,816)	(8,186)
Cash generated from operations	19	(599)	1,093
Interest and other similar costs paid	4	(5,584)	(8,197)
Income taxes paid		(785)	(2,450)
Cash flow from operating activities		**(6,968)**	**(9,554)**
Investment activities			
Disposals of investments in subsidiaries	13	128	-
Repayment of loans and capital contributions from subsidiaries	14	4,645	165,684
Interest received	7	7,904	5,405
Dividends received	7	242,261	82,963
Loans and capital contributions given to subsidiaries	14	(38,485)	(14,580)
Acquisition of tangible assets	10	(187)	(166)
Acquisition of intangible assets	11	(164)	(512)
Cash flow from investment activities		**216,102**	**238,794**
Financing activities			
Interest and similar income received	4	564	3,414
Repayment of loans	22	(50,000)	(45,000)
Dividends paid	20.5	(185,388)	(323,015)
Cash flow from financing activities		**(234,824)**	**(364,601)**
Net changes in cash and cash equivalents		**(25,690)**	**(135,361)**
Cash and cash equivalents changes			
Cash and cash equivalents at the beginning of the year		39,895	175,256
Net changes in cash and cash equivalents		(25,690)	(135,361)
Cash and cash equivalents at the end of the year	**18**	**14,205**	**39,895**

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

INDEX TO THE NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

1. ACTIVITY

Jerónimo Martins, SGPS, S.A. (JMH) is the parent Company of Jerónimo Martins Group (Group) and has its head office in Lisbon, Largo Monterroio Mascarenhas, no. 1, 9th floor, 1099-081 Lisbon. The activity of JMH results mostly in the investment management in Group companies. JMH employs 87 people (77 in 2012).

Jerónimo Martins Group is essentially devoted to the production, distribution and sale of food and other fast moving consumer goods products. The Group operates in Portugal, Poland and Colombia. At December 31st 2013 employs 76,810 people (69,443 in 2012).

JMH has been listed on Euronext Lisbon (ex-Lisbon and Oporto Stock Exchange) since 1989.

The Board of Directors approved these individual financial statements on 25th February 2014.

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are as follows. These policies were consistently applied in comparative periods, except when otherwise stated.

2.1 BASIS FOR PREPARATION

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

The consolidated and individual financial statements of JMH were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, as at 31 December 2013.

The financial statements were prepared in accordance with the historical cost principle, except for investment property, derivative financial instruments, financial assets at fair value through profit or loss and available-for-sale financial assets, that includes equity holdings referred in note 2.8, which were measured at fair value (market value).

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. It is, however, firmly believed by management that the estimates and assumptions adopted do not involve significant risks that may, over the course of the coming financial year, cause material adjustments in the value of the assets and liabilities (note 2.23).

The financial risk management is detailed in the Individual Management Report.

2. ACCOUNTING POLICIES

Change in accounting policy and bases for presentation

2.1.1 NEW AND AMENDED STANDARDS ADOPTED BY JMH

In 2012 and 2013, the European Union (EU) issued the following Regulations, which were adopted by JMH in 2013:

EU Regulation	IASB Standard or IFRIC Interpretation endorsed by European Union	Issued in	Mandatory for financial years beginning on or after
Regulation no. 475/2012	IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income (Amendment)	June 2011	July 1, 2012
Regulation no. 475/2012	IAS 19 Employee Benefits (Fully Amended)	June 2011	January 1, 2013
Regulation no. 1254/2012	IFRS 10 Consolidated Financial Statements (New)	May 2011	January 1, 2014[1]
Regulation no. 1254/2012	IFRS 11 Joint Arrangements (New)	May 2011	January 1, 2014[1]
Regulation no. 1254/2012	IFRS 12 Disclosure of Interests in Other Entities (New)	May 2011	January 1, 2014[1]
Regulation no. 1254/2012	IAS 27 Separate Financial Statements (Fully Amended)	May 2011	January 1, 2014[1]
Regulation no. 1254/2012	IAS 28 Investments in Associates and Joint Ventures (Fully Amended)	May 2011	January 1, 2014[1]
Regulation no. 1255/2012	IFRS 1 First-time Adoption of IFRS: Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (Amendment)	December 2010	January 1, 2013
Regulation no. 1255/2012	IAS 12 Income Taxes: Deferred Tax - Recovery of Underlying Assets (Amendment)	December 2010	January 1, 2013
Regulation no. 1255/2012	IFRS 13 Fair Value Measurement (New)	May 2011	January 1, 2013
Regulation no. 1255/2012	IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New)	October 2011	January 1, 2013
Regulation no. 1256/2012	IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendment)	December 2011	January 1, 2013
Regulation no. 183/2013	IFRS 1 First-time Adoption of IFRS: Government Loans (Amendment)	March 2012	January 1, 2013
Regulation no. 301/2013	Annual Improvements to IFRS's 2009-2011 Cycle: IFRS 1 First-time Adoption of IFRS, IAS 1 Presentation of Financial Statements, IAS 16 Property, Plant and Equipment, IAS 32 Financial Instruments: Presentation and IAS 34 Interim Financial Reporting (Amendment)	May 2012	January 1, 2013
Regulation no. 313/2013	IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities: Transition Guidance (Amendment)	June 2012	January 1, 2014[1]

[1] Although the new standards are to be applied, from the beginning of the first financial year starting on or after January 1, 2014 at the latest, JMH decided to anticipate their adoption from January 1, 2013.

JMH adopted the new standards, interpretation and improvements during the year 2013, with no significant impact on its financial statements, except for those set out below:

i) Amendment to IAS 1 'Financial statement' presentation regarding other comprehensive income. The main change is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially recycled subsequently to profit or loss (reclassification adjustments) or not. The amendments do not address which items are presented in OCI. Their application resulted in minor changes in the presentation of items of OCI, with no impact in total equity of JMH;

ii) Fully amended IAS 19 'Employee benefits' improves recognition and disclosure requirements for defined benefit plans (DBP), eliminates the option for the corridor method and provides better information about the characteristics of DBP and the risks that entities are exposed on those plans. The major impacts on JMH were the re-measurements of the net defined benefit liability on post-employment benefits - actuarial gains and losses and return on plan assets – now presented in OCI.

RESTATEMENT OF FINANCIAL STATEMENTS IN RESULT OF THE ADOPTION OF ACCOUNTING STANDARDS

Considering the changes in IAS 19 Employee Benefits and in order to have comparable financial information, the financial statements of the previous year were restated:

INCOME STATEMENT BY FUNCTIONS

	31 December 2012		
	Published	Adoption of accounting standards	Restated
Sales and services rendered	20,379	-	20,379
Cost of sales	(12,210)	-	(12,210)
Gross profit	**8,169**	**-**	**8,169**
Other operating revenues	510	-	510
Administrative costs	(3,992)	-	(3,992)
Other operating costs	(4,030)	-	(4,030)
Exceptional operating profits (losses)	(363)	230	(133)
Operating profit	**294**	**230**	**524**
Net financial costs	(5,110)	-	(5,110)
Gains (losses) in subsidiaries	88,185	-	88,185
Gains (losses) in other investments	253	-	253
Profit before taxes	**83,622**	**230**	**83,852**
Income taxes	(533)	(61)	(594)
Net profit (loss)	**83,089**	**169**	**83,258**

2.
ACCOUNTING POLICIES

STATEMENT OF COMPREHENSIVE INCOME

	31 December 2012		
	Published	Adoption of accounting standards	Restated
Net profit (loss)	**83,089**	**169**	**83,258**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	-	(169)	(169)
	-	**(169)**	**(169)**
Items that may be reclassified to profit or loss			
Change in fair value of cash flow hedges	(546)	-	(546)
Change in fair value of available-for-sale financial assets	(124)	-	(124)
	(670)	**-**	**(670)**
Other comprehensive income, net of taxes	**(670)**	**-**	**(839)**
Total comprehensive income for the year	**82,419**	**-**	**82,419**

2.1.2
NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY EUROPEAN UNION BUT WITHOUT EFFECTIVE APPLICATION FOR THE FINANCIAL YEAR BEGINNING 1 JANUARY 2013 AND NOT EARLY ADOPTED

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

EU Regulation	IASB Standard or IFRIC Interpretation endorsed by European Union	Issued in	Mandatory for financial years beginning on or after
Regulation no. 1256/2012	IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendment)	December 2011	January 1, 2014
Regulation no. 1174/2013	IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements: Investment Entities (Amendment)	October 2012	January 1, 2014
Regulation no. 1374/2013	IAS 36 Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets (Amendment)	May 2013	January 1, 2014
Regulation no. 1375/2013	IAS 39 Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	June 2013	January 1, 2014

These amendments to standards are effective for annual periods beginning on or after January 1, 2014, and have not been applied in preparing these individual financial statements. None of these amendments is expected to have a significant impact on JMH individual financial statements.

2.1.3
NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BY IASB AND IFRIC, BUT NOT YET ENDORSED BY EUROPEAN UNION

IASB and IFRIC issued in 2009 and 2013 the following standard, interpretation and amendments that are still pending for endorsement by European Union:

IASB Standard or IFRIC Interpretation	Issued in	Expected application for financial years beginning on or after
IFRS 9 - Financial Instruments (New)	November 2009	To be determined
IFRIC 21 – Levies (New)	May 2013	January 1, 2014
IAS 19 Employee Benefits: Defined Benefit Plans - Employee Contributions (Amendment)	November 2013	July 1, 2014
Annual Improvements to IFRS's 2010–2012 Cycle: IFRS 2 Share-Based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets (Amendment)	December 2013	July 1, 2014
Annual Improvements to IFRS's 2011–2013 Cycle: IFRS 1 First-time Adoption of IFRS, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property (Amendment)	December 2013	July 1, 2014

The application of these new standards or interpretation and amendments should not have a significant impact on JMH individual Financial Statements.

2.2
TRANSACTIONS IN FOREIGN CURRENCIES

Transactions in foreign currencies are translated into Euros at the exchange rate prevailing on the transaction date.

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

2.3
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.

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.

Whenever available, fair values are estimated based on quoted instruments. In 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 into 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.

2. ACCOUNTING POLICIES

2.4 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 the following conditions:

i) at the starting date of the transaction, the hedge relationship is identified and formally documented, including identification of the item hedged, the hedge instrument, and evaluation of the effectiveness of the hedge.

ii) there is the expectation that the hedge relationship will be highly effective on the initial transaction date and throughout the life of the operation.

iii) the effectiveness of the hedge may be reliably measured on the initial transaction date and throughout the life of the operation.

iv) for cash flow hedge operations, those cash flows must have a high probability of occurring.

INTEREST RATE RISK (CASH FLOW HEDGE)

Whenever expectations surrounding movements in interest rates so justify, JMH tries to anticipate any adverse impact through the use of derivatives, such as interest rates swaps (IRS), caps and floors, forward rates agreements, amongst others. The selection process that each instrument is subject to, favours economic contribution more than anything else. The implications of adding any new instrument to a portfolio of derivatives are also taken into account, namely, in terms of volatility impact on earnings.

The instruments that qualify as cash flow hedging instruments are booked at fair value on the balance sheet, and to the degree that they are considered effective, changes to their fair value are recognised in other comprehensive income. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast transaction or event that is hedged takes place). However, in the case of a hedge of a forecast transaction that results in the recognition of a non-financial asset, the gains or losses previously deferred in equity are transferred and included in the initial measurement of the asset.

The gain or loss relating to the ineffective portion is recognised immediately in the income statement. This way, in net terms, all costs associated to the underlying exposure are carried at the interest rate of the hedging instruments.

When a hedge instrument expires or is sold, or when the hedge ceases to meet the criteria required for hedge accounting, the changes in the fair value of the derivative, that are accumulated in other comprehensive income, are recognised in the results when the hedged operation also affects the results.

2.5 TANGIBLE ASSETS

Tangible assets are recognised at acquisition 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.

FINANCIAL LEASE AGREEMENTS

Assets used under financial lease contracts for which JMH substantially retains all the risks and rewards of ownership of the leased asset are classified as tangible assets.

Financial lease contracts are recorded at the time they are entered into as assets and liabilities at the lower of fair value of leased assets or present value of minimum lease payments.

Leased assets are depreciated over the shorter of the useful life of the asset and the lease term.

Rental payments are split into a financial charge and a reduction of liability. Financial charges are recognised as costs over the lease period, so as to produce a constant periodic interest rate on the lessor's financing debt.

DEPRECIATIONS

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

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

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

2.6 INTANGIBLE ASSETS

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

RESEARCH AND DEVELOPMENT EXPENDITURES

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 when the technical feasibility of the product or process being developed can be demonstrated and JMH has the intention and capacity to complete their development and start using them.

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

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

AMORTISATIONS

Amortisations are recognised in the income statement on a linear basis over the estimated useful life of the intangible assets, except if that life is considered indefinite.
Amortisation of the intangible assets is calculated by the straight-line method, on a duodecimal basis on acquisition cost. The most important annual amortisation rates, in percentage, are as follows:

	%
Development expenditure	20-33.33
Computer software	33.33%

The estimated useful life of assets are reviewed and adjusted when necessary, at the balance sheet date.

2.7 INVESTMENTS AND LOANS TO SUBSIDIARIES

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 its 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 2.12).

2.8 FINANCIAL ASSETS

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

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

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

LOANS AND RECEIVABLES

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

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

2. ACCOUNTING POLICIES

AVAILABLE-FOR-SALE FINANCIAL ASSETS

The available-for-sale financial assets are non-derivative financial assets that: (i) JMH intends to maintain for an undetermined 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 Group's companies, joint-ventures or associates, are classified as available-for-sale financial assets and recognised in the accounts as non-current assets.

These financial assets are initially recognized at fair value increased by transaction costs. Subsequent fair value changes are recognised directly in other reserves, until the financial asset is derecognised, at which time the accumulated gain or loss previously recognised in equity is included in net gains or losses 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 can not be reliably determined.

2.9 INVESTMENT PROPERTIES

Investment property, are land and buildings that are registered 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 the comparison pertinent, 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, the profitability method is used, in which it is assumed that the value of the asset corresponds to the present value of all the future benefits and rights arising from its ownership.

For this purpose, an estimation of the market rent is used, considering all the endogenous and exogenous variables of the asset under valuation, and a yield that reflects the risk of the market of which that asset is a part, as well as the characteristics of the asset itself. Thus, the assumptions used in the evaluation of each asset vary according to its location and technical characteristics, using an average yield between 8% and 9%.

Changes to fair value of investment property are recognised in the income statement, in gains (losses) in other investments, since it is related with assets owned for appreciation.

If an investment property starts to be used by the business operations, it is transferred to tangible assets and its fair value at the date of transfer becomes its acquisition cost for accounting purposes.

2.10 CUSTOMERS AND DEBTORS

Customers and debtor balances are amounts to be received relating to services rendered by JMH in the ordinary course of the business. They are initially recognised at fair value, being subsequently measured at amortised cost in accordance with the effective interest rate method, net of impairment losses.

2.11 CASH AND CASH EQUIVALENTS

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

2.12 IMPAIRMENT

2.12.1 IMPAIRMENT OF NON-FINANCIAL ASSETS

Except for investment properties (note 2.9), and deferred tax assets (note 2.21), all other JMH assets are considered at each balance sheet date in order to assess for indicators of possible impairment losses. If such indicators exist, the assets recoverable amount is estimated.

This category includes the investments in subsidiaries. In the impairment tests for investments in subsidiaries, the values 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 in future cash flow projections, for a five year period, based on medium and long term plans approved by the Board of Directors.

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

DETERMINING THE RECOVERABLE AMOUNT OF ASSETS

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

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

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

REVERSAL OF IMPAIRMENT LOSSES

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

2.12.2 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 amount corresponding to the cost of the subsidiary to be fully covered by an allowance for impairment losses.

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 actual fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit and loss. Impairment losses on equity instruments recognised in profit or loss are not reversed through the income statement.

CLIENTS, DEBTORS AND OTHER FINANCIAL ASSETS

Impairment losses are recognised when there are objective indicators that JMH will not receive the entire amounts it is due according to the original terms of established contracts. When identifying situations of impairment, various indicators are used, such as:

i) Analysis of breach;

ii) Breach for more than three months;

iii) Financial difficulties of the debtor;

iv) Probability of the debtor's bankruptcy.

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

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

2.13 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.

2. ACCOUNTING POLICIES

2.14 DIVIDENDS

Dividends are recognised as a liability in JMH financial statements in the period in which they are approved by the Shareholders for distribution.

2.15 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.

2.16 EMPLOYEES BENEFIT

2.16.1 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 particular employee 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.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the immediate rents 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.

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

2.16.2 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 responsibilities for this component are determined annually based on actuarial valuations, carried out by a specialised independent entity.

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

2.17 PROVISIONS

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.

COST 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.

LEGAL CLAIMS PROVISION

Provisions related with litigation, opposing JMH, are set up in accordance with risk assessments carried out by JMH, with the support of its legal advisers.

2.18 SUPPLIERS AND OTHER CREDITORS

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

Suppliers and other creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.19 REVENUE RECOGNITION

SERVICES RENDERED

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

RENTS

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

DIVIDENDS

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

2.20 COSTS

OPERATIONAL LEASING

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.

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 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.

EXCEPTIONAL OPERATING PROFITS/LOSSES

The exceptional operating profits/losses (non recurrent) that by their nature or materiality, distort the financial performance of JMH, as well as their comparability, are presented in a separate line of the Income Statement by Function. These results are excluded from the operational performance indicators adopted by Management.

2.21 INCOME TAX

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 also recognised in other comprehensive income or directly in equity, respectively.

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

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

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

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

2.22 SEGMENT INFORMATION

Given that JMH main activity consist on the management of equity hodings, does not make sense the reporting of operationg segments related information in these individual financial statements. Detailed information is presented in the Group Consolidated Financial Statements.

2. ACCOUNTING POLICIES

2.23 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS MADE IN PREPARATION OF FINANCIAL STATEMENTS

TANGIBLE AND INTANGIBLE ASSETS AND INVESTMENT PROPERTIES

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

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, an investment is recorded as impaired according to the IFRS 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 permanently impaired involves judgment and substantially relies on management's analysis of the future development of its subsidiaries. When measuring impairment, market prices are used if they are available, or other valuation parameters are used, based on the information available from the subsidiaries. JMH considers the capacity and intention to retain the investment for a reasonable period of time that is sufficient to predict recovery of the fair value up to (or above) the carrying amount, including an analysis of factors such as the expected results of the subsidiary, the economic situation, and the status of the sector.

DEFERRED TAXES

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

If the rates used to recognise deferred taxes increases by 1%, the impact in JMH accounts would be the following:

	Impact on JMH accounts	
	Income statement	Other comprehensive income
Rate increase of 1%	185	21

A positive amount means a gain in JMH accounts.

IMPAIRMENT LOSSES OF CLIENTS AND DEBTORS

Management maintains impairment losses for clients and debtors, in order to reflect the estimated losses resulting from clients' inability to make required payments. When evaluating the reasonableness of the adjustment for the impairment losses, Management bases its estimates on an analysis of the ageing of the accounts receivable from its clients, its historical experience of write-offs, the client's credit history and changes in the client's payment terms. If the client's financial conditions deteriorate, impairment losses and actual write-offs may be higher than expected.

PENSIONS AND OTHER LONG-TERM BENEFITS GRANTED TO EMPLOYEES

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

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

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

Narrow range	[3.45% - 3.95%]
Extended range	[3.20% - 4.20%]

Based on these results JMH has decided to reduce its discount rate from 4.5% to 3.5%.
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	3.5%	0.5%	(708)	758
Salary growth rate	2.5%	0.5%	16	(15)
Pension growth rate	2.5%	0.5%	743	(693)
Life expectancy	TV 88/90	1 ano	894	(879)

A positive amount means an increase in liabilities. A negative amount means a decrease on liabilities.

PROVISIONS

JMH exercises considerable judgment in measuring and recognising provisions and its exposure to contingent liabilities related to legal proceedings. This judgment is necessary to determine the probability that a lawsuit may be successful, or to record a liability. Provisions are recognised when JMH expects that proceedings under way will result in cash outflows, the loss is considered probable and may be reasonably estimated. Due to the uncertainties inherent in the evaluation process, real losses may be different from those originally estimated. These estimates are subject to changes as new information becomes available, mainly with the support of internal specialists, if available, or through the support of external consultants, such as actuaries or legal advisers. Revisions to estimates of potential losses on proceedings under way may significantly affect future results.

2.24 FAIR VALUE OF FINANCIAL INSTRUMENTS

To determine the fair value of a financial asset or liability, if such a market exists, the market price is applied. 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 case of more complex derivatives, advanced valuation models are used. These models include assumptions and data that are not directly observable in the market, 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 reporting date is considered approximately its fair value.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

BORROWINGS

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

CREDITORS AND ACCRUALS

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

2. ACCOUNTING POLICIES

2.25 FAIR VALUE HIERARCHY

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

- Level 1: the fair value of financial instruments is based on quoted prices obtained in active and liquid markets at balance sheet date. This level includes equity investments quoted in NYSE Euronext;

- Level 2: the fair value is not based on quoted prices obtained in active markets included in level 1, but using valuation techniques, 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 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 techniques and main inputs are not based on observable market data. This level includes investment properties, which are evaluated by external independent experts, using in their valuations inputs that are not directly observable in the market.

	2013	Level 1	Level 2	Level 3
Assets measured at fair value				
Available-for-sale financial assets				
Equity Investments	339	339	-	-
Investment properties	2,470	-	-	2,470
Total assets	**2,809**	**339**	**-**	**2,470**
Liabilities measured at fair value				
Derivative financial instruments				
Used for hedging	818	-	818	-
Total liabilities	**818**	**-**	**818**	**-**
	2012	**Nível 1**	**Nível 2**	**Nível 3**
Assets measured at fair value				
Available-for-sale financial assets				
Equity Investments	153	153	-	-
Investment properties	2,470	-	-	2,470
Total assets	**2,623**	**153**	**-**	**2,470**
Liabilities measured at fair value				
Derivative financial instruments				
Used for hedging	3,151	-	3,151	-
Total liabilities	**3,151**	**-**	**3,151**	**-**

2.26
FINANCIAL INSTRUMENTS BY CATEGORY

	Derivatives defined as hedging instruments	Borrowings and accounts receivable	Available-for-sale financial assets	Other financial liabilities	Total financial assets and liabilities	Non Financial Assets or Liabilities	Total assets and liabilities
2013							
Assets							
Cash and cash equivalents	-	14,205	-	-	**14,205**	-	**14,205**
Available-for-sale financial assets	-	-	339	-	**339**	-	**339**
Loans to subsidiaries	-	645,427	-	-	**645,427**	-	**645,427**
Debtors and accrued income	-	5,613	-	-	**5,613**	215	**5,828**
Other non-financial assets	-	-	-	-	**-**	679,044	**679,044**
Total assets	**-**	**665,245**	**339**	**-**	**665,584**	**679,259**	**1,344,843**
Liabilities							
Borrowings	-	-	-	100,000	**100,000**	-	**100,000**
Derivative financial instruments	818	-	-	-	**818**	-	**818**
Creditors and accrued costs	-	-	-	2,321	**2,321**	3,078	**5,399**
Other non-financial liabilities	-	-	-	-	**-**	26,194	**26,194**
Total liabilities	**818**	**-**	**-**	**102,321**	**103,139**	**29,272**	**132,411**
2012							
Assets							
Cash and cash equivalents	-	39,895	-	-	**39,895**	-	**39,895**
Available-for-sale financial assets	-	-	153	-	**153**	-	**153**
Loans to subsidiaries	-	611,587	-	-	**611,587**	-	**611,587**
Debtors and accrued income	-	7,187	-	-	**7,187**	209	**7,396**
Other non-financial assets	-	-	-	-	**-**	679,584	**679,584**
Total assets	**-**	**658,669**	**153**	**-**	**658,822**	**679,793**	**1,338,615**
Liabilities							
Borrowings	-	-	-	150,000	**150,000**	-	**150,000**
Derivative financial instruments	3,151	-	-	-	**3,151**	-	**3,151**
Creditors and accrued costs	-	-	-	3,209	**3,209**	2,577	**5,786**
Other non-financial liabilities	-	-	-	-	**-**	25,567	**25,567**
Total liabilities	**3,151**	**-**	**-**	**153,209**	**156,360**	**28,144**	**184,504**

3. OPERATING COSTS

The costs of services rendered correspond to the costs incurred by JMH in rendering technical and specialized services to its subsidiaries. In this sense, the costs incurred in each one of JMH departments are charged to the companies in the percentage that each one has in the referred services rendering.

The administrative costs shown in the income statement include, among others, the percentage of the costs, incurred by each of the departments, which is not charged to the companies, as well as the non deductible VAT arising from the application of the effective allocation method.

Other operational costs and losses include, among others, the costs incurred with studies on other markets, as well as donations and sponsorships granted according with the Group Social Responsibility policies.

3.1 OPERATIONAL COSTS BY NATURE

	2013	2012
Supplies and services	10,162	9,396
Rents	821	869
Staff costs	9,029	7,926
Depreciations and amortizations	268	150
(Gains) losses with tangible and intangible assets	70	-
Other operational (profit) loss	(618)	1,381
	19,732	**19,722**

3.2 STAFF COSTS

	2013	2012(*)
Wages and salaries	6,165	5,342
Social security	811	637
Employee benefits (see note 28)	1,143	1,321
Other staff costs	1,824	754
	9,943	**8,054**

(*) Restated - see note 2

Other staff costs include namely labour accident insurance, social responsibility costs, training costs and indemnities, among others. The number of employees at the end of 2013 was 87 (2012 was 77). The average number of employees during the year was 82 (73 in 2012).

In 2013, the difference between the total staff costs stated in note 3.1, and the total amount of note 3.2, in the amount of EUR 914 thousand, refers to exceptional operating costs associated with the change in the actuarial assumptions (EUR 73 thousand) and exceptional operating costs related with restructuring plans (EUR 841 thousand). In 2012, the same difference, in the amount of EUR 128 thousand, refers to exceptional operating costs associated with the change in the actuarial assumptions.

4. NET FINANCIAL COSTS

	2013	2012
Interest expense	(5,440)	(7,095)
Interest received	150	3,167
Other financial costs and gains	(613)	(1,182)
Net financial costs	**(5,903)**	**(5,110)**

Interest expense includes the interest related with loans measured at amortised cost as well as, interest on cash flow hedge derivatives (note 27). 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.

5. OPERATING LEASES

The costs recognised in the income statement as operating leases are as follows:

	2013	2012
Buildings - Third parties	72	165
Buildings - Group	217	203
Vehicles - Third parties	487	437
IT equipment - Third parties	39	36
	815	**841**

Apart from the costs above, there were occasional rentals throughout the year which amounted EUR 6 thousand (2012: EUR 28 thousand).

Vehicle and IT equipment lease contracts entered by JMH are treated as operating lease. These contracts do not include renewal or purchase option at termination date, nor 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:

	2013	2012
Payments in less than 1 year	396	409
Payments between 1 and 5 years	479	414
Payment in more than 5 years	-	-
Total future payments	**875**	**823**

All the contracts may be cancelled upon the payment of a penalty clause. At the end of 2013, the liabilities arising from penalty clauses were EUR 77 thousand (2012: EUR 74 thousand).

6. INCOME TAX RECOGNISED IN THE INCOME STATEMENT

6.1 INCOME TAX

	2013	2012
Current tax		
Current tax of the year	(295)	(449)
Adjustment to prior year estimation	-	(5)
	(295)	**(454)**
Deferred tax		
Temporary differences originated or reversed in the year	(874)	(765)
Change in Income Tax Rate	(369)	-
Change to the recoverable amount of tax losses and temporary differences from previous years	322	625
	(921)	**(140)**
Other losses related to taxes		
Impact of changes in estimates for tax litigations	-	-
	-	-
Total income tax	**(1,216)**	**(594)**

(*) Restated - see note 2

6.2 RECONCILIATION OF EFFECTIVE TAX RATE

	2013	2012
Profit/loss before taxes	**244,077**	**83,852**
Income tax 26.5% rate	(64,680)	(22,221)
Tax effect from:		
Non taxable or non recoverable results	63,994	21,510
Non-deductible expenses	(322)	(312)
Change in Income Tax Rate	(369)	-
Change to the recoverable amount of tax losses and temporary differences from previous years	322	625
Adjustment to prior year estimation	-	(5)
Results subject to special taxation	(161)	(191)
Income tax for the year	**(1,216)**	**(594)**
Effective tax rate	**0.50%**	**0.71%**

In 2012 and 2013, the Corporate Income Tax rate (CIT) applied to companies operating in Portugal was 25%. For the 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% and 5%, for taxable profits higher than EUR 1,500 thousand and EUR 7,500 thousand, respectively. For 2014, the CIT rate will be reduced to 23% and will be introduced a new level of state tax of 7% for taxable profits higher that EUR 35,000 thousand.

JMH effective tax rate, is significantly influenced by the fiscal effect of the income received from subsidiaries (dividends) that is not subject to taxation according with the current tax legislation, as they have already been considered for Income Tax purposes in the companies which generated them.

7. GAINS (LOSSES) IN SUBSIDIARIES

	2013	2012
Dividends received	242,261	82,963
Interest from loans granted	7,879	5,222
Disposal of subsidiaries	98	-
	250,238	**88,185**

8. GAINS (LOSSES) IN OTHER INVESTMENTS

	2013	2012
Rents from investment properties	188	182
Income from short-term investments	3	71
	191	**253**

9. EXCEPTIONAL OPERATING PROFITS (LOSSES)

	2013	2012
Impact of actuarial assumptions changes	(73)	(128)
Costs related with restructuring plans	(841)	-
Others	-	(5)
	(914)	**(133)**

(*) Restated - see note 2

10. TANGIBLE ASSETS

10.1 CHANGES OCCURRED DURING THE YEAR

	01/01/2013 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2013 Closing balance
Gross assets					
Buildings and other constructions	440	30	-	(259)	211
Transport equipment	79	14	-	-	93
Tools and utensils	2	-	-	-	2
Office equipment	2,029	102	-	-	2,131
Other tangible assets	389	-	-	-	389
	2,939	**146**	**-**	**(259)**	**2,826**

	01/01/2013 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2013 Closing balance
Accumulated depreciation and impairment					
Buildings and other constructions	208	25	-	(189)	44
Transport equipment	69	9	-	-	78
Tools and utensils	2	-	-	-	2
Office equipment	1,841	59	-	-	1,900
Other tangible assets	326	-	-	-	326
	2,446	**93**	**-**	**(189)**	**2,350**
Net book amount	**493**				**476**

10.2 CHANGES OCCURRED IN THE PREVIOUS YEAR

	01/01/2012 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2012 Closing balance
Gross assets					
Buildings and other constructions	340	100	-	-	440
Transport equipment	79	-	-	-	79
Tools and utensils	2	-	-	-	2
Office equipment	1,956	73	-	-	2,029
Other tangible assets	389	-	-	-	389
	2,766	**173**	**-**	**-**	**2,939**

	01/01/2012 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2012 Closing balance
Accumulated depreciation and impairment					
Buildings and other constructions	176	32	-	-	208
Transport equipment	63	6	-	-	69

	01/01/2012 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2012 Closing balance
Tools and utensils	2	-	-	-	2
Office equipment	1,805	36	-	-	1,841
Other tangible assets	326	-	-	-	326
	2,372	**74**	**-**	**-**	**2,446**
Net book amount	**394**	**-**	**-**	**-**	**493**

10.3 EQUIPMENT UNDER FINANCIAL LEASE

At the end of 2013 and 2012, 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 made up of development expenses and include expenses incurred with the implementation of information system platforms.

11.1 CHANGES OCCURRED DURING THE YEAR

	01/01/2013 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2013 Closing balance
Gross assets					
Development expenses	821	120	-	-	941
Intangible assets in progress	-	44	-	-	44
	821	**164**	**-**	**-**	**985**
	01/01/2013 Opening balance	**Increases**	**Disposals**	**Transfers and write-offs**	**31/12/2013 Closing balance**
Accumulated amortisation and impairment					
Development expenses	385	175	-	-	560
	385	**175**	**-**	**-**	**560**
Net book amount	**436**	**-**	**-**	**-**	**425**

11. INTANGIBLE ASSETS

11.2 CHANGES OCCURRED IN THE PREVIOUS YEAR

	01/01/2012 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2012 Closing balance
Gross assets					
Development expenses	309	512	-	-	821
	309	**512**	**-**	**-**	**821**
	01/01/2012 Opening balance	**Increases**	**Disposals**	**Transfers and write-offs**	**31/12/2012 Closing balance**
Accumulated amortisation and impairment					
Development expenses	309	76	-	-	385
	309	**76**	**-**	**-**	**385**
Net book amount	**-**				**436**

12. INVESTMENT PROPERTIES

JMH owns a property, which was partially rented to a Group company generating profits in the amount of EUR 188 thousand (2012: EUR 182 thousand). This property is valuated at its market value, according to an independent valuation, and is recorded at EUR 2,470 thousand (2012: EUR 2,470 thousand).

In 2013, JMH incurred in expenses regarding this property in the amount of EUR 4 thousand (2012: EUR 4 thousand), recognised in results in other operating costs.

13. INVESTMENTS

13.1 INVESTMENTS IN SUBSIDIARIES

	2013	2012
Net value at 1 January	**667,958**	**667,958**
Increases	-	-
Decreases	(30)	-
(Increases)/decreases in provisions for impairment loss	-	-
Net value at 31 December	**667,928**	**667,958**

The net amount in investments in subsidiaries, reflects the deduction of EUR 121,026 thousand, regarding impairment losses (see note 25).

14. LOANS

14.1 LOANS TO SUBSIDIARIES

Non-current loans	2013	2012
Net value at 1 January	**554,817**	**699,641**
Increases	35,725	14,580
Decreases	-	(159,404)
Net value at 31 December	**590,542**	**554,817**

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	2013	2012
Net value at 1 January	**56,770**	**63,050**
Increases	2,760	-
Decreases	(4,645)	(6,280)
Net value at 31 December	**54,885**	**56,770**

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

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013	2012
BCP shares	3,705	3,705
Fair value adjustment (see note 25)	(3,366)	(3,552)
	339	**153**

As at 31 December 2013, all BCP shares in the Company's portfolio (2.036 million shares) were marked to market (level 1 of fair value hierarchy) – according to the price on Euronext Lisbon at 31 December 2013 of Euro 0.1664 per share (2012: Euro 0.075 per share. The changes in the fair value of these assets of positive EUR 186 thousand were recognised directly in equity (2012: negative EUR 124 thousand).

16. TAXES

16.1 DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes are presented in the balance sheet as follows:

	2013	2012
Deferred tax assets	5,240	6,212
Deferred tax liabilities	(1,708)	(1,462)
	3,532	**4,750**

	01/01/2013	Impact on results	Impact on equity	31/12/2013
Deferred tax assets				
Employee benefits	4,457	(369)	316	4,404
Fair value in derivative financial instruments	758	-	(613)	145
Provisions and adjustments above tax limits	997	(306)	-	691
	6,212	**(675)**	**(297)**	**5,240**
Deferred tax liabilities				
Revaluation of assets	(223)	29	-	(194)
Other temporary differences	(1,239)	(275)	-	(1,514)
	(1,462)	**(246)**	**-**	**(1,708)**
Net change in deferred tax	**4,750**	**(921)**	**(297)**	**3,532**

	01/01/2012	Impact on results	Impact on equity (*)	31/12/2012
Deferred tax assets				
Employee benefits (*)	4,370	26	61	4,457
Fair value in derivative financial instruments	562	-	196	758
Provisions and adjustments above tax limits	658	339	-	997
	5,590	**365**	**257**	**6,212**
Deferred tax liabilities				
Revaluation of assets	(238)	15	-	(223)
Other temporary differences	(719)	(520)	-	(1,239)
	(957)	**(505)**	**-**	**(1,462)**
Net change in deferred tax	**4,633**	**(140)**	**257**	**4,750**

(*) Restated - see note 2

16.2
UNRECOGNISED DEFERRED TAXES ON TAX LOSSES

The Company does not recognise deferred tax assets relative to tax losses in respect of which, with reasonable assurance, no sufficient taxable profits are expected to guarantee the recovery of deferred tax assets.

Unrecognised deferred taxes on tax losses are as follow:

	2013	2012
Tax losses	-	4,546
Tax rate	23%	25%
Deferred tax assets (Unrecognised)	**-**	**1,137**

16.3
TAXES RECEIVABLE AND PAYABLE

Taxes receivable	2013	2012
Income tax receivable	2,501	2,013
VAT receivable	4	2
	2,505	**2,015**

	2013	2012
Taxes payable		
VAT payable	148	118
Income tax withheld	238	152
Social security	105	75
Municipal real estate tax	25	4
	516	**349**

17. TRADE DEBTORS, ACCRUED INCOME AND DEFERRED COSTS

	2013	2012
Subsidiaries and joint-ventures	808	898
Receivables from suppliers	7	13
Staff	3	9
Other debtors	42	188
Accrued income	4,577	5,335
Deferred costs	391	953
	5,828	**7,396**

Amounts recognised in subsidiaries and joint-ventures concern mainly to invoices issued to Group companies relating to various services provided.

Accrued income respects namely to EUR 4,291 thousand regarding the rendering of technical and administrative services to subsidiaries and EUR 188 thousand of interest receivable.

Deferred costs includes EUR 176 thousand of prepaid expenses with bonds and commercial paper, and EUR 215 thousand of other costs relating to future periods, paid in 2013 or when not paid, already charged by the competent entities.

18. CASH AND CASH EQUIVALENTS

	2013	2012
Bank deposits	306	537
Short-term investments	13,890	39,350
Cash and cash equivalents	9	8
	14,205	**39,895**

19. CASH GENERATED FROM OPERATIONS

	2013	2012(*)
Net results	**242,861**	**83,258**
Adjustments for:		
Income tax	1,216	594
Depreciation and amortization	268	150
Net financial costs	5,903	5,110
(Gains) losses on subsidiaries	(250,238)	(88,185)
(Gains) losses on other investments	(191)	(253)
(Gains) losses on disposal of tangible assets	70	-
	(111)	**674**
Changes in working capital:		
Trade debtors, accrued income and deferred costs	723	(1,020)
Trade creditors, accrued costs and deferred income	(116)	64
Provisions and employee benefits	(1,095)	1,375
	(599)	**1,093**

(*) Restated - see note 2

20. CAPITAL AND RESERVES

20.1 SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

The authorised share capital is represented by 629,293,220 ordinary shares (2012: 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 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 2013, no changes occurred in the amount of EUR 22,452 thousand showed in share premium.

20.2 OWN SHARES

Own shares reflect the cost of shares held by the Company in portfolio. As of 31 December 2013, the Company held 859,000 own shares (2012: 859,000).

20. CAPITAL AND RESERVES

20.3 OTHER RESERVES

	Cash flow hedging	Available-for-sale financial assets	Total
Balance as at 1 January 2012	**(1,558)**	**(1,312)**	**(2,870)**
Change in fair value of cash flow hedging instruments:			
- Gross value	(742)	-	(742)
- Deferred tax	196	-	196
Change in fair value of available-for-sale financial assets	-	(124)	(124)
Balance as at 1 January 2013	**(2,104)**	**(1,436)**	**(3,540)**
Change in fair value of cash flow hedging instruments:			
- Gross value	2,268	-	2,268
- Deferred tax	(613)	-	(613)
Change in fair value of available-for-sale financial assets	-	186	186
Balance as at 31 December 2013	**(449)**	**(1,250)**	**(1,699)**

These reserves are not able to be distributed to the shareholders.

20.4 RETAINED EARNINGS

At 31st December 2013, the total amount of retained earnings was EUR 568,446 thousand, resulting from profit generated in the financial year, and previous years.

Of this amount, EUR 282,722 thousand are not able to be distributed, as provided in articles 32, 218, 295, 296 and 324 of the Legal Code for Commercial Companies.

20.5 DIVIDENDS

According with the decision made in March 30th 2012 Shareholders Meeting, the amount of EUR 172,819 thousand, was distributed, in April 2012, to JMH shareholders. The shareholders Meeting, decided also in December 2012, to distribute free reserves in the amount of EUR 150,196 thousand.

According with the decision made in April 10th 2013 Shareholders Meeting, the amount of EUR 185,388 thousand, was distributed, in May 2013, to JMH shareholders.

In accordance with the dividend distribution policy and described in the section regarding the Dividend Distribution Policy included in the Corporate Governance chapter, which is an integral part of the consolidated annual report, the Board of Directors proposes to the shareholders the distribution of the amount 191,672,437.10 euros, which corresponds to a dividend per share of EUR 0.305 (excluding own shares in the portfolio).

21. EARNINGS PER SHARE

21.1 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated based on the net profit attributable to Shareholders of EUR 242,861 thousand (2012: EUR 83,258 thousand) divided by the weighted average of outstanding ordinary shares, numbering 628,434,220 (2012: 628,434,220). The diluted earnings per share are equal to basic earnings per share as there are no dilution events.

	2013	2012(*)
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)	**242,861**	**83,258**
Basic and diluted earnings per share - euros	**0.386**	**0.132**

(*) Restated - see note 2

22. BORROWINGS

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 27.

22.1 CURRENT AND NON-CURRENT LOANS

	2013	2012
Non-current loans		
Bank loans - commercial paper	-	50,000
Non-convertible bond loans	-	100,000
	-	**150,000**
Current loans		
Bank loans - commercial paper	-	-
Non-convertible bond loans	100,000	-
	100,000	**-**

In 2013, the commercial paper loan with a maximum amount of EUR 50,000 thousand was cancelled.

22. BORROWINGS

22.2 LOAN TERMS AND MATURITIES

	Average rate	2013	Payable in less than 1 year	Payable between 1 and 5 years
Non-convertible Bond loans JM2014	3.92%	100,000	100,000	-
		100,000	**100,000**	**-**

	Average rate	2012	Payable in less than 1 year	Payable between 1 and 5 years
Bank loans - Commercial Paper	5.48%	50,000	-	50,000
Non-convertible Bond loans JM2014	3.78%	100,000	-	100,000
		150,000	**-**	**150,000**

JMH uses, with other Group companies, grouped credit lines, which means that the maximum amount approved by a financial entity can be used simultaneously by more than one Company. The amount of credit lines granted to JMH which are not being used amount to EUR 30,500 thousand (2012: EUR 41,750 thousand).

22.3 BOND LOANS

	2013	2012
Non-convertible bond loans JM2014	100,000	100,000
	100,000	**100,000**

NON-CONVERTIBLE BONDS

In September 2011, a bond loan in the amount of EUR 100,000 with variable interest (Euribor 6 months) rate was issued, with maturity in 2014.

22.4 BANK LOANS: COMMERCIAL PAPER

There are several bank loans in the form of a commercial paper programme, in the amount of EUR 145,000 thousand, with variable interest rate. At the end of 2013 none of these credit lines were being used.

23. FINANCIAL DEBT

	2013	2012
Non-current loans	-	150,000
Current loans	100,000	-
Derivative financial instruments	818	3,151
Accruals and deferrals (financial headings only)	618	(140)
Bank deposits	(306)	(537)
Short-term investments	(13,890)	(39,350)
	87,240	**113,124**

24. FINANCIAL RISKS

JMH is exposed to several financial risks, namely: market risk (which includes interest rate and price risks), liquidity risk and credit risk. Risk management is focused in the unpredictable nature of the financial markets and tries to minimize its adverse effects in the Company financial performance. The information regarding financial risks management is detailed in the Management Report.

25. PROVISIONS AND ADJUSTMENTS TO THE NET REALISABLE VALUE

2013	Opening balance	Provisions set up	Provisions used	Closing balance
Investments in subsidiaries	121,026	-	-	121,026
Available-for-sale financial assets	3,552	-	(186)	3,366
Total adjustments to the net realisable value	**124,578**	**-**	**(186)**	**124,392**
Other risks and contingencies	6,935	-	(943)	5,992
Total provisions	**6,935**	**-**	**(943)**	**5,992**
2012	**Opening balance**	**Provisions set up**	**Provisions used**	**Closing balance**
Investments in subsidiaries	121,026	-	-	121,026
Available-for-sale financial assets	3,428	124	-	3,552
Total adjustments to the net realisable value	**124,454**	**124**	**-**	**124,578**
Other risks and contingencies	5,658	1,541	(264)	6,935
Total provisions	**5,658**	**1,541**	**(264)**	**6,935**

The adjustment for available-for-sale financial assets corresponds to upgrade to fair value, as described in note 15.

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

26. TRADE CREDITORS, ACCRUED COSTS AND DEFERRED INCOME

	2013	2012
Payables to subsidiaries and joint-ventures	137	60
Other trade creditors	980	1.347
Other non-trade creditors	13	7
Accrued costs	4,253	4,356
Deferred income	16	16
	5,399	**5,786**

Accrued costs includes salaries and wages payable in the amount of EUR 3,062 thousand, and interest payable in the amount of EUR 764 thousand. The remaining EUR 427 thousand relates to various costs (utilities, insurance, consultants, rents, among others), relating to 2013 and not invoiced by the respective entities prior to the end of the year.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2013					2012				
	Notional	Assets		Liabilities		Notional	Assets		Liabilities	
		Current	Non current	Current	Non current		Current	Non current	Current	Non current
Cash flow hedge derivatives										
Interest rate swap	100 million EUR	-	-	818	-	150 million EUR	-	-	-	3,151
Total assets/liabilities hedge derivatives		**-**	**-**	**818**	**-**		**-**	**-**	**-**	**3,151**
Total assets/liabilities derivatives		**-**	**-**	**818**	**-**		**-**	**-**	**-**	**3,151**

In 2013, the values shown include interest receivable or payable related with these financial instruments that are due. The net payable amount is EUR 225 thousand (2012: EUR 289 thousand payable).

CASH FLOW HEDGE

JMH enters into interest rate swaps to hedge the interest rate risk regarding future interest payments on the loans. At 31 December 2013, the bank and bond loans with derivative hedge instruments were EUR 100,000 thousand (2012: EUR 150,000 thousand).

JMH fixed a portion of future interest payments on loans, through entering into interest rate swaps. The hedged risk is the variable interest rate index associated with the loans. The purpose of the hedge is to convert the loans with variable interest rate into fixed interest rate. The credit risk of the borrowing is not hedged. Nevertheless, the evaluation of JMH own credit risk and its incorporation in the fair value of derivative financial instruments recognised on the balance sheet would result in an immaterial impact as of 31 December 2013 and 2012.

Swaps have a notional EUR 100,000 thousand (2012: EUR 150,000 thousand), and the fair value of these instruments at 31 December 2013 was negative EUR 818 thousand (2012: negative EUR 3,151 thousand). The changes in fair value of these instruments were recognised in other reserves in the amount of positive EUR 2,268 thousand (2012: negative EUR 742 thousand). These derivatives mature in September 2014.

In 2013, the derivative instruments associated with the commercial paper loan of EUR 50,000 thousand, referred to in note 22, were canceled, due to the cancelation of the loan.

27.1
IMPACTS ON FINANCIAL STATEMENTS

	2013	2012
Fair value of the financial instruments at 1 January	**(3,151)**	**(2,274)**
(Receipts) / payments made	2,353	1,421
Change in the fair value of financial instruments that qualify as hedge accounting (other reserves)	2,268	(742)
Interest expenses from financial instruments that qualify as hedge accounting (P&L)	(2,288)	(1,556)
Fair value of the financial instruments at 31 December	**(818)**	**(3,151)**

28. EMPLOYEE BENEFITS

Amounts of employee benefits in the balance sheet:

	2013	2012
Retirement benefits - defined benefit plan paid for by the Group	17,480	16,318
Seniority awards	498	503
Total	**17,978**	**16,821**

Remeasurements reflected in equity in other comprehensive income:

	2013	2012(*)
Retirement benefits - defined benefit plan paid for by the Group	1,309	230
Total	**1,309**	**230**

Amounts reflected in the income statement – staff costs (note 3.2):

	2013	2012(*)
Retirement benefits – defined contribution plan	358	387
Retirement benefits - defined benefit plan paid for by the Group	702	711
Seniority awards	83	223
Total	**1,143**	**1,321**

(*) Restated - see note 2

28.1 DEFINED CONTRIBUTION PLANS FOR EMPLOYEES, WITH A FUND MANAGED BY THIRD PARTY

The Company has a defined contribution plan for all employees who have permanent contract status, with a fund managed by third party.

This plan controls the costs of the Company of the related benefits, while simultaneously creating an incentive for the employees to participate in their own pension scheme.

	2013	2012
Liabilities at 1 January	-	-
Staff costs on the year	358	387
Contributions of the year	(358)	(387)
Liabilities at 31 December	-	-

28.2
DEFINED BENEFIT PLANS FOR FORMER EMPLOYEES MANAGED BY THE COMPANY

Independent actuaries evaluate this plan every year. According to the actuarial calculation reported on 31 December 2013 the obligation is EUR 17,480 thousand, provisioned entirely in liabilities in the employee benefits heading.

	2013	2012
Balance at 1 January	**16,318**	**16,198**
Interest costs	702	711
Actuarial (gains) / losses:		
Changes in demographic assumptions	-	-
Changes in financial assumptions	1,342	-
Changes in experience	(33)	230
Retirement pensions paid	(849)	(821)
Balance at 31 December	**17,480**	**16,318**

Actuarial assumptions used:

	2013	2012
Mortality table	TV 88/90	TV 88/90
Discount rate	3.5%	4.5%
Pensions growth rate	2.5%	2.5%

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

28.3
OTHER LONG-TERM BENEFITS GRANTED TO EMPLOYEES

The Company has adopted an incentive programme based on the granting of awards according to seniority.

The programme consists of granting awards to employees when they reach 15 and 25 years of service. The responsibilities regarding the seniority awards are evaluated annually by an independent actuary.

According to the actuarial calculation reported as of 31 December 2013, the obligations amount to EUR 498 thousand, and are provisioned entirely, in liabilities, in the employee benefits heading.

28. EMPLOYEE BENEFITS

Movement in the year:

	2013	2012
Balance at 1 January	**503**	**294**
Current service costs	(11)	80
Interest costs	21	15
Actuarial (gains) / losses		
Changes in demographic assumptions	-	-
Changes in financial assumptions	27	8
Changes in experience	46	120
Bonus paid	(88)	(14)
Balance at 31 December	**498**	**503**

Actuarial assumptions used:

	2013	2012
Mortality table	TV 88/90	TV 88/90
Discount rate	3.5%	4.5%
Salaries growth rate	2.5%	2.5%

The mortality assumptions used corresponds to the most common adopted in Portugal, and was set based on actuarial advice in accordance with published statistics.

28.4 EXPECTED FUTURE PAYMENTS

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

	2014	2015	2016	2017	2018
Retirement benefits - defined benefit plan paid for by the Group	1,368	1,324	1,278	1,229	1,178
Seniority awards	30	87	31	83	20
Total	**1,398**	**1,411**	**1,309**	**1,312**	**1,198**

29. GUARANTEES

The bank guarantees are as follows:

	2013	2012
Guarantees for the Tax Authority	3,784	1,991
Financing bank guarantees	-	10,521
Other guarantees provided	1,420	1,420
	5,204	**13,932**

30. CONTINGENCIES

There are several disputes arising out of the ordinary course of the JMH's businesses. The material issues pending resolution are detailed below. With respect to these issues the Board of Directors, supported by the opinion of its tax and legal advisors, assesses the outcome of each proceedings, and for those where the Board estimates that a future cash outflow may occur, a provision in taken (note 25):

- The Portuguese Tax Authorities have informed Jerónimo Martins to restate the dividends received, amounting to EUR 10,568 thousand, from its subsidiary in the Madeira Free Zone in 2004 and 2005, considering them as interest for tax purposes. According to the Portuguese Tax Authorities the said income should be subject to Corporate Income Tax (CIT) as opposed to dividends received that are exempt. The Board of Directors, supported by their tax consultants and legal advisors, consider that the report issued by the Tax Authorities does not have any legal basis or validity, and has challenged it;

- The Portuguese Tax Authorities have claimed EUR 989 thousand from Jerónimo Martins 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, with the support of its tax and legal advisers, does not consider the report of the Tax Authorities to have legal basis or validity, and has challenged it;

- The Portuguese Tax Authorities have claimed from Jerónimo Martins the amount of EUR 480 thousand, regarding assessment concerning swap payments treated as interest in 2008, which the Tax Authorities consider should have been subject to withholding tax. The Board of Directors, supported by its tax consultants, have challenged this assessment, believing that the tax authorities have no grounds to request the payment of such amounts;

- The Portuguese Tax Authorities have informed Jerónimo Martins that they do not accept losses on capital gains associated with a liquidation of one Company and the sale of another, amounting to EUR 24,660 thousand, which generated a correction on the Company's tax losses, for 2007. The Board of Directors, supported by their tax consultants and legal advisors, consider that the report issued by the Tax Authorities does not have any legal basis or validity, and have challenged it.

In 2013, the following proceeding that was reported in previous years, was concluded:

- Tengelmann KG filed arbitration proceedings against Jerónimo Martins, SGPS, S.A. before the German Institute of Arbitration, in Cologne. The plaintiff argued that Jerónimo Martins, SGPS, S.A. was liable for the non-payment of rents and contractual penalties, plus accrued interests, by Dystrybucja Integrator Sp. Z o.o. (previously Plus Discount Sp. z o.o. – Plus Poland) under the guarantee granted by Jerónimo Martins, SGPS, S. A. in the SPA regarding Plus Discount Sp. z o.o.. Jerónimo Martins, SGPS, S.A. considered the allegations ungrounded and presented its statement of defense in the arbitral proceedings. On 8 April 2013, the parties reached an agreement regarding the resolution of their respective disputes. The settlement foresees, amongst other things, the payment of EUR 7,000 thousand by Jerónimo Martins Polska, SA, as well as the anticipated extension of the duration of the leases in Poland and the renegotiation of some clauses thereof. The settlement agreement was confirmed by an award of the Arbitration Court, which put an end to the litigation.

31. SUBSIDIARIES AND AVAILABLE-FOR-SALE FINANCIAL ASSETS

The direct investments owned by JMH, at 31 December 2013, 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	102	98	10
Jerónimo Martins Serviços, S.A.	a)	Lisbon	100.00%	50	4,412	414	44
Eva - Soc. de Investimentos Mobiliários e Imobiliários, Lda	a)	Funchal	5.60%	28	72,245	72,228	1,107
Friedman - Soc. de Investim. Mobiliários e Imobiliários, Lda	a)	Funchal	100.00%	5	171	155	(15)
Warta - Retail & Services Investments B.V.	a)	Amsterdam	100.00%	18	469,156	465,020	287,683
Tagus - Retail & Services Investments B.V.	a)	Amsterdam	100.00%	18	694,870	694,798	21,156
Monterroio - Retail & Services Investments B.V.	a) b)	Amsterdam	100.00%	18	375,720	285,522	5,450
New World Investments B.V.	a)	Amsterdam	100.00%	18	47,375	47,270	(2,721)
Available-for-sale financial assets							
BCP - Banco Comercial Português, S.A.	b)	Oporto	0.01%	2.036	82,007,033	3,275,808	(740,450)

a) For the purposes of the article 486, paragraph 3, of the Portuguese Commercial Companies Code, we declare that we hold the control of the companies indicated.
b) A fair value adjustment provision has been set up.

32. SUBSIDIARIES, JOINT-VENTURES AND ASSOCIATES - DIRECT AND INDIRECT STAKES

The table below lists the companies directly and indirectly held by Jerónimo Martins, SGPS, SA, as of 31 December 2013:

SUBSIDIARIES

Company	Head office	% Owned
JMR - Gestão de Empresas de Retalho, SGPS, S.A.	Lisbon	51.00
Pingo Doce - Distribuição Alimentar, S.A.	Lisbon	51.00
Supertur - Imobiliária, Comércio e Turismo, S.A.	Lisbon	51.00
JMR - Prestação de Serviços para a Distribuição, S.A.	Lisbon	51.00
Imoretalho - Gestão de Imóveis, S.A.	Lisbon	51.00
Casal de São Pedro - Administração de Bens, S.A.	Lisbon	51.00
Jerónimo Martins Finance Company (2), Limited	Dublin (Ireland)	51.00
EVA - Sociedade de Investimentos Mobiliários e Imobiliários, Lda.	Funchal	51.00
Cunha & Branco - Distribuição Alimentar, S.A.	Lisbon	51.00
Jerónimo Martins Retail Services, S.A.	Klosters (Switzerland)	51.00
Comespa - Gestão de Espaços Comerciais, S.A.	Lisbon	51.00
Escola de Formação Jerónimo Martins, S.A.	Lisbon	51.00
Funchalgest - Sociedade Gestora de Participações Sociais, S.A.	Funchal	75.50
João Gomes Camacho, S.A.	Funchal	75.50

Company	Head office	% Owned
Lidosol II - Distribuição de Produtos Alimentares, S.A.	Funchal	75.50
Lidinvest - Gestão de Imóveis, S.A.	Funchal	75.50
Recheio, SGPS, S.A.	Lisbon	100.00
Recheio - Cash & Carry, S.A.	Lisbon	100.00
Imocash - Imobiliário de Distribuição, S.A.	Lisbon	100.00
Larantigo - Sociedade de Construções, S.A.	Lisbon	100.00
Masterchef, S.A.	Lisbon	100.00
Jeronimo Martins Polska S.A.	Kostrzyn (Poland)	100.00
Optimum Mark Sp. Z.o.o.	Warszawa (Poland)	100.00
JM Nieruchomosci - Sp. Z.o.o.	Kostrzyn (Poland)	100.00
JM Nieruchomosci - Sp. Komandytowo-akcyjna	Kostrzyn (Poland)	100.00
JM TELE - Sp. Z.o.o.	Kostrzyn (Poland)	100.00
Jeronimo Martins Drogerie i Farmacja Sp. z o.o.	Kostrzyn (Poland)	100.00
Bliska Sp. Z.o.o.	Warszawa (Poland)	100.00
Beleggingsmaatschappij Tand B.V.	Amsterdam (Holand)	100.00
Warta - Retail & Services Investments B.V.	Amsterdam (Holand)	100.00
Tagus - Retail & Services Investments B.V.	Amsterdam (Holand)	100.00
Monterroio - Industry & Services Investments B.V.	Amsterdam (Holand)	100.00
New World Investments B.V.	Amsterdam (Holand)	100.00
Jerónimo Martins Colombia S.A.S.	Bogota (Colombia)	100.00
Jerónimo Martins - Distribuição de Produtos de Consumo, Lda.	Lisbon	100.00
Caterplus - Comercialização e Distribuição Produtos de Consumo, Lda.	Lisbon	100.00
Hussel Ibéria - Chocolates e Confeitaria, S.A.	Lisbon	51.00
Jerónimo Martins - Restauração e Serviços, S.A.	Lisbon	100.00
Friedman - Sociedade Investimentos Mobiliários e Imobiliários, Lda.	Funchal	100.00
Desimo - Desenvolvimento e Gestão Imobiliária, Lda.	Lisbon	100.00
Jerónimo Martins - Serviços, S.A.	Lisbon	100.00
Servicompra, SGPS, Lda.	Lisbon	100.00

JOINT-VENTURES

Company	Head office	% Owned
Unilever Jerónimo Martins, Lda.	Lisbon	45.00
Fima - Produtos Alimentares, S.A.	Lisbon	45.00
Victor Guedes - Indústria e Comércio, S.A.	Lisbon	45.00
Olá - Produção de Gelados e Outros Produtos Alimentares, S.A.	Lisbon	45.00
Gallo Worldwide, Lda.	Lisbon	45.00

32. SUBSIDIARIES, JOINT-VENTURES AND ASSOCIATES - DIRECT AND INDIRECT STAKES

In December 2013, the Company Indústrias Lever Portuguesa, S.A. was wound up.

ASSOCIATES

Company	Head office	% Owned
Perfumes e Cosméticos PUIG Portugal - Distribuidora, S.A.	Lisbon	27.55

33. RELATED PARTIES

Note: transactions with related parties are always carried out at market prices.

33.1 TRANSACTIONS WITH RELATED PARTIES (SHAREHOLDERS)

JMH is owned 56.136% by Sociedade Francisco Manuel dos Santos BV. There were no direct transactions between this Company and any other Group's company in 2013.

33.2 TRANSACTIONS WITH OTHER RELATED PARTIES

33.2.1 TECHNICAL AND ADMINISTRATIVE SERVICES PROVIDED

As the Group's holding company, JMH co-ordinates and provides consultancy services to its subsidiaries. The functional areas of support to the Group range from Administration, Internal Audit, Legal Affairs, Corporate Communication and Responsibility, Financial Control, Consolidation and Accounting, Strategy and International Expansion, Fiscal Affairs, Financial Operations, Quality Control and Food Safety, Human Resources, Investor Relations, Security, Information Technology, Risk Management. JMH is remunerated for these services, as well as management services for negotiations on behalf of the Group companies.

Income from technical and administrative services provided to subsidiaries during 2013 was EUR 17,084 thousand (2012: EUR 17,639 thousand).

33.2.2 FINANCIAL SERVICES

The Financial Operations department of the holding centralises part of the Jerónimo Martins Group companies' financial management.

This management includes acting on behalf of the companies in the negotiation and contracting with banks and other financial institutions, debt conditions and application of funds. The purpose of this centralized 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 2,718 thousand in 2013 (2012: EUR 2,307 thousand).

This management includes also the centralised treasury, responsible for payments to suppliers, employees and other entities, as well as daily cash management. This management is also remunerated for this service, which amounted to EUR 395 thousand in 2013 (2012: EUR 433 thousand).

33.2.3 LEASE OF PROPERTY

JMH develops its activity in premises rented to a subsidiary, which represented costs of EUR 217 thousand (2012: EUR 203 thousand).

As referred in note 12, JMH owns a property which is partially rented to a Group company, and generated profits in 2013 in the amount of EUR 188 thousand (2012: EUR 182 thousand).

33.2.4 SUPPLEMENTARY INCOME

JMH charges annually a joint-venture company relating to a sales commission. In 2013 this amounted EUR 145 thousand (2012: EUR 149 thousand).

33.2.5
LOANS (CURRENT AND NON-CURRENT LOANS)

JMH granted loans to subsidiaries, which generated interest in the amount of EUR 5,654 thousand (2012: EUR 5,222 thousand).

33.2.6
COSTS RELATING TO STAFF

As a group, JMH takes advantage of the synergies existing between various companies and frequently transfers staff from one company to another according to the needs of the various businesses. In 2013, total costs incurred with personnel from other companies amounted to EUR 4,706 thousand (2012: EUR 3,712 thousand).

33.2.7
GROUP COMPANIES DISPOSALS

In 2013, JMH sold its 1% shareholding in Imocash - Imobiliário de Distribuição, S.A., for the amount of EUR 126 thousand, and the 0.2% shareholding in Larantigo - Sociedade de Construções, S.A. for the amount of EUR 2 thousand, to Tagus - Retail & Services Investments B.V., which also belongs to the Jerónimo Martins Group. This transaction was made at market values and generated a profit in the amount of EUR 98 thousand.

33.2.8
OPEN BALANCES AS OF 31 DECEMBER 2013

Company	Current loans	Non-current loans	Accounts receivable	Accrued income	Deferred income	Accounts payable	Accrued costs
Group companies							
Comespa - Gestão de Espaços Comerciais, S.A.	-	-	-	2	-	-	-
Cunha & Branco - Distribuição Alimentar, S.A.	-	-	-	1	-	-	-
Desimo - Desenv. Gestão Imobiliária, Lda.	-	20	-	-	-	-	-
Fima - Produtos Alimentares, S.A.	-	-	-	-	-	18	-
Friedman - Soc. Inv. Mobiliários e Imobiliários, Lda.	-	170	-	-	-	-	-
Hussel Ibéria - Chocolates e Confeitaria, S.A.	-	-	-	2	-	-	-
Imocash - Imobiliário de Distribuição, S.A.	-	-	-	6	-	-	-
Imoretalho - Gestão de Imóveis, S.A.	-	-	-	24	-	16	-
João Gomes Camacho, S.A.	-	-	-	21	-	-	-
Jerónimo Martins Colombia, S.A.S.	-	-	2	-	-	-	-
Jerónimo Martins - Dist. Prod. Consumo, Lda.	1,700	-	9	20	-	-	-
Jeronimo Martins Drogerie i Farmacja Sp. z o.o.	-	-	75	-	-	-	-
Jerónimo Martins Polska S.A.	-	-	4	1,485	-	-	-
Jerónimo Martins - Restauração e Serviços, S.A.	-	-	1	-	-	-	-
Jerónimo Martins Serviços, S.A.	-	500	4	-	-	-	1,698
JMR - Gestão Empresas Retalho, SGPS, S.A.	-	-	-	420	-	-	-
JMR - Prestação de Serviços para a Distribuição, S.A.	-	-	55	15	-	51	-
Larantigo - Sociedade de Construções, S.A.	-	-	1	-	-	-	-
Lidinvest - Gestão de Imóveis, S.A.	-	-	-	4	-	-	-
Lidosol II - Distrib. Produtos Alimentares, S.A.	-	-	-	81	-	10	-
Monterroio - Industry & Services Investments B.V.	-	238,024	-	188	-	-	-
New World Investments B.V.	-	50,205	-	-	-	-	-
Pingo Doce - Distribuição Alimentar, S.A.	-	-	60	1,862	-	27	-
Recheio - Cash & Carry, S.A.	-	-	14	319	16	-	-
Recheio, SGPS, S.A.	53,185	-	148	-	-	-	-
Servicompra, SGPS, Lda.	-	-	-	28	-	-	-
Supertur - Imobiliária, Comércio e Turismo, S.A.	-	-	-	1	-	-	-
Tagus - Retail & Services Investments B.V.	-	125,595	-	-	-	-	-
Warta - Retail & Services Investments B.V.	-	176,028	-	-	-	-	-
Subtotal	**54,885**	**590,542**	**373**	**4,479**	**16**	**122**	**1,698**
Joint-ventures							
Unilever Jerónimo Martins, Lda.	-	-	435	-	-	15	-
Subtotal	**-**	**-**	**435**	**-**	**-**	**15**	**-**
Total	**54,885**	**590,542**	**808**	**4,479**	**16**	**137**	**1,698**

33. RELATED PARTIES

33.2.9
OPEN BALANCES AS OF 31 DECEMBER 2012

Company	Current loans	Non-current loans	Accounts receivable	Accrued income	Deferred income	Accounts payable	Accrued costs
Group companies							
Casal de São Pedro – Administração Bens, S.A.	-	-	-	2	-	-	-
Comespa - Gestão de Espaços Comerciais, S.A.	-	-	-	2	-	-	-
Desimo – Desenv. Gestão Imobiliária, Lda.	-	20	-	-	-	-	-
Friedman - Soc. Inv. Mobiliários e Imobiliários, Lda.	-	45	-	-	-	-	-
Hussel Ibéria – Chocolates e Confeitaria, S.A.	-	-	-	3	-	-	-
Imocash – Imobiliário de Distribuição, S.A.	-	-	-	5	-	-	-
Imoretalho – Gestão de Imóveis, S.A.	-	-	-	22	-	15	-
João Gomes Camacho, S.A.	-	-	-	21	-	-	-
Jerónimo Martins Colombia, S.A.S.	-	-	2	-	-	-	-
Jerónimo Martins – Dist. Prod. Consumo, Lda.	6,345	-	16	26	-	-	-
Jerónimo Martins Polska S.A.	-	-	2	1,786	-	-	-
Jerónimo Martins Serviços, S.A.	-	500	-	-	-	38	1,344
JMR – Gestão Empresas Retalho, SGPS, S.A.	-	-	-	487	-	-	-
JMR - Prestação de Serviços para a Distribuição, S.A.	-	-	216	14	-	-	-
Lidinvest - Gestão de Imóveis, S.A.	-	-	-	2	-	-	-
Lidosol II – Distrib. Produtos Alimentares, S.A.	-	-	1	75	-	-	-
Monterroio - Industry & Services Investments B.V.	-	238,024	-	186	-	-	-
New World Investments B.V.	-	14,605	-	-	-	-	-
Pingo Doce – Distribuição Alimentar, S.A.	-	-	85	2,048	-	4	-
Recheio - Cash & Carry, S.A.	-	-	17	332	16	3	-
Recheio, SGPS, S.A.	50,425	-	167	39	-	-	-
Tagus - Retail & Services Investments B.V.	-	125,595	-	-	-	-	-
Warta - Retail & Services Investments B.V.	-	176,028	-	-	-	-	-
Subtotal	**56,770**	**554,817**	**506**	**5,050**	**16**	**60**	**1,344**
Joint-ventures							
Unilever Jerónimo Martins, Lda.	-	-	390	-	-	-	-
Gallo Worldwide, Lda.	-	-	2	-	-	-	-
Subtotal	**-**	**-**	**392**	**-**	**-**	**-**	**-**
Total	**56,770**	**554,817**	**898**	**5,050**	**16**	**60**	**1,344**

33.2.10
REMUNERATION PAID TO DIRECTORS

	2013	2012
Salaries and cash awards	2,843	3,215
Retirement benefits	301	336
	3,144	**3,551**

The Board of Directors of the Company consists of nine members.

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

The retirement benefits granted to the Directors correspond to post-employment benefits and are part of the plans described in note 28.

As the cash awards to Executive Directors were due solely to the good performance of the Group's activity in Poland, the cash awards payment were charged to Jerónimo Martins Polska S.A.

34. INTERESTS IN JOINT-VENTURES AND ASSOCIATES

The company owns (indirectly) interests in the following joint-ventures:

- JMH holds a 45% shareholding in Unilever Jerónimo Martins, which controls a group of companies dedicated to manufacturing and selling products in the area of edible fats and ice-creams and to distributing and selling drinks, personal care and home care products, using owned Private Brands and brands owned by the Unilever Group;

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

The company owns (indirectly) interests in the following associated company:

- JMH holds a 27.545% shareholding in Sociedade Perfumes e Cosméticos Puig Portugal - Distribuidora, S.A., which is dedicated to selling perfumes and cosmetic products.

35. INFORMATION ON ENVIRONMENTAL MATTERS

As referred in the management report, there are no environmental matters likely to affect the company's financial performance and situation, and the Company is unaware of any contingent liability or obligation concerning environmental matters. As a result, the Company did not recognise any relevant costs or investment of environmental nature in its financial statements.

36. 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 its annex;

b) The total remuneration paid in 2013, to the External Auditor and Chartered Accountant, was 130,735 euros, of which 95,390 euros correspond to legal accounts audit services, while the remaining 33,345 euros, relate to access to a tax legislation database and consulting on improving the reporting in the field of Corporate Responsibility with implementation of Global Reporting Initiative indicators;

c) Note 33 of the notes to the financial statements include all the related parties' disclosures, in accordance with the International Accounting Standards.

37. EVENTS AFTER THE BALANCE SHEET DATE

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

Lisbon, 25th February 2014

The Certified Accountant **The Board of Directors**

AUDITOR REPORT FOR STATUTORY AND STOCK EXCHANGE REGULATORY PURPOSES ON THE INDIVIDUAL FINANCIAL INFORMATION

(FREE TRANSLATION FROM THE ORIGINAL VERSION IN PORTUGUESE)

Registered at the Sociedades de Revisores Oficiais de Contas with the number 183 and at Comissão do Mercado de Valores Mobiliários with the number 9077.

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. is a member firm of PricewaterhouseCoopers International Limited, each member firm of wich is a separate legal entity.

INTRODUCTION

1. As required by law, we present the Audit Report for Statutory and for Stock Exchange Regulatory Purposes on the financial information included in the Directors' Report and in the attached financial statements of Jerónimo Martins, SGPS, S.A., comprising the balance sheet as at December 31, 2013, (which shows total assets of Euro 1,344,843 thousand and total shareholder's equity of Euro 1,212,432 thousand, including a net profit of Euro 242,861 thousand), the statements 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 the corresponding notes to the accounts.

RESPONSIBILITIES

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

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

SCOPE

4. We conducted our audit in accordance with the Standards and Technical Recommendations issued by the Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Accordingly, our audit included: (i) verification, on a sample basis, of the evidence supporting the amounts and disclosures in the financial statements, and assessing the reasonableness of the estimates, based on the judgements and criteria of the Board of Directors used in the preparation of the financial statements; (ii) assessing the appropriateness of the accounting principles used and their disclosure, as applicable; (iii) assessing the applicability of the going concern basis of accounting; (iv) assessing the overall presentation of the financial statements; and (v) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the financial information.

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

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

OPINION

7. In our opinion, the financial statements referred to above, present fairly in all material respects, the financial position of Jerónimo Martins, SGPS, S.A. as at December 31, 2013, the results and the comprehensive income of its operations, the changes in equity and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the information included is complete, true, up-to-date, clear, objective and lawful.

REPORT ON OTHER LEGAL REQUIREMENTS

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

Lisbon, 25th February 2014

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

Represented by:
José Pereira Alves, R.O.C.

Report of the Auditors for Statutory and Stock Exchange Regulatory

Purposes in respect of the Individual Financial Information Jerónimo Martins, SGPS, S.A

December 31, 2013

REPORT AND OPINION OF THE AUDIT COMMITTEE

Dear Shareholders,

In accordance with sub-paragraph g) of paragraph 1 of article 423-F of the Commercial Companies Code, we herewith present our report on our supervisory activity and our opinion on the Jerónimo Martins, SGPS, S.A. report and individual accounts for the year ending December 31st, 2013, as well as on the proposals presented by the Board of Directors.

SUPERVISORY ACTIVITY

Throughout the year, this Committee monitored the management and evolution of the Company's businesses, by holding regular meetings with the Directors and Heads of the functional areas of the corporate centre, with the Managing Committee, the Company Secretary and the Statutory Auditor, and in all cases received their full co-operation.

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

This Committee was given access to all the corporate documentation that it considered relevant, namely the minutes of the meetings of the Managing Committee, the Ethics Committee and the Internal Control Committee, as well as all the related documentation it deemed relevant, in order to assess compliance with its regulations and with the applicable laws.

It met regularly with the External Auditor and those responsible for preparing the Annual Report, and carried out a review of the accuracy of the accounting documentation, accounting policies and valuation methods used by the Company, thereby ensuring that these are a correct representation of the results and the equity of the Company.

Throughout the year, it monitored the work methodology adopted by the External Auditor, the evolution of issues raised by the latter, as well as the conclusions of the work carried out by the Statutory Auditor, which gave rise to the Auditor's Report being issued without any reservations.

Within the scope of its responsibilities, the Audit Committee verified the independence and competence of the Company's External Auditors and Statutory Auditor in carrying out their functions, and also verified that all other services provided by the firm of External Auditors to the Company, were carried out by their employees who took no part in the audits, and that these services, due to their type and amounts involved, in no way jeopardise the independence of the work carried out by the External Auditor nor do they affect the opinion of the Statutory Auditor.

OPINION

Taking into account the information received from the Board of Directors, the Company personnel and the conclusions outlined in the Auditor Report for Statutory and Stock Exchange Regulatory Purposes on the Individual Financial Information, we are of the opinion that:

i) The Management Report should be approved;

ii) The Financial Statements should be approved; and

iii) The Board of Directors' results appropriation proposal should be approved.

STATEMENT OF RESPONSIBILITY

In accordance with sub-paragraph c) of paragraph 1 of article 245 of the Portuguese Securities Code, the members of the Audit Committee, identified below, declare that to the best of their knowledge:

i) the information contained in the Management Report, the Annual Accounts, the Auditors' Report and all other accounting documentation required by law or regulation, was produced in compliance with the applicable accounting standards and gives a true and fair view of the assets and liabilities, the financial position and the results of Jerónimo Martins, SGPS, S.A.;

ii) the Management Report is a faithful statement of the evolution of the businesses, of the performance and position of Jerónimo Martins, SGPS, S.A., and contains a description of the main risks and uncertainties which they face.

Lisbon, February 28th, 2014

Hans Eggerstedt
(Chairman of the Audit Committee)

António Pedro Viana-Baptista
(Member)

Sérgio Tavares Rebelo
(Member)

2013

JERÓNIMO MARTINS

2013
ANNUAL
REPORT

WE'VE GOT FIGURES
TO SHOW
STORIES
TO TELL

JERÓNIMO MARTINS