
Jerónimo Martins
ANNUAL REPORT 2017

Jerónimo Martins

Message from the Chairman

2017 was a remarkable year in various aspects, during which we saw an increasing unpredictability worldwide.

In the European Union, and from a political standpoint, it was a year of strong emotions. In Germany, Angela Merkel was re-elected for a fourth term but her party (CDU) lost considerable support, recording its worst result since 1949.

The most structural change, however, began with the far-right party entering the German Bundestag, which won 94 seats for the AfD party, thus becoming Germany's third-strongest political force. This is the first time in the history of post-war Germany that a clearly far-right party has a seat in Parliament. And it happened in what was the first federal election held since the Government led by Angela Merkel opened its doors to migrants and refugees in 2015, allowing over one million people to enter the country.

Confirming the resurgence of nationalism and of the far-right in Europe, in the Netherlands, the anti-Islam, anti-immigration and anti-EU party led by Geert Wilders (PVV) won 20 seats in Parliament, eight more than it previously had. Today, it is the second-largest party, even though it failed to reach its goal of becoming the largest Dutch parliamentary force.

In 2017, the opposite note came from France, with Emmanuel Macron's overwhelming victory in the second round of the presidential election, against Marine Le Pen – 66.1% against 33.9%. A victory that was immediately repeated in the parliamentary elections, with Macron's newly-formed party winning a majority from voters clearly supporting the new French President's reforming, pro-European and inclusive vision.

In Portugal, the crisis in neighbouring Catalonia, which today is politically fractured, was followed closely. A slowdown in the Spanish economy is expected which will, should it occur, affect Portugal given the country's weight as an important destination for Portuguese exports (approximately 25% of total exports).

For the Portuguese, 2017 will, above all, be remembered for its inseparable link to the tragic forest fires. The fires claimed at least 112 human lives and, according to an estimate from the European Forest Fire Information System, approximately 500 thousand hectares were burned, including the irreplaceable *Pinhal de Leiria* (Leiria Pine Forest) with its 700 years of history. The devastation caused by this violent destruction, which saw the Government fail in its duty to protect people and property, overshadowed positive economic news. In fact, exiting the excessive deficit procedure and an increase in the Portuguese Republic's rating are good indicators of recovery, albeit with an unstable balance, specifically taking into account opposition in the social sectors of the State, which is expected to increase, as well as the structural reforms that are yet to be implemented.

At the Jerónimo Martins Group, in a year in which we celebrated our 225th anniversary, we broke the 100,000-employee barrier and gave our corporate visual identity a new look in a rebranding campaign that sought to find a balance between legacy and modernity. In 2017, we beat all sales records, successively bolstered our market position across all banners and continued to be amongst the biggest names in the retail world, more specifically ranked 56th, our best ever performance in the "Global Power of Retailing 2018" ranking, a study conducted by consulting firm Deloitte in collaboration with North-American magazine "Stores".

These 12 months were challenging, with strong investments in the expansion of international business, and maximum demand in our three markets: Portugal, Poland and Colombia. Focus on sales, by investing in reinforcing price positioning and in the shopping experience, proved to be effective: the

Group's turnover reached 16.3 billion euros in 2017, up 11.3% Year-on-Year, driven by 6.6% like-for-like growth.

Net income attributable to Jerónimo Martins amounted to 385 million euros, which represents a comparative increase of 6.7% (i.e. excluding the one-off contribution from Monterroio in 2016).

The Group continued to be an important and determined investor in the markets in which it operates, having increased capex to 724 million euros, of which half was allocated to expansion (new stores and Distribution Centres) and more than one third to major refurbishment of the store networks in Portugal and Poland.

Biedronka used an investment of 354 million euros (49% of total investment) to open 121 stores, inaugurate a new Distribution Centre and refurbished 226 stores during the year.

From a consumption perspective, Poland has a favourable environment, stimulated by the drop in unemployment, the acceleration of wage increases and the overall improvement of the living conditions of families, also as a result of the *Family 500 plus* Programme. Leveraging the opportunity created by the tendency to increase differentiation and the value of the shopping basket, Biedronka multiplied actions to improve the quality of its offer, bolstering innovation and the attractiveness of its assortment. Concurrently, it also knew when to seize opportunities and was quick to read the market and respond with specific product promotions and strong temporary actions, reinforcing the competitiveness of its positioning and price leadership.

Establishing like-for-like performance as its main priority, the Company recorded 8.6% growth in the year. Total sales increased 13.2% (+10.4% in local currency) to 11.1 billion euros, with Biedronka closing the year with 2,823 locations.

Managing a tough balance between extending the borders of its model and maintaining the efficiency of its cost structure, in a context in which it is under added pressure related mainly to investments in the continuous improvement of wages, benefits and support programmes for employees, Biedronka recorded an EBITDA of 805 million euros (+11%, at a constant foreign exchange rate) whilst maintaining the respective margin almost in line with the previous year (7.3%).

In Portugal, in a mature and highly competitive market, our Companies once again showed resilience, strength and solidity.

Pingo Doce closed 2017 with total sales of 3.7 billion euros, an increase of 3.1% compared to the previous year, an additional 1% when taking into account the same store network. In addition to intense promotions and investment in innovation, namely by rolling-out 175 new Private Brand products, total sales also benefited from investment in selective expansion and permanent improvement of logistical services for the stores and the consumer's shopping experience. This investment was reflected in the nine net additions to the store network implemented throughout the year, 44 refurbishments and in the inauguration, in the North of Portugal, of the most modern Distribution Centre in our entire network which amounted to an investment of 102 million euros.

Recognising the decisive contribution made by the teams to operational performance and in relation to services and the overall quality of the experience offered to customers, the Company carried out in 2017 a review remuneration packages. This had an expected impact on EBITDA which, at 188 million euros, fell by 1.6% compared to 2016.

Recheio leveraged the very positive dynamic of the tourism sector in Portugal, whilst simultaneously bolstering its international operations, ending the year with exports to 25 countries, across four continents. When taking into account the same store network, its sales increased by a significant 6.2% in the year, with an overall turnover growth of 7.2%, to 942 million euros, also benefiting from a new store opened in Vila Nova de Gaia (the 39th store in the chain) and the relocation of the Food-Service platform to Porto.

With EBITDA at 50 million euros (+6.7% Year-on-Year), and despite the investment made to drive sales, Recheio's EBITDA margin held steady at 5.3%, in line with the previous year, in a clear demonstration of its ability to maintain its cost discipline and efficiency levels.

With regard to our not-as-yet profitable business, Hebe consistently improved the differentiation and competitiveness of its value proposition and proved that it has a concept and business model with interesting development potential. Total sales increased 35.7% in relation to 2016, to 166 million euros, in a year in which the banner opened 30 stores and closed the year with a total network of 182 locations.

In Colombia, where the peace process today is considered irreversible, we continued to focus on paving the way for Ara's future growth. Present in three regions, our Colombian chain achieved sales of 405 million euros, up 72% from the previous year, despite some irregularities recorded in customer trust levels. This performance reflects the continued effort to adjust the value proposition to regional specificities of consumer behaviour and also our own learning curve as regards the needs and preferences of Colombian consumers.

The Company was able to deliver on its main priority for 2017: accelerate and expand the network to bolster presence and capillarity. By executing an investment programme of 169 million euros, Ara opened 169 stores – that is, one new store every two days – of which 77 in the last quarter of the year. This means that the Company more than doubled its number of store openings compared to 2016, whilst simultaneously continuing to invest in its logistics infrastructure.

In 2017, Ara accounted for 88% of the 85 million euro loss recorded in EBITDA, with Hebe accounting for the rest, which continues its upward trend towards profitability. Excluding the dilution caused by the losses recorded in these new businesses, consolidated EBITDA would have grown 9.0% with a 6.4% margin on sales.

All investments considered, consolidated EBITDA amounted to 922 million euros (+4,7%, at a constant foreign exchange rate, compared to 2016), with a margin of 5.7%, which clearly demonstrates the strength of the sales performance of our Companies. Moreover, the robustness of our balance sheet remained unshaken, ending the year with a net cash flow position of 170 million euros.

In light of the Group's sound financial position and given that the flexibility to finance current and future growth opportunities will not be compromised, Jerónimo Martins' Board of Directors will propose a dividend distribution at the Shareholders' General Meeting of approximately 385 million euros relating to profits from the 2017 financial year. This proposal corresponds to a payout of 100% which, for the second consecutive year and exceptionally, amounts to approximately double what would normaly be distributed under the prevailing dividends policy.

We, therefore, have begun 2018 strong and well-prepared; another year in which growth will be our top strategic priority and the force that drives us.

We will continue to invest heavily in our businesses, committed to the continuous improvement of the balance between profitability and sustainability. It is this management that ensures us both a place among the top retailers of the world and the inclusion in important international sustainability indices which recognise the best companies that make a long-term investment in the development of their business by also achieving strong social, environmental and governance performance.

These results and the long-term consideration in conducting the businesses would not be possible without the support of Jerónimo Martins' investors, and in particular of its majority shareholder, and their solidarity with the mission and strategy we pursue. I extend my gratitude to all of you and renew my commitment to continue leading the Group towards profitable and sustainable growth.

I also would like to express my gratitude and appreciation for my colleagues on the Board of Directors for their invaluable contribution to the vision that guides us and in the trust they have always had in our ability to execute and deliver. To my teams, I thank you for the passion, commitment and competence that make us who we are and that lead us, day after day, to wherever our ambition takes us.

Pedro Soares dos Santos
Chairman and Chief Executive Officer

THE JERÓNIMO MARTINS GROUP

I

The Jerónimo Martins Group

This Annual Report of the Jerónimo Martins Group covers the period from January 1st to December 31st, 2017, and includes the areas of Distribution and Agribusiness in Portugal and the area of Distribution in Poland and Colombia, describing the results of the entities directly held by the Group.

1. Profile and Structure

1.1. Identity and Responsibilities

Asset Portfolio

Jerónimo Martins is a Group that has assets in the Food area, mostly in Distribution, with market leadership positions in Poland and Portugal. In 2017, it achieved sales of 16.3 billion euros (68% in Poland) and an EBITDA of 922 million euros (87% in Poland). The Group has a total of 104,203 employees and ended the year with a market capitalisation of 10.2 billion euros on the Euronext Lisbon.

In Poland, **Biedronka**, a chain of food stores with a positioning that combines the quality of its assortment, store environment and proximity locations with the most competitive prices in the market, is the Food Retail sales leader, operating 2,823 stores spread across the entire country. At the end of 2017, the Company reached 11.1 billion euros of sales, recording around 1.4 billion customer tickets.

Also in Poland, since May 2011, the Group has a chain in the drugstore sector, under the **Hebe** banner, which has 182 stores. This business concept is based on the offer of a Health and Beauty assortment with high quality advice, at very competitive prices.

In Colombia, **Ara** currently operates in three regions of the country: the Coffee Growing Region, the Caribbean Coast and Bogota. It is a chain of proximity food stores, mostly set up in residential neighbourhoods, with a positioning of quality at the best price, combining competitiv eness with promotional opportunities in key categories for the Colombian consumer. At the end of the year, Ara was operating in 389 locations.

In Portugal, the Jerónimo Martins Group holds a leading position in Food Distribution, having reached a combined turnover of 4.6 billion euros in 2017. It operates with the banners **Pingo Doce** (422 supermarkets, including four Pingo Doce & Go) and **Recheio** (39 Cash & Carry and four platforms, three of them related to Food Service), which are leaders in the Supermarket and Cash & Carry segments, respectively.

Also in Portugal, through Pingo Doce, Jerónimo Martins has invested in developing projects that are complementary to the Food Retail business, namely **Refeições no Sítio do Costume** Restaurants, **Bem-Estar** Stores, Petrol Stations, as well as Clothing (for adults and children) and Shoes and Accessories, through the **New Code** and **Spot** banners, respectively. These last two are developed within the scope of partnerships with specialised operators.

Jerónimo Martins Agro-Alimentar

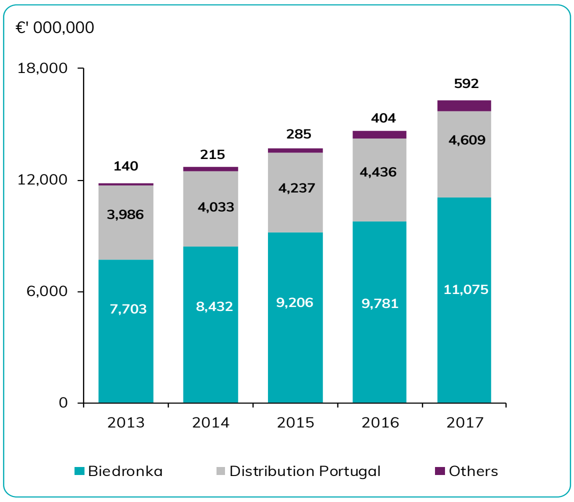
The main objective of **Jerónimo Martins Agro-Alimentar (JMA)** is to safeguard the Group's Companies ability to have a supply of some strategic products. It currently operates in the areas of Dairy Products, Livestock (Angus beef) and Aquaculture (sea bass and sea bream).

Jerónimo Martins Restauração e Serviços is engaged in developing projects in the Restaurants sector and, at the end of 2017, was operating the Jeronymo chain of kiosks and coffee shops with 21 points of sales.

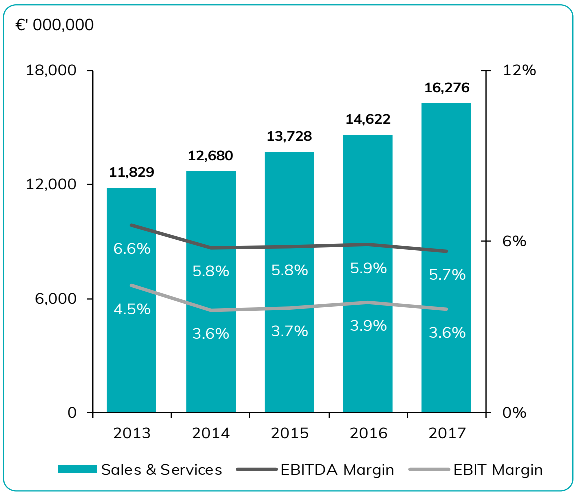
Hussel, a Specialised Retail chain selling chocolates and confectionery, had 24 stores at the end of 2017.

1.2. Operating and Financial Indicators

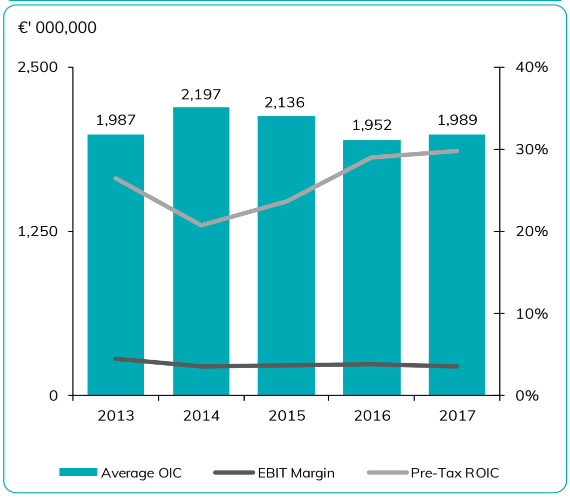
Sales & Services



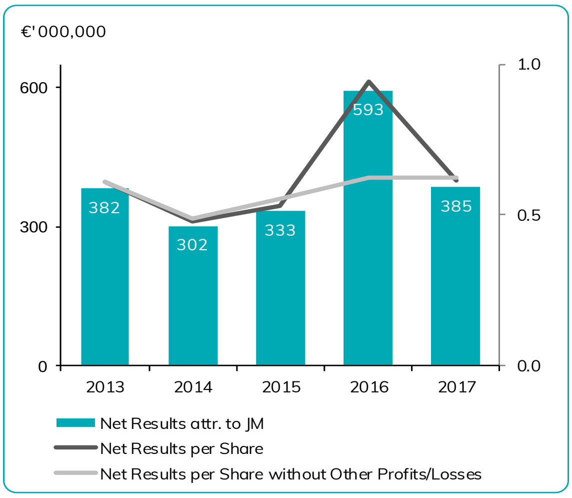
Sales, EBITDA Margin & EBIT Margin



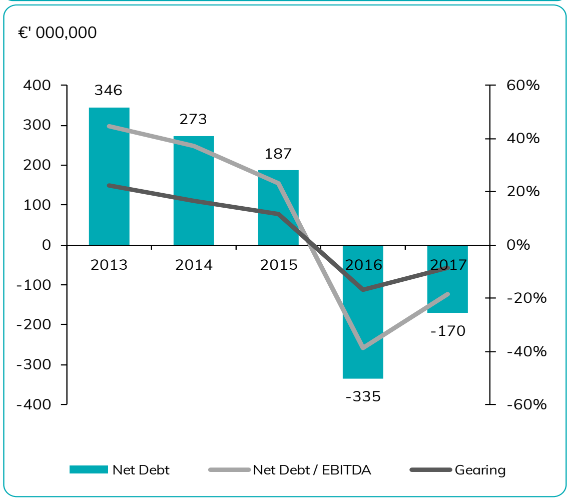
Pre-Tax ROIC



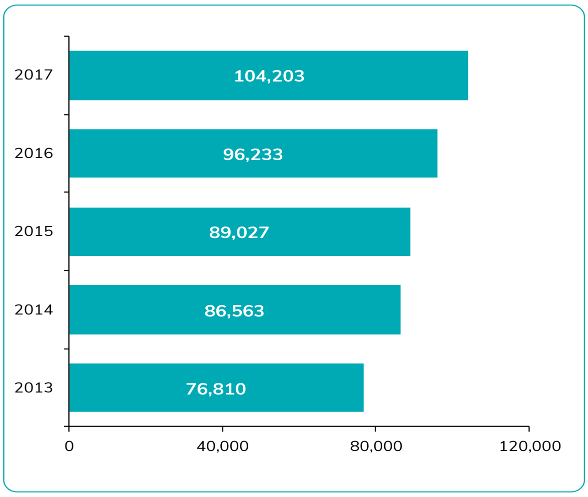
Net Results and Net Results per Share



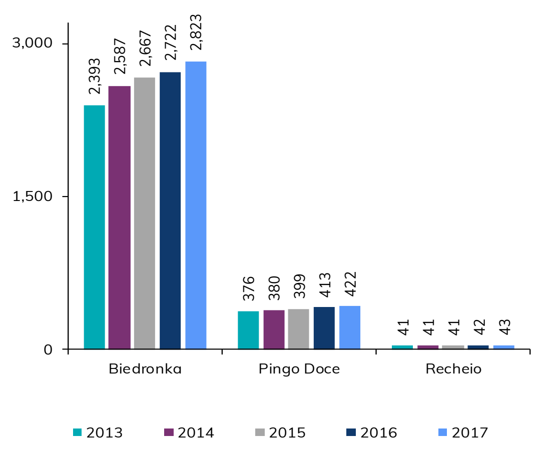
Net Debt



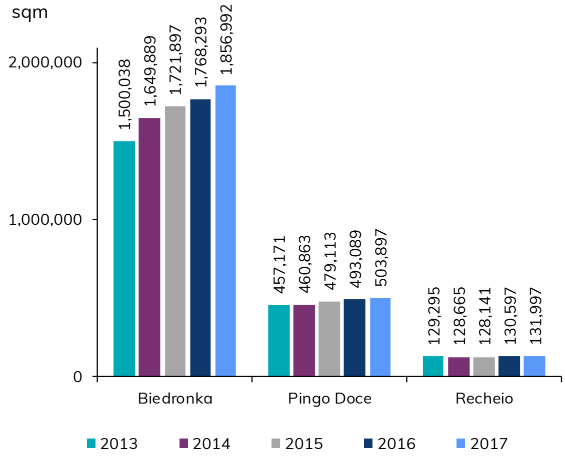
Employees



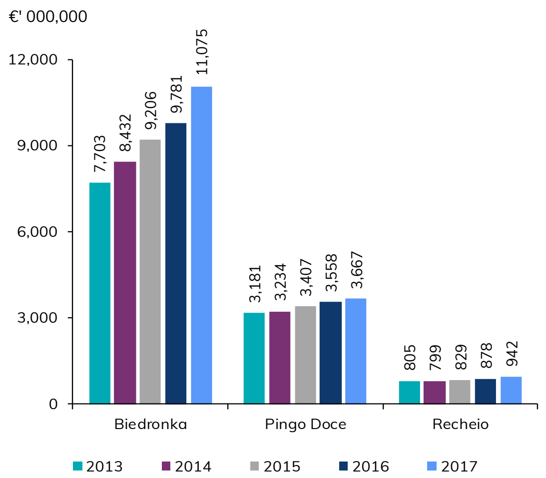
Number of Stores



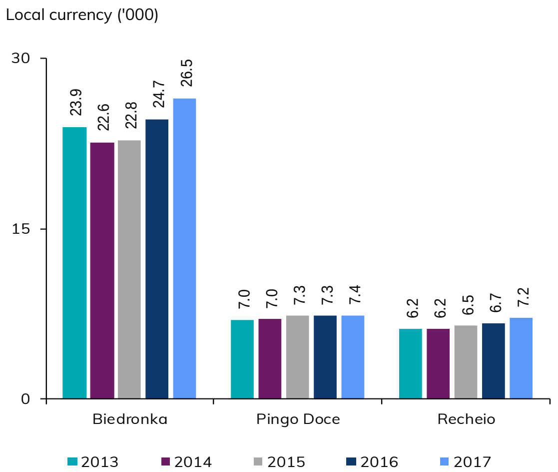
Sales Area



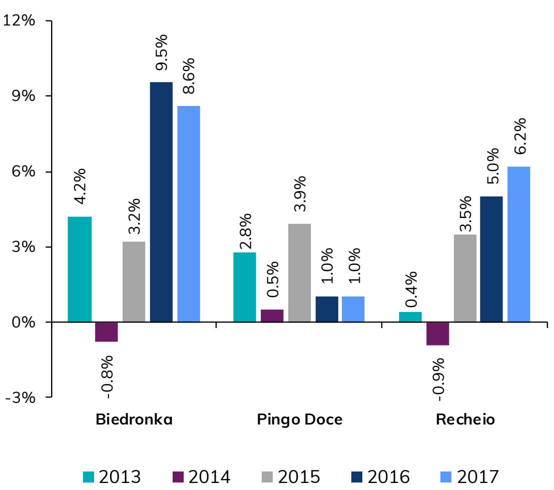
Sales



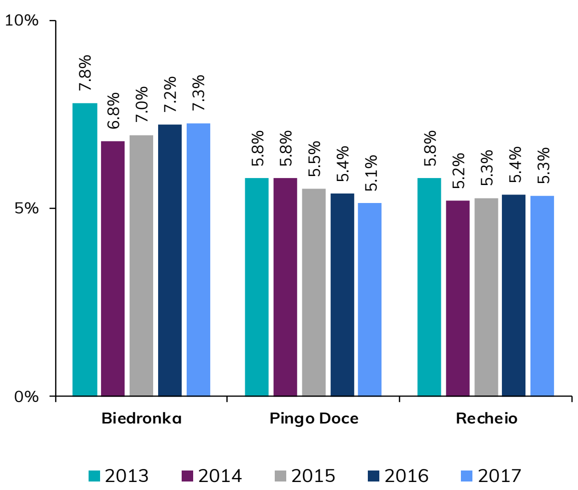
Sales / sqm



LFL Sales Growth



EBITDA Margin



1.3. Statutory Bodies and Structure

1.3.1. Statutory Bodies

Election date: 14 April 2016

Composition of the Board of Directors elected for the 2016-2018 term

Pedro Manuel de Castro Soares dos Santos
Chairman of the Board of Directors and Chief Executive Officer
Born on 7 March 1960
Chairman of the Board of Directors since December 2013
Chief Executive Officer of the Group since April 2010
Member of the Board of Directors since March 1995

Andrzej Szlezak
Born on 7 July 1954
Member of the Board of Directors since April 2013

António Pedro de Carvalho Viana-Baptista
Born on 19 December 1957
Member of the Board of Directors since April 2010

Artur Stefan Kirsten
Born on 22 February 1961
Member of the Board of Directors since April 2015

Clara Christina Streit
Born on 18 December 1968
Member of the Board of Directors since April 2015
Member of the Audit Committee since April 2016

Francisco Manuel Seixas da Costa
Born on 28 January 1948
Member of the Board of Directors since April 2013

Hans Eggerstedt
Born on 12 March 1938
Member of the Board of Directors since June 2001
Member of the Audit Committee since March 2007

Henrique Manuel da Silveira e Castro Soares dos Santos
Born on 7 November 1968
Member of the Board of Directors since April 2015

Sérgio Tavares Rebelo
Born on 29 October 1959
Member of the Board of Directors since April 2013
Chairman of the Audit Committee since April 2016

Statutory Auditor and External Auditor

Ernst & Young Audit & Associados, SROC, S.A.*
Av. República 90, 6.º, 1600 - 206 Lisboa, Portugal
Represented by:
João Carlos Miguel Alves (R.O.C. no. 896)
Substitute:
Rui Abel Serra Martins (R.O.C. no. 1119)

Company Secretary

Ana Luísa Abreu Coelho Virgínia
Substitute:
Carlos Miguel Martins Ferreira

Chairman of the Board of the Shareholders' Meeting

Abel Bernardino Teixeira Mesquita

Secretary of the Board of the Shareholders' Meeting

Nuno de Deus Pinheiro

* Appointed in 6 April 2017

1.3.2. Business Structure

JERÓNIMO MARTINS

2017 Sales
16,276 million euros

2017 EBITDA
922 million euros

FOOD DISTRIBUTION

Poland

100% — **Biedronka**
Neighbourhood stores

Portugal

51% — **Pingo Doce**
Supermarket

100% — **Recheio**
Cash & Carry

Colombia

100% — **Ara**
Neighbourhood stores

100% — **Jerónimo Martins Agro-Alimentar**
Agribusiness

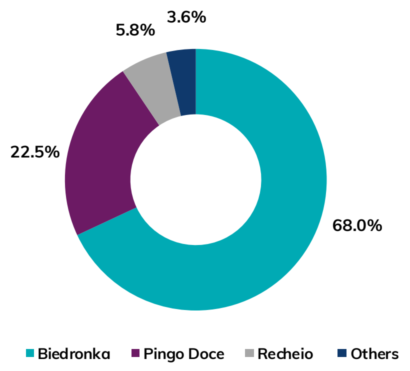
SPECIALIZED RETAIL

100% — **Hebe**
Drugstore

100% Coffee Shops

51% Chocolates

Sales by Business Area 2017



EBITDA by Business Area 2017

Million euros	EBITDA	% Total
Biedronka	805	87.3%
Pingo Doce	188	20.4%
Recheio	50	5.5%
Others	-122	-13.2%
JM	**922**	**100%**

2. Strategic Positioning

2.1. Mission

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

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

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, stimulating a more cohesive and balanced social structure, and 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 to reinforce the robustness of its balance sheet;
3. Maximisation of the effect of scale and synergies;
4. Fostering of proposals for differentiation to ensure competitive advantages.

These four aspects aim to accomplish the following strategic objectives:

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

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

- Reinforcing the importance to the customer/consumer, in addition to guaranteeing price competitiveness;
- Improving their operational efficiency;
- Incorporating technological developments;
- Identifying opportunities for profitable growth.

2.3. Operational Profile

Jerónimo Martins operational positioning reflects a clear, value food retail approach, focused on value and strategically geared towards mass-market.

The Group offers proximity and convenient food solutions for all consumers, at very competitive prices, which requires operating with maximum efficiency and lean cost structures. All value propositions are marked by strong differentiation in three essential aspects: the variety and quality of fresh food, strong private brands, and a quality store environment.

The success of the Group formats is leveraged on market leadership, which within a mass-market approach, is linked to relevant size, and is essential for creating economies of scale that enable us to increase the efficiency of Group logistics and operations. That is the only way to offer the best prices and boost notoriety and trust, so essential for building lasting relationships with strategic business partners and with consumers.

3. Awards and Recognition

Corporate

- Jerónimo Martins stands in 56th place in the "Global Powers of Retailing 2018" ranking, its best position ever in this annual survey by Deloitte, having risen eight places compared to the 64th place recorded in the previous edition;

- The Group was included in the **FTSE4Good Global Index** and **FTSE4Good Europe Index,** which identify the best companies at managing sustainability risks through commitments they have taken on and activities carried out when running their businesses;

- In recognition of its good performance, the Group was confirmed on the **STOXX ESG** and **STOXX Sustainability** indices, more specifically the **STOXX Global ESG Environmental Leaders**, the **STOXX Europe Sustainability** and the **EURO STOXX Sustainability**, which represent the companies that are the world leaders in social, environmental and governance matters;

- Jerónimo Martins was also acknowledged by remaining on the **Ethibel Excellence Investment Registers** and the **Ethibel Sustainability Index Excellence Europe,** which highlight the companies with the best performance in sustainable and ethical investments;

- The Group also maintained its inclusion in the **Euronext Vigeo Index: Eurozone 120**, an index which distinguishes the companies with the best performance in over 300 indicators regarding social, environmental and governance aspects;

- In 2017, besides remaining in the **MSCI ACWI ESG Leaders** and **MSCI ACWI SRI** indices, which represent companies with a high performance in social, environmental and governance areas, the Group achieved an AA rating, just one level away from the leadership threshold;

- **"Best Investor Relations Officer"** award (Cláudia Falcão), given at the 30th edition of the Investor Relations & Governance Awards, promoted by the consultants, Deloitte;

- Jeronimo Martins Polska won 2nd place in **The Most Valuable Polish Brand 2016** ranking, attributed by the "Rzeczpospolita" newspaper;

- For the second year running, Jerónimo Martins Polska achieved 2nd place in the **500 Biggest Companies** list, recognized by the "Rzeczpospolita**"** newspaper;

- Jerónimo Martins Polska was classified in 2nd place in the **Most Patriotic Companies in Poland Index**;

- Jerónimo Martins Polska won 2nd place in the list of the **1,000 Biggest Companies in Poland**, in terms of sales, compiled by "Gazeta Finansowa";

- Jerónimo Martins Polska is among the 10 top **Responsible Companies** in the ranking compiled by "Dziennik Gazeta Prawna";

- Jerónimo Martins Polska was acknowledged by the publication "Polityka Weekly", with the **White Leaf 2017** of "Corporate Social Responsibility", for the work it carried out in projects promoting and implementing Sustainable Development Goals, regarding Reformulations and Nutrition;

- Jerónimo Martins Polska was awarded by the "Forum Odpowiedzialnego Biznesu", at the 15th edition of the **Responsible Business Forum Report,** for its best practices in reporting on Sustainability, regarding the Environment and Support to Surrounding Communities;

- Jerónimo Martins Polska won 4th place in the Biggest Companies in Central and Eastern Europe ranking - "**TOP 500 CEE**" - attributed by the Coface Group and the "Rzeczpospolita" newspaper;

- Jerónimo Martins Polska won 1st place in the "**Effie Awards**", in the Retail category, with the "Gang Świeżaków 2" campaign;

- Jerónimo Martins Colombia was nominated at the **Premios Portafolio,** in the category for best "Human Resources Management", attributed by the daily newspaper, "Portafolio".

Biedronka

- Biedronka was recognised as **Retailer of the Year 2016 – Selected by Suppliers**, an initiative of "AC Nielsen Polska";

- Biedronka received the title **Consumer Quality Leader 2017,** awarded within the scope of the Polish Quality and Service Programme;

- Biedronka won 1st place among **The Media's Most Popular Retail Companies**.

Pingo Doce

- Three ads in Pingo Doce's campaign "Make Your Table a Better Place" took the first three places in the **YouTube Ads Leaderboard** in Portugal, during February;

- Within the scope of the 28th edition of the "500 Biggest & Best 2017", Pingo Doce was awarded in the category **"Greatest Contribution towards Employment".** Between 2014 and 2016, the Company stood out with regard to creating jobs in Portugal, taking on an additional 3,080 employees. This award is promoted every year by the magazine "Exame", in partnership with Informa D&B and Deloitte, with the objective of acknowledging the major companies in Portugal that make a positive contribution towards the domestic economy;

- 11 Pingo Doce Private Brand wines received 19 medals in three international wine contests:
    - Decanter World Wines Event contest - 10 medals received, with a special note for the Vinho do Porto LBV Tinto Pingo Doce 75cl, which earned a **Platinum Medal**;
    - Wine Challenge International Contest - eight medals received, with a special note for the Vinho do Porto 10 Anos Pingo Doce 75 cl and the Vinho Douro Reserva Tinto Pingo Doce Edição Limitada 75 cl (2016 harvest), both awarded with **Silver Medals**;
    - Concours Mondial De Bruxelles contest, where the Vinho Palmela Reserva Tinto 75 cl (2014 harvest) received the **Silver Medal**;

- The Pingo Doce brand was awarded at the Vertex Awards 2017, where the awards received in the Popcorn range (**Gold**) and Babycare range (**Silver**) should be highlighted.

Recheio

- For the third year running, Consumer Choice – Centro de Avaliação da Satisfação do Consumidor awarded Recheio the **Choice of the Professionals** seal, in the "Wholesale Distribution" category.

Hebe

- In the "Drugstore" category, Hebe won the "Most Customer-Friendly Company" award, attributed by Polski Program Jakości Obsługi;

- The professional cosmetics magazine "Wiadomości Kosmetyczne" gave Hebe three **"Drogeria Roku"** awards, in the "Assortment", "Trends" and "Store Layout" categories.

MANAGEMENT REPORT

Creating Value and Growth

2

Management Report – Creating Value and Growth

1. Key Facts of the Year

Biedronka

- Opening of 121 stores, ending the year with 2,823 locations
- Refurbishing of 226 stores
- Opening of the 16th Distribution Centre in Gorzow, reinforcing the logistics capacity of the Western area of Poland
- Moja Biedronka loyalty card registered in excess of six million cards

Pingo Doce

- Opening of 10 stores, four of which under third-party management agreements, closing the year with 422 locations
- Full refurbishing of 23 stores and 21 light revampings
- Inauguration of the Group's biggest Distribution Centre in Alfena, in the North of Portugal
- Launch of the Pingo Doce App, whose main functionalities include searching, viewing and selecting the in-store promotions

Recheio

- Opening of a store in Gaia, to add to the 38 already in existence and four platforms, three of them related to Food Service
- Relocation of the Porto Logistics Platform to Guardeiras, to reinforce the service to the HoReCa channel
- Inclusion of 29 stores in the Amanhecer concept, ending 2017 with a total of 314 stores in the network

Ara

- Opening of 169 stores, ending the year with 389 locations operating in three regions of Colombia

Hebe

- Opening of 30 stores, ending the year with a total of 182 locations
- Hebe's loyalty programme approached 2.5 million members
- Rebranding of all the pharmacies to HebeApteka

JMA (Jerónimo Martins Agro-Alimentar)

- Continuation of the building and installation of processing equipment in the new Dairy factory in Portalegre, which is planned to open in 2018
- Acquisition of two farms, furnishing greater capacity to the Angus beef fattening operation
- First Sea Bass capture in Sines and start of Gilt-head Bream production in Madeira

Jeronymo and Hussel

- Opening of three Jeronymo stores
- Refurbishing of four Hussel stores to adapt to the new concept

Corporate

- Commemoration of Jerónimo Martins' 225th anniversary
- Launch of Jerónimo Martins' new corporate visual

2. Environment in 2017

2.1. Poland

Macroeconomic Environment

Once again, the Polish economy achieved robust growth, which stood at 4.6% in 2017 (+2.9% in 2016). Domestic demand was the main growth driver, also sustained by the subsidies within the scope of the "Family 500 plus" programme, whereby families were attributed 500 zlotys per month and for each child (excluding the first child, in higher income families) as well as by the decrease in unemployment, combined with the substantial increases in salaries. Investment recovery, which can mainly be explained by the increase in funds from the European Union, was another contributing factor towards the country's economic growth.

The increase in demand for labour was partially accompanied by job offers. Unemployment reached historically low levels (+7.3%), with an increasingly large number of employers reporting difficulties in hiring the necessary personnel, which caused a rise in salaries.

In 2017, the zloty recorded an average annual exchange rate* of 4.2539 against the euro, which represents an appreciation of 2.5% compared to the 4.3627 recorded in 2016. The year-end foreign exchange position also appreciated against the euro (+5.3%), with a 4.1770 and 4.4103 rate for 2017 and 2016, respectively.

The annual growth of the CPI remained moderate at 2.0%, notwithstanding the increasing pressure on domestic demand and the growth, albeit slower, of import prices. On the other hand, the price of food products increased significantly (+4.2% vs. 0.8% in 2016), driven firstly by domestic factors (decrease in the offer of fruit due to adverse weather conditions during spring) and then by the increase in the price of some products worldwide, namely milk, butter and eggs.

The price of non-food goods and the stable growth in the price of services contributed towards basic inflation remaining low (+0.7%).

*Average annual exchange rate determined by weighting the turnover of the Group's companies operating in this currency.

Modern Food Retail

According to PMR Research, the Modern Food Retail market grew by 4.6% in 2017 (+4.2% in 2016), reaching in excess of 265 billion zlotys. This growth was prompted by the considerable increase in household disposable income, driven by the positive environment in the job market (an increase in employment and a significant growth in pay, supported by the substantial increase in the minimum wage) and by the partially delayed impact of the "Family 500 Plus" programme, launched by the Polish Government in mid-2016.

This programme had a significant impact on private consumption, which grew by almost 5% in real terms, and on the structure of household spending. Households allocated the additional income not only to better meeting their needs in terms of essential goods, but to the purchase of electrical appliances, tourism, cars and to buying and repairing their homes. Equally, there was an increase in spending on entertainment, and also an increase in savings.

The projected growth for the sale of non-food products is 1.5 to 2 times higher than the forecast growth of food-based products. As such, it is not surprising that retail chains have placed greater importance on non-food products.

The strong competition and the changes in consumption patterns and consumer behaviour resulted in the increasing popularity of smaller-sized stores situated closer to where consumers live or work. Convenience stores became a popular format, which is where openings were concentrated and where many chains tested or planned to test formats that are better adapted to the increased consumer's convenience needs.

In the Food Retail sector there was still room for consolidation, the number of independent stores having decreased, in line with the trend of previous years. The market remained highly competitive, with the major organised retail chains leading the growth, but also with chains of small local stores and supermarkets continuing to have substantial representation.

The medium and long-term outlook is positive. Consumption should continue to rise alongside the increase in salaries, with a positive impact on Food Retail. However, for 2018, the main risk factor for the sector will be the ban on stores opening on Sundays. It is predicted that this restriction will start in March 2018, affecting two Sundays per month and that it will progressively be extended over the coming years, so that in 2020 it will only be permitted to open on seven Sundays in the year.

Health and Beauty Retail

According to PMR Research's projections, the Polish Health and Beauty market grew by 4.7% in 2017 (+5.7% in 2016), reaching 23 billion zlotys. 2018 should see the same growth dynamics and post a similar pace, the market being estimated to reach 24.1 billion zlotys.

The good economic situation recorded in Poland in 2017 had a very positive impact on the development of the health and beauty market. The fall in unemployment, the increase in the minimum wage and the "Family 500 plus" programme contributed towards a significant improvement in the Polish population's purchasing power, which was reflected in the growth of private consumption in the country.

On the other hand, there were other non-economic factors that were relevant for the evolution of the cosmetics market in Poland, which were related to changes in consumer behaviour and to the activities of several players.

Consumers are increasingly demanding in their search for novelties, natural products, local brands and specialized products (professional range and dermo cosmetic products). Great value is also placed on convenient shopping and store services. On the other hand, social networks and bloggers as influencers and opinion leaders are gaining more and more importance, especially among the younger generations. The ageing population has also changed consumer behaviour with regard to buying more specialized and anti-ageing products.

The market remained very competitive, both regarding price and promotions. Simultaneously, the Discount stores continued to develop their offer in the hygiene and personal care product category, namely cosmetics.

In terms of expansion, a significant number of openings continued to take place.

Over the next five years, PMR predicts that the Health and Beauty market will continue to grow at an average rate of more than 4%, the products (their specifications) and price remaining the critical factors when it comes to consumer choice.

2.2. Portugal

Macroeconomic Environment

In 2017, GDP increased by 2.7%, the largest growth since 2000, benefiting from an economic expansion cycle that extended to all the countries in the euro zone, home to Portugal's main commercial partners, as well as from the very favourable evolution of the tourism sector.

According to the latest information from Banco de Portugal (December 2017), this growth was the result of an increase in domestic demand of 2.7% (+1.6% in 2016), reflecting the positive contribution from private consumption (+2.2% vs. +2.1% in 2016) and the strong growth in investments (+8.3% vs. +1.6% in 2016). The increase in private consumption was essentially recorded in durable goods, while the boost in investments was in construction, machinery and equipment, and transport material.

Simultaneously, exports posted a significant growth of 7.7% (4.1% in 2016), with substantial gains in market share, where of particular note is the positive contribution from tourism and the automotive sector, boosted by the increase in its productive capacity. At the same time, imports picked up, growing 7.5% after a more modest growth in 2016 (+4.1%), influenced by the increase in the prices of energy, by mostly in the first half of 2017, and of other commodities in the second half of the year.

The level of consumer confidence continued to improve, as a result of a certain increase in actual disposable income, the progressive improvement in the job market and the continued favourable financing conditions.

Regarding the job market, employment evolved very favourably, with the unemployment rate dropping to 8.9% (+11.2% in 2016).

Inflation stood at 1.4%, considerably higher than the 0.6% in 2016, as a result of the rise in the price of imports and the slight increase in unit labour costs. Food prices increased by 1.5% (+0.5% in 2016).

In 2017, the deficit should have stood at around 1.2% of GDP (+2.0% in 2016), below the target of 1.5% set by the European Commission. This reduction is mostly due to the economic recovery, the fall in interest expenses and lower than budgeted public investment. Nevertheless, despite this reduction, in the medium term, there are risks of budgetary instability as a result of the increase in interest rates which, with Portugal's level of public debt, would mean a strong increase in annual interest expenses.

Modern Food Retail

In 2017, the Food Retail market recorded a positive evolution both in Specialized Establishments and in Non-Specialized ones, with a 4.1% growth in sales keeping broadly the same evolution as the previous year.

The competitive environment continued to be highly challenging, with intense levels of promotional activity, as was the case the previous years. The pace of expansion of new Food Retail stores was also maintained, in particular in the proximity formats, as well as the refurbishment of the existing store network.

In 2018, consumer behaviour should confirm the trend of the last few years, reinforcing their move towards convenient solutions that facilitate their daily routine and towards more conscious consumption with regard to the impact on their health and well-being. On the other hand, consumers will remain focused on rationalising their shopping, and so price/promotion will continue, therefore, to be a critical factor when choosing their favourite store.

Wholesale Market

During 2017, the turnover of the cash & carry operators in Portugal recorded a positive trend (+8.4%, according to TSR Nielsen – cash & carry Market), which was helped decisively by the dynamics in the HoReCa channel.

Growth in this channel naturally reflects the excellent performance of the tourism sector. According to INE (Portuguese National Statistics Institute), in the months from January to November 2017, the number of guests in hotels and other types of accommodation increased by 8.7%.

The network of wholesale stores remained stable, while of particular note is the opening of a new Recheio store in Vila Nova de Gaia.

It should also be noted that Garcias (a company specialized in selling wines and spirits) opened its 6th establishment in 2017.

Regarding Traditional Retail, we would highlight the (re)opening of 29 stores with the Amanhecer brand and the continuity of the opening of Meu Super stores, thereby reinforcing the proximity positioning of both chains operated by small retailers across the country.

It is predicted that the wholesale market will continue to perform well in 2018, with a positive impact from tourism.

2.3 Colombia

Macroeconomic Environment

In 2017, economic growth in Colombia softened compared to the previous year, with GDP posting an increase of 1.5%, the lowest since 2009. This evolution reflected the significant reduction in consumer confidence, largely explained by the adverse effect of the tax reform, which led to a sharp drop in consumption and in private investment.

The more accentuated than expected slowdown in economic growth caused a greater reduction in tax revenue than forecast by the Government, with significant impacts on the country's deficit, which meant that some of the planned structural public investments were postponed, such as investment in road infrastructures. Moreover, despite the very significant recovery of the coal price, the evolution of the oil price was lower than expected, with impacts on the trade balance and public deficit.

The external environment was also not the most favourable, with Latin America presenting very modest growth, combined with a backdrop of social tension.

The unemployment rate reflected the GDP growth slowdown, reaching 9.4% in 2017, 0.2 p.p. higher than in 2016 (+9.2% in 2016).

The average inflation recorded in 2017 stood at 4.3%, significantly below the 7.5% in 2016, but still higher than the Colombian Central Bank's target (+3.0%; ±1.0 p.p.). Even so, the lower inflation made it possible to reduce the reference interest rate by 275 basis points during the year (from 7.5% to 4.75%).

During 2017, the Colombian peso recorded an average appreciation against the euro of 1.3%.

An improvement to the Colombian economy is expected for 2018, supported by increased consumer confidence, as they should recover part of their purchasing power, due to the increase in VAT that already was incorporated in 2017 and, at the same time, due to lower inflation. In 2018, it is also anticipated that general elections will take place in March and presidential elections in May-June.

Modern Food Retail

The Colombian retail market showed timid growth in 2017, due to the negative influence of the tax reform, which had a strong impact on consumption and the confidence of Colombian households.

Food Retail in Colombia grew again versus 2016, however at a slower pace than in the previous year, with Traditional Retail and Independent Supermarkets recording a relatively stable evolution and Modern Organized Retail growing in comparison to the previous year.

The number of openings in 2017 was led by the Discount format, where over 500 stores opened. There were other types of formats opening up, although to a much lesser extent, and some closures mainly due to the integration in other retail companies.

The weight of the sales of the Discount stores in Modern Food Retail increased to 13%, according to the Nielson base analysis, benefiting from consumers being more price-oriented in an environment of lower economic growth. The pace of this format‘s expansion also contributed towards the evolution recorded.

In 2017, the Colombian Central Bank’s reduction of the reference interest rate several times from 7.5% in 2016 to 4.75%, which made it possible to partially offset the slowdown in household consumption.

For 2018, we should continue to a see a significant growth in the Discount format, which should also gain presence in the proximity market.

Sources:
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); *Planet Retail*; TNS; Nielsen and PMR Research.

3. Group Performance

3.1. Strategic priorities for 2017

The Group's major strategic priorities have been sales growth and increased market shares in each of the countries where Jerónimo Martins is present.

In 2017, Jerónimo Martins maintained growth as its number one, top priority and reinforced the investment in its Operations in order to continue achieving a balance between sustainable growth and profitability, both in the short and the medium-long term.

As such, each business area focused its attention on improving their respective value propositions for the consumer through i. the attractiveness and innovation of the in-store offer; ii. price positioning; iii. remuneration and compensation of the teams and iv. improved store quality.

In general, the defined strategies and objectives were implemented and achieved by the Management Teams while being duly monitored by the Board of Directors, which oversaw the management's activities without any constraints.

To face the opportunities and challenges in the various markets, each banner ensured the necessary investments, ending 2017 with stronger and more competitive models.

3.1.1. Biedronka – Reinforcing the preference of an increasingly demanding consumer

In Poland, the consumption environment and the respective prospects for development remained favourable, resulting in a very positive evolution of the food basket.

Within this environment, Biedronka identified a series of opportunities for sales growth and for reinforcing its market position, which it was able to seize, challenging the boundaries of its business model without ever jeopardising it. This was to maintain its cost-efficiency, which enables it to simultaneously sustain growth and profitability.

In such a framework, and throughout 2017, the continuous improvement to the assortment, the further price opportunities, the quality of the stores and the services provided by the teams, were areas where Biedronka made investments. These investments, which were structurally carried out throughout the Company, were essential for achieving the sales target, but also for preparing the Company to continue growing within an environment which is expected to continue presenting important opportunities.

The improvement to the quality of the offer available in the stores, in line with what has been done over the last few years, was given the utmost attention, both regarding the permanent assortment, with the quality evolving in line with the trading up recorded in the market, and also regarding the in&out food campaigns where the banner invested as a way of complementing the basic assortment, bringing increased innovation and appeal.

Competitive price positioning and the customers' perception of it are essential pillars of Biedronka's competitive advantage. As such, the banner successfully managed to balance direct investment in price with promotions that are important to the consumer, besides innovatively working a product offering, which while not part of the regular assortment, was provided through campaigns, at a very attractive price.

Among the various actions, of particular note were the times of the year in which Biedronka was at the fore by promoting essential products in the Polish households' basket at times when they had peaks in inflation. This alignment with consumer needs was recognized and reflected in the sales growth.

The store environment, the adjustment to its layout, the type of equipment and lighting, among others, are parts of the shopping experience with a direct contribution to sales, besides being critical for the efficiency of the operations. The refurbishment programme, which covered more than 220 stores, is one of the crucial aspects to ensure Biedronka's sustained growth, making it possible to improve the offer and the shopping experience while protecting the efficiency demands of the business model.

Finally, a reference to the asset that made the biggest contribution towards the success of this strategy for winning the Polish consumer's preference - the teams. Regarding the distribution centres, and the stores, it is the people who successfully deliver the defined strategy and they are the ones who ensure the levels of service, quality and efficiency at all levels of the operation. The review of the remuneration packages, together with a series of important benefits, alongside a group of internal social responsibility initiatives are also a fundamental part of the investment in Biedronka's value proposition.

3.1.2. Pingo Doce – Maintaining growth in a maturing market

In Portugal, the Food Retail environment remained challenging and consumers continued to be promotion-driven. In addition to this already complex operating environment there was also the continuous expansion of the installed capacity in proximity food retail, with the opening of new stores.

With a strong market position and renowned differentiation in Perishables, Private Brand and its shopping experience, Pingo Doce continued to invest heavily in promotions, where it also focused its innovation efforts, on these three strategic pillars.

As such, the Private Brand assortment was strongly boosted in terms of innovation, with launches and improvements in its various categories.

The full refurbishment of 23 stores, not only reinforced the quality of the shopping experience, but also contributed significantly to the visibility and quality of the perishables handling operation, where new products were also launched throughout the year.

Finally, in October, the Company began reviewing the remuneration packages, in clear recognition of the important part the teams play in delivering a quality value proposition, but also as an important step in investing in increasing levels of efficiency and service quality.

3.1.3. Ara – Building the foundations of its growth

After entering its third geographic region - Bogota - in September 2016, Ara is aware of the need to work on adapting locally to each region, with implications on part of the assortment offered, as well as on the commercial strategies and marketing. Furthermore, the Company recognizes the extent of the opportunity that the proximity market represents in Colombia and the importance of the adjusting of its value proposition to take advantage of that opportunity.

In this context, 2017 was a pivotal year for Ara, which consolidated the investment that began in 2016 to reinforce the various teams, building expansion capacity and accelerating the store openings to more than the double of the previous year.

This investment has given the Company an important execution momentum for the future, in a phase in which gaining relevance for the Colombian consumer continues to be a challenge that the Company is prepared to face.

3.2. Execution of the Investment Programme

As mentioned, when executing the growth strategy, the investment in new stores goes hand-in-hand with the investment in improving the quality and efficiency of the current store network. It is this investment in refurbishing and renovating the stores that enables us to ensure the sustainability of the like-for-like, as well as the leadership in terms of consumer preference.

(million euros)	2017			2016		
Business Area	Expansion[1]	Others[2]	Total	Expansion[1]	Others[2]	Total
Biedronka	**113**	**241**	**354**	**53**	**180**	**233**
Stores	88	222	310	51	170	221
Logistics & Head Office	25	19	44	2	10	12
Pingo Doce	**32**	**70**	**102**	**75**	**62**	**137**
Stores	17	66	83	33	59	92
Logistics & Head Office	16	3	19	42	3	45
Recheio	**13**	**15**	**28**	**8**	**13**	**21**
Ara	**169**	**0**	**169**	**64**	**0**	**64**
Stores	129	0	129	59	0	59
Logistics & Head Office	40	0	40	5	0	5
Total Food Distribution	**327**	**326**	**653**	**199**	**255**	**455**
Hebe	5	1	7	5	2	6
Services & Others	39	25	65	10	11	21
Total JM	**372**	**352**	**724**	**214**	**268**	**482**
% of EBITDA	*40.3%*	*38.2%*	*78.6%*	*24.9%*	*31.1%*	*56.0%*

[1] New Stores and Distribution Centres.

[2] Revampings, Maintenance and Others.

In 2017, the Group's investment was 724 million euros, of which 51% was allocated to expansion (new stores and Distribution Centres), the rest having been largely allocated to comprehensive refurbishing projects for the existing store network.

At Biedronka, the investment for the year reached 354 million euros (49% of the Group's total capex), including 121 store openings, 226 refurbishings and a new distribution centre that was inaugurated in October.

Also in Poland, Hebe went ahead with its store opening plan, having added 30 locations to its store network.

In Portugal, Pingo Doce invested 102 million euros, covering 10 new stores, four of which managed under an agency contract. The banner also carried out 23 comprehensive refurbishings and 21 more minor ones, but which were important to improve the shopping experience and the efficiency of the store operations.

Within the context of the logistics re-scaling programme, in 2017, Pingo Doce inaugurated a new Distribution Centre in the northern region, making a fundamental improvement to the affected stores' coverage and service levels.

On the other hand, Recheio invested a total of 28 million euros, including the opening of a new store and, within the scope of a project for modernising the Food Service platforms, the relocation of the Porto platform which is now larger and better adapted to business opportunities.

Also in Portugal, in the Agribusiness area, construction continued on the new dairy factory and two new Angus beef fattening farms were acquired.

In Colombia, Ara invested a total of 169 million euros. Regarding store openings, it inaugurated 169 locations, a huge increase in its capacity compared to the 79 openings that took place in 2016.

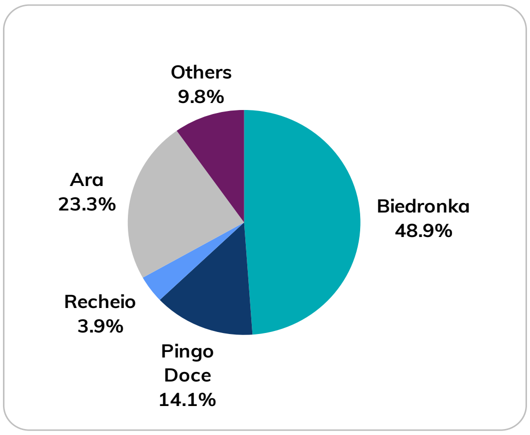
In 2017, Ara also invested in preparing additional logistics capacity, within the regions where it currently operates, which will enable it to increase its future logistics capacity and efficiency.

	New Stores		Revampings [1]		Closed Stores	
	2017	2016	2017	2016	2017	2016
Biedronka	121	83	226	221	20	28
Pingo Doce	10	14	23	21	1	0
Recheio	1	1	1	1	0	0
Ara	169	79	0	0	1	0
Hebe	30	26	0	5	1	7
Other Businesses [2]	9	5	4	2	3	4

[1] Only includes the revampings that implied the closing of the food selling area, with exception for Recheio.

[2] Including the stores NewCode, Spot, Bem Estar, Refeições no Sítio do Costume, Fuel Stations, Jeronymo and Hussel.

Investment by Business Area



3.3. Consolidated Activity in 2017

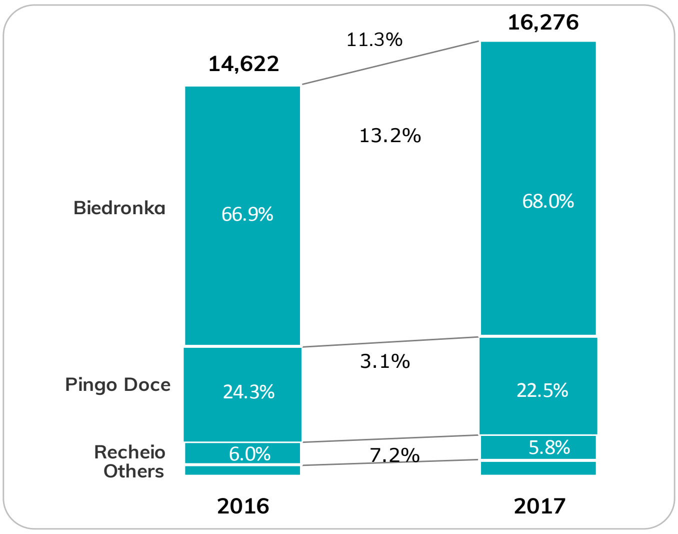
3.3.1. Consolidated Sales

(million euros)	2017		2016		Δ %		LFL
		% total		% total	w/o F/X	Euro	
Sales & Services							
Biedronka	11,075	68.0%	9,781	66.9%	10.4%	13.2%	8.6%
Pingo Doce*	3,667	22.5%	3,558	24.3%		3.1%	1.0%
Recheio	942	5.8%	878	6.0%		7.2%	6.2%
Ara	405	2.5%	236	1.6%	71.8%	72.0%	n.a.
Hebe	166	1.0%	122	0.8%	32.3%	35.7%	n.a.
Others & Cons. Adjustments	20	0.1%	46	0.3%		n.a.	n.a.
Total JM	**16,276**	**100%**	**14,622**	**100%**	**9.4%**	**11.3%**	**6.6%**

* includes stores sales and fuel

The Group's sales reached 16.3 billion euros in 2017, 11.3% higher than the previous year (+9.4% at constant exchange rates).

Consolidated Sales (million euros)



In Poland, there was a favourable consumption environment throughout the year, with a positive impact on the food sector. Food inflation in the country was 4.2%, being this price evolution driven by sharp peaks in the prices of various important products over the course of the year.

Biedronka's strategic priority - sales growth - remained unchanged and was driven by the banner's ability to create opportunities in a dynamic market.

Consumers' demand for improving their food basket led to a trading up in consumption, which Biedronka addressed by continuously improving its assortment and by carrying out innovative in&out campaigns throughout the year.

Aware that price continues to be of key importance to the Polish consumer, Biedronka seized the opportunities created by high inflation in some products and strategic categories, reinforcing price perception and generating additional sales.

Every quarter posted a remarkable exceptional delivery of LFL growth. During the year, LFL was 8.6% and drove total sales to increase by 13.2% (+10.4% in local currency), to 11.1 billion euros.

As planned, Biedronka increased its total store network by 101 stores (121 opening during the year), ending 2017 with 2,823 locations.

With an improved value proposition, Hebe had a good sales performance, which stood at 166 million euros, 35.7% ahead of 2016 (+32.3% at a constant exchange rate). The banner opened 30 stores during the year, ending 2017 with a total network of 182 locations.

Food inflation in Portugal stood at 1.5%. After the accentuated slowdown to 0.6% seen in the 3rd quarter (and which was driven by some seasonal perishables), food inflation in the 4th quarter evolved to 2.0%.

The consumption environment in the country, although still demanding, showed some dynamism. Pingo Doce took advantage of this improvement to boost its intense commercial activity, achieving a solid LFL sales growth of +1.0% for the year.

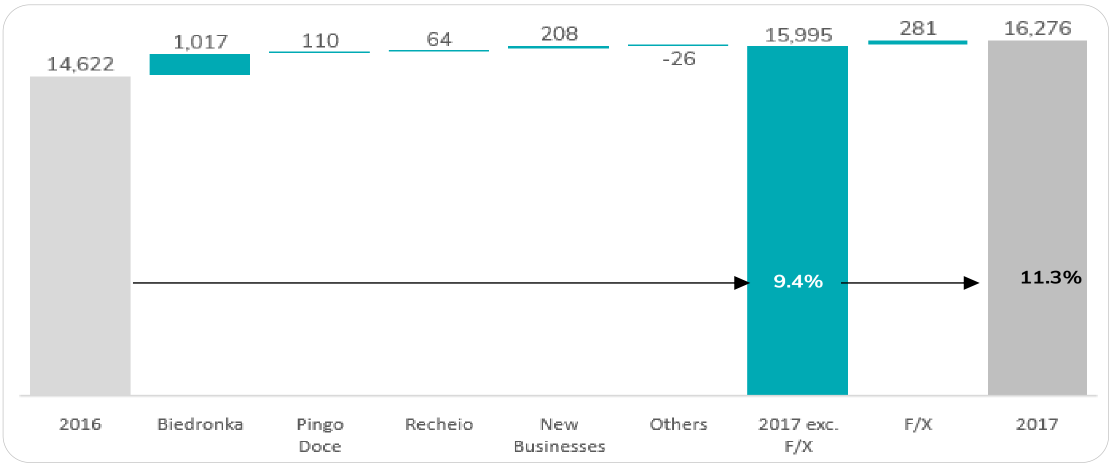
This growth, together with the opening of 10 stores (9 net additions) in the year, resulted in sales of 3,667 million euros, 3.1% higher than the previous year, which enabled Pingo Doce to close 2017 with a reinforced market position.

Recheio consistently performed above the market throughout the year, taking advantage of a well-positioned value proposition and a more favourable environment, which led to a LFL growth of 6.2% for 2017. Total sales increased by 7.2% to 942 million euros.

In Colombia, food inflation stood at 2.6%. Although consumer confidence was negative during the year, there began to be signs of trend towards improvement as from April.

Ara reached sales of 405 million euros, 72.0% ahead of the previous year (+71.8% at a constant exchange rate). The Company's main priority for 2017 was to work on its capacity to accelerate the network expansion. Through this investment, it was possible to open 169 stores in the year, 77 of which during the 4th quarter.

Contribution to Consolidated Sales Growth (million euros)



3.3.2. Consolidated Operating Results

(million euros)	2017	%	2016	%	Δ%
Net Sales & Services	**16,276**		**14,622**		**11.3%**
Gross Margin	3,458	21.2%	3,113	21.3%	11.1%
Operating Costs	-2,536	-15.6%	-2,251	-15.4%	12.7%
EBITDA	**922**	**5.7%**	**862**	**5.9%**	**7.0%**
Depreciation	-331	-2.0%	-294	-2.0%	12.4%
EBIT	**591**	**3.6%**	**568**	**3.9%**	**4.2%**

The ambition for profitable growth led to combined focus on sales and operational efficiency, maintaining a virtuous circle, where the good LFL performance is the result of managing the mix, which means that new growth opportunities can be created while protecting the efficiency of the competitive advantage.

Consolidated EBITDA was 922 million euros, a growth of 7.0% compared to the previous year (+4.7% at constant exchange rates).

(million euros)	2017	% total	2016	% total	Δ %
Biedronka	805	87.3%	707	82.1%	13.8%
Pingo Doce	188	20.4%	192	22.2%	-1.6%
Recheio	50	5.5%	47	5.5%	6.7%
Others & Cons. Adjustments	-122	-13.2%	-84	-9.8%	44.3%
Consolidated EBITDA	**922**	**100%**	**862**	**100%**	**7.0%**

This performance was achieved in a year of significant investments in Colombia and also in Biedronka and Pingo Doce's value propositions, regarding their price positioning and the quality of the stores and teams.

The Group's EBITDA margin was 5.7% (5.9% in 2016).

When excluding the dilution caused by the losses at Ara and Hebe, EBITDA grew by 9.0% and reached a margin of 6.4%.

Biedronka posted an EBITDA of 805 million euros, an increase of 13.8% compared to 2016 (+11.0% at a constant exchange rate). This performance was the result of delivering a solid LFL sales growth, achieved through efficient management of the marketing mix - assortment, price, promotions in&out campaigns and advertising - together with a watchful eye on the operating standards needed to maintain the efficiency of the cost structure.

Biedronka's EBITDA margin was 7.3%, broadly in line with the previous year.

Pingo Doce generated an EBITDA of 188 million euros, 1.6% below that posted in 2016. The respective margin was 5.1%, a decrease from the 5.4% posted in the previous year, essentially, reflecting the banner's decision to carry out a review of its teams' salary packages in 2017.

Recheio posted an EBITDA of 50 million euros, 6.7% higher than 2016, with the respective margin coming in at 5.3%, broadly in line with 2016. The growth in EBITDA was the result of a very good sales performance and control of the levels of efficiency while investing in sales.

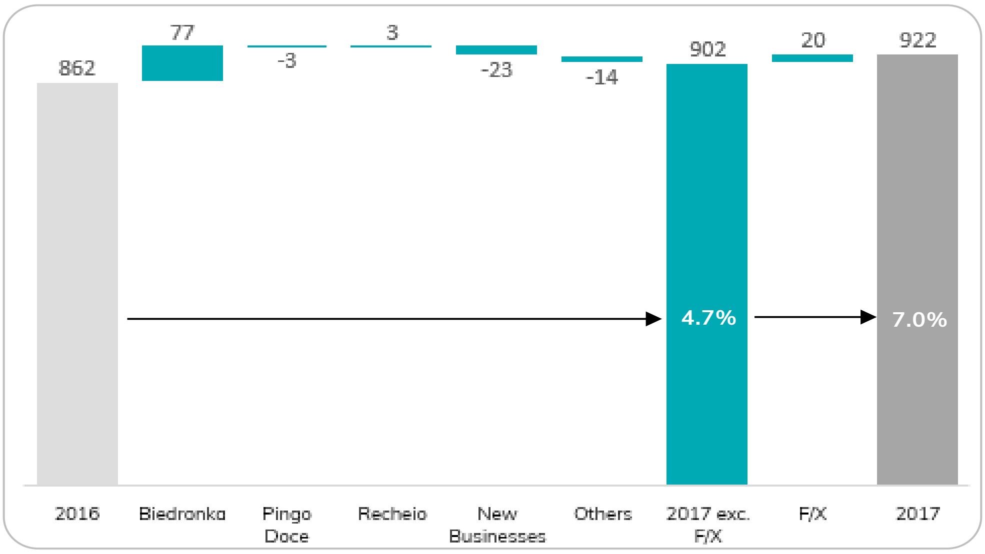
Together, Ara and Hebe posted EBITDA losses of 85 million euros (62 million euros in 2016), Ara accounting for 88% of the total.

The increase in Ara's costs comes as a result of its decision, announced in the 3rd quarter of 2016, to accelerate its future expansion capacity, namely by reinforcing the team, which took place in 2017.

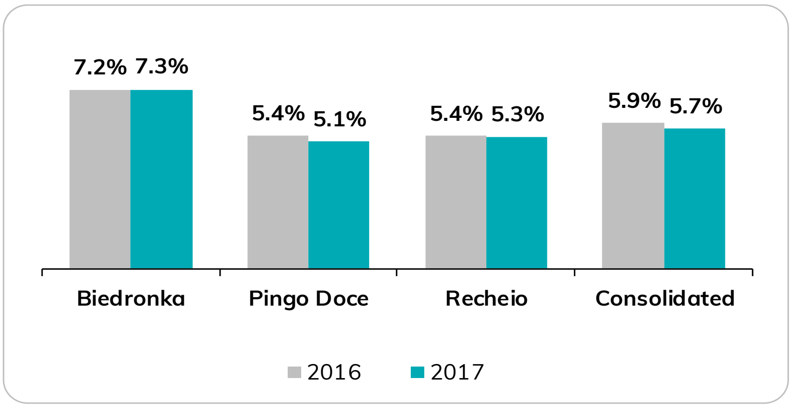
Regarding Hebe, as planned, and as a result of the good sales performance and evolution of the management of the respective mix, the losses generated remained on a downward trend.

It was the sales performance at all the banners that was the basis for the growth in consolidated EBITDA, so that the previously anticipated inflation in costs, namely staff costs, could be offset.

Contribution to Consolidated EBITDA Growth (million euros)



EBITDA Margin



3.3.3. Net Consolidated Results

(million euros)	2017	%	2016	%	Δ%
EBIT	**591**	**3.6%**	**568**	**3.9%**	**4.2%**
Net Financial Results	-12	-0.1%	-17	-0.1%	-29.9%
Profit in Associated Companies	0	0.0%	10	0.1%	n.a.
Other Profits/Losses	-14	-0.1%	184	1.3%	n.a.
EBT	**565**	**3.5%**	**744**	**5.1%**	**-24.1%**
Taxes	-152	-0.9%	-130	-0.9%	17.1%
Net Profit	**413**	**2.5%**	**614**	**4.2%**	**-32.8%**
Non Controlling Interest	-27	-0.2%	-21	-0.1%	29.6%
Net Profit attr. to JM	**385**	**2.4%**	**593**	**4.1%**	**-35.0%**
EPS (€)	0.61		0.94		-35.0%
EPS without Other Profits/Losses (€)	0.63		0.62		0.3%

Net results attributable to Jerónimo Martins were 385 million euros.

Excluding the contribution from the Monterroio disposal in 2016, the net results had a year-on-year growth of 6.7%.

Other profits/losses amounted to -14 million euros, including, among other things, the closure of a warehouse in Portugal, impairments in real estate for sale, write-offs and restructuring costs.

Net financial results were 12 million euros. The net interest presented a slight increase versus the previous year, reflecting the zloty and Colombian pesos debt, in line with the Group's risk management policy which ensures a natural hedging of the investment in each geography.

The good sales performance, with the continued focus on the efficiency of the models, together with an extremely robust balance sheet, made it possible to increase the net results, despite the further investments in Colombia.

3.3.4. Cash Flow

(million euros)	2017	2016
EBITDA	922	862
Interest Payment	-15	-14
Other Financial Items	0	3
Income Tax	-160	-177
Funds From Operations	**747**	**673**
Capex Payment	-662	-433
Δ Working Capital	168	193
Others*	-4	285
Free Cash Flow	**249**	**718**

*** Includes in 2016 €302 million from the proceds of Monterroio sale**

Cash flow generated in the year reached 249 million euros. Comparing the same indicator in 2016 (adjusted for the sale of Monterroio), there was a reduction of 167 million euros due to the increase in the pace of expansion in Colombia and logistics investment in Poland, reflected in the 229 million euros increase in the Group's capex.

Working capital maintained a solid performance, remaining under careful scrutiny within the scope of the management of invested capital.

3.3.5. Consolidated Balance Sheet

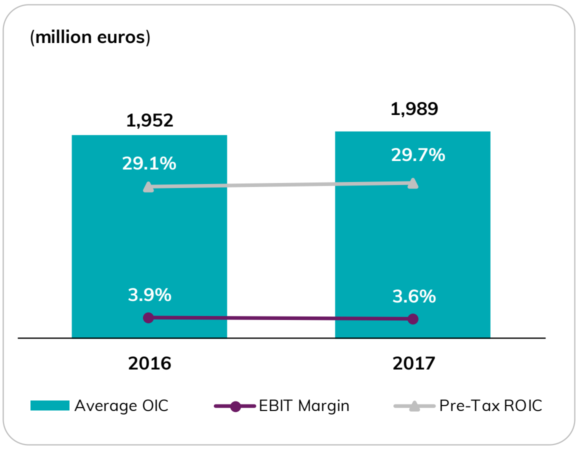
(million euros)	2017	2016
Net Goodwill	647	630
Net Fixed Assets	3,639	3,180
Total Working Capital	-2,496	-2,201
Others	54	46
Invested Capital	**1,843**	**1,656**
Total Borrowings	529	335
Leasings	8	4
Accrued Interest & Hedging	4	0
Marketable Sec. & Bank Deposits	-712	-674
Net Debt	**-170**	**-335**
Non Controlling Interests	225	253
Share Capital	629	629
Retained Earnings	1,159	1,109
Shareholders Funds	**2,013**	**1,991**
Gearing	*-8.5%*	*-16.8%*

At the end of 2017, the Group posted a net cash position of 170 million euros.

The robustness of the balance sheet is maintained unquestionable, notwithstanding the increase in the Group's investment programme. It should be remembered that in May 2017, 380 million euros were paid out in dividends.

3.3.6. Return on Invested Capital

Return on invested capital, calculated on a Pre-Tax ROIC basis, was 29.7%.



The excellent sales performance and strict management of working capital made it possible to increase capital turnover compensating the increased investment in Colombia.

The very strong increase in the capital turnover at Biedronka was the major driver of the evolution of the Group's Pre-Tax ROIC. Pingo Doce and Recheio also posted a positive evolution of capital turnover.

3.3.7. Debt Breakdown

At the end of 2017, the Group had an excess liquidity with net cash reaching 170 million euros. It should be remembered that in 2016, net debt, which was, also negative, incorporated the sale of Monterroio.

JMR's bond loan, which was issued in 2015 with a value of 150 million euros, matured in 2017, and was refinanced using bank loans of 100 million euros.

The indebtedness is composed by the currency from each geography, which reflects the favouring for natural coverage of the investment.

(million euros)	2017	2016
Long Term Debt	**232**	**112**
as % of Total Borrowings	43.8%	33.3%
Average Maturity (years)	2.4	3.5
Bond Loans	0	0
Commercial Paper	0	0
Other LT Debt	232	112
Short Term Debt	**298**	**224**
as % of Total Borrowings	56.2%	66.7%
Total Borrowings	**529**	**335**
Average Maturity (years)	1.4	1.6
Leasings	8	4
Accrued Interest & Hedging	4	0
Marketable Securities & Bank Deposits	-712	-674
Net Debt	**-170**	**-335**
% Debt in Euros (Financial Debt + Leasings)	24.3%	44.2%
% Debt in Zlotys (Financial Debt + Leasings)	44.8%	27.8%
% Debt in Pesos (Financial Debt + Leasings)	30.9%	27.9%

3.3.8. Jerónimo Martins in the Capital Markets

Share Description

Listed Stock Exchange		Euronext Lisbon
IPO		November 1989
Share Capital (€)		629,293,220
Nominal Value		€1.00
Number of Shares Issued		629,293,220
Symbol		JMT
Codes	**ISIN**	PTJMT0AE0001
	Reuters	JMT.LS
	Bloomberg	JMT PL
	Sedol	B1Y1SQ7
	WKN	878605

Jerónimo Martins' shares are part of 70 indices, the most relevant being the PSI20 (the reference index of the Euronext Lisbon), the Euronext100 and the EuroStoxx, among others, and are traded on 35 different platforms, mostly in the main European markets.

Capital Structure

For information on the structure of Jerónimo Martins' capital, see point 9. Management Report Annex, in this chapter.

PSI20 Performance

The Portuguese market's reference index - PSI20 - is composed by 18 shares, BPI and Montepio having stopped being part of it in 2017, while Ibersol and Novabase were included.

After an 11.9% devaluation in 2016, and having started the year negatively, as from the end of March the trend inverted and the PSI20 closed 2017 with an increase in value of 15.2%, to 5,388.33 points, having posted one of the most significant climbs among European indices. Of the 18 companies listed, only five posted a negative performance.

The index's good performance was in line with the evolution of the Portuguese economy and the improvement to the State's financing costs and the Republic's rating, which has a huge impact on the stock market.

The Portuguese stock market index was above the main European indices, with the WIG20 (Polish market reference index) posting the best performance in the year, with an appreciation of 26.4%.

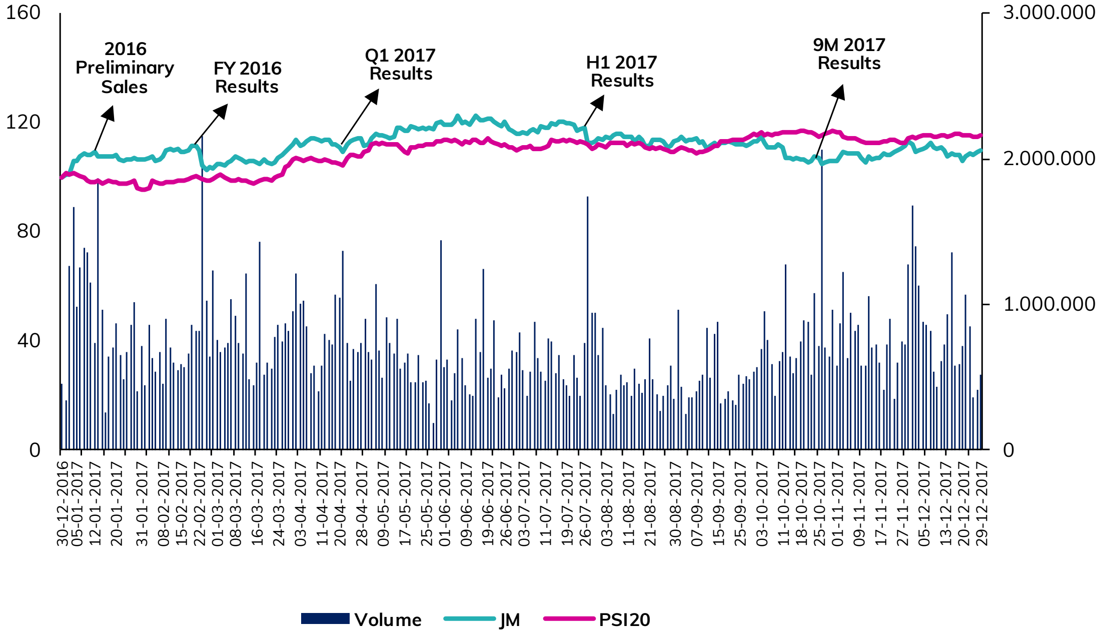
Jerónimo Martins Share Price Performance

In 2017, the Jerónimo Martins share increased in value by 9.9%, after having posted a 22.9% price increase the previous year.

According to Euronext Lisbon, in 2017 Jerónimo Martins had the third highest market capitalisation, having closed the year with a relative weight of 10.5% in the PSI20. The Group closed 2017 with a market capitalisation of 10.2 billion euros versus 9.3 billion euros at the end of 2016. Jerónimo Martins is one of the three Portuguese companies to be part of the Euronext100, having maintained its weight of 0.4% in that index.

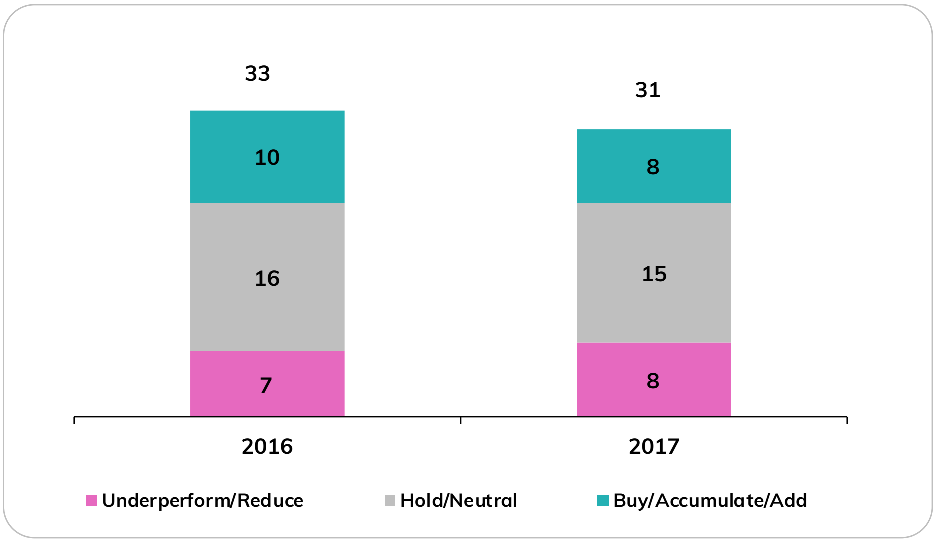
Jerónimo Martins' shares were among the most traded on the Euronext Lisbon, with around 182 million shares traded, meaning a daily average of around 715 thousand shares, at an average price of 16.456 euros (15.6% higher than that recorded in 2016). In terms of turnover, these shares represented the equivalent of 12.7% (3 billion euros) of the overall volume of shares traded on the PSI20 index in 2017 (23.5 billion euros).

Jerónimo Martins' shares showed a more pronounced positive trend during the first half of the year, having recorded a minimum price of 14.88 euros on 3 January and a maximum price of 18.07 euros on 14 June and ending 2017 with a price of 16.20 euros, representing a 9.9% increase in value compared to the end of 2016.



Analysts

In 2017, three research companies began covering Jerónimo Martins (Commerzbank, Macquaire and Natixis) and another five ended the coverage (Berenberg, BiG, Ipopema, Millennium Dom Maklerski, VTB Capital). At the end of the year, 31 analysts were following Jerónimo Martins: eight analysts issued a positive recommendation on the security, 15 issued a neutral recommendation and eight issued a negative recommendation. At the end of 2017, the average price target of the analysts was 16.51 euros, which means an upside potential of 2.0% compared to the closing price on 31 December.



Jerónimo Martins Financial Performance 2013-2017

(million euros)

	2017	2016	2015	2014	2013
Balance Sheet					
Net Goodwill	647	630	640	640	648
Net Fixed Assets	3,639	3,180	3,060	2,940	2,810
Total Working Capital	-2,496	-2,201	-2,001	-1,778	-1,686
Others	54	46	82	111	112
Invested Capital	**1,843**	**1,656**	**1,780**	**1,912**	**1,885**
Net Debt	-170	-335	187	273	346
Total Borrowings	529	335	658	714	688
Leasings	8	4	0	1	6
Accrued Interest	4	0	0	4	20
Marketable Securities and Bank Deposits	-712	-674	-471	-446	-368
Non Controlling Interests	225	253	252	243	236
Equity	1,788	1,738	1,342	1,396	1,304
Income Statement					
Net Sales & Services	**16,276**	**14,622**	**13,728**	**12,680**	**11,829**
EBITDA	**922**	**862**	**800**	**733**	**777**
EBITDA margin	5.7%	5.9%	5.8%	5.8%	6.6%
Depreciation	-331	-294	-294	-277	-249
EBIT	**591**	**568**	**505**	**457**	**528**
EBIT margin	3.6%	3.9%	3.7%	3.6%	4.5%
Financial Results	-12	-17	-26	-34	-39
Profit in Associated Companies	0	10	17	15	19
Other Profits/Losses [1]	-14	184	-20	-9	-4
EBT	**565**	**744**	**475**	**429**	**503**
Taxes	-152	-130	-117	-104	-111
Net Income	**413**	**614**	**358**	**325**	**393**
Non Controlling Interests	-27	-21	-25	-23	-10
Net Income attributable to JM	**385**	**593**	**333**	**302**	**382**

[1] Other Profits/Losses include the Other Operating Profits/Losses and Gains in Others Investments as presented in the Income Statement by Functions and detailed in the notes to Consolidated Accounts.

	2017	2016	2015	2014	2013
Market Ratios					
Share Capital (€)	629,293,220	629,293,220	629,293,220	629,293,220	629,293,220
Total Number of 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
Free Float	28.4%	29.7%	31.7%	26.9%	32.0%
EPS (€)	0.61	0.94	0.53	0.48	0.61
Dividend per share (€)	0.61	0.27	0.62 *	0.31	0.30
Stock Market Performance					
High (€)	18.07	16.35	13.81	14.25	18.47
Low (€)	14.88	10.92	7.70	6.98	13.61
Average (€)	16.46	14.24	11.84	10.94	15.51
Closing (End of year) (€)	16.20	14.74	12.00	8.34	14.22
Market Capitalisation (31 Dec) (€ 000.000)	10,191	9,276	7,548	5,245	8,945
Transactions (volume) (1,000 shares)	182,115	251,292	344,797	274,146	202,709
Annual Growth	9.9%	22.9%	43.9%	-41.4%	-2.6%
Annual Growth - PSI20	15.2%	-11.9%	10.7%	-26.8%	16.0%

* The value refers to the payment of a gross dividend of 0.245 euros per share, on May 07, 2015, regarding the distribution of 2014 results and to the distribution of free reserves corresponding to a gross dividend of 0.375 euros per share, paid on December 22, 2015.

4. Performance of the Business Areas

4.1. Food Distribution

4.1.1. Biedronka

Message from the Managing Director

Well supported by the new operations organization that had been implemented in the previous year, 2017 was a year in which we constantly challenged ourselves in order to satisfy an increasingly discerning consumer, and also to surprise them with convenient solutions and relevant purchasing opportunities. This attitude resulted in the continuous improvement of the permanent assortment and the seasonal offer, as well as in greater innovation regarding the non-permanent campaigns. The initiatives that were implemented strengthened Biedronka's positioning as the benchmark banner in the Polish Food Retail market and resulted in a significant growth in sales.

Everything that was done throughout 2017 was based on what are essential pillars of our competitiveness. While both price positioning and perception were reinforced through relevant promotions on products that are important to the Polish consumer, work began, and will continue, on the Private Brand, reviewing the image of the packaging and innovating at the level of the assortment in several categories.

Aware that the pace of the operation's delivery is only possible through the quality of our teams and our logistics infrastructure and operations, investments in both - through a fair and competitive salary policy and an ambitious refurbishing programme - were and will continue to be crucial for the Company.

We started 2018 with a strengthened market position, and also confident that as a team, we shall continue to work to maintain the dynamics of the operations and to harness the Polish consumers' preference.

2017 Performance

In Poland, the consumption environment remained positive throughout the year, continuing to benefit from a subsidy that has been allocated to families with more than one child since April 2016, in addition to the increase in the minimum national wage in January 2017, which has led to general increases in companies' salary packages.

In the Food Retail sector, the competitive environment remained particularly intense, with promotional campaigns gaining increasing importance in the various players' sales initiatives.

Biedronka started the year maintaining its focus on like-for-like growth unchanged within a consumption environment that, while favourable, is also geared towards the best opportunities for quality and innovation at the best price.

In the previous year, the Company had reorganized its teams, to work in a more streamlined way and centred on the Polish consumer, and so it capitalized on this new operational structure, fine-tuning the campaigns, at any given moment, to their preferences and needs.

In this context, importance continued to be placed on thematic campaigns, in order to bring about innovation and aspirational products, which were alluring and simultaneously made it possible to increase the basket. Around 40 campaigns were carried out over the course of the year.

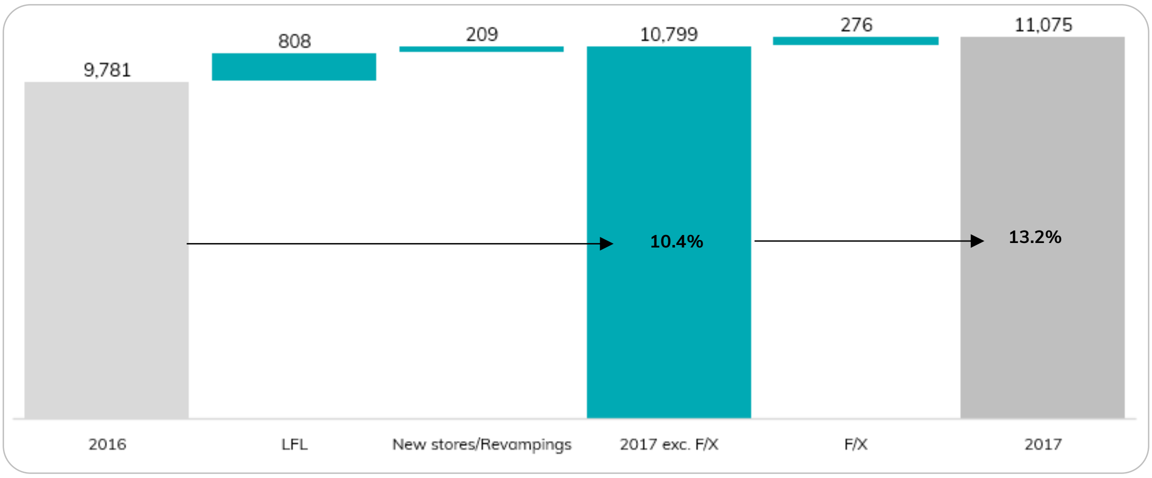
The actions carried out with the permanent assortment also played an important part, particularly in view of the inflation recorded in some products that are essential to the Polish consumer and which Biedronka identified as clear opportunities to reinforce price positioning and perception, with very clear positive results in the LFL sales performance.

Investment in advertising increased, having been very carefully used as a driver of the campaigns created throughout the year.

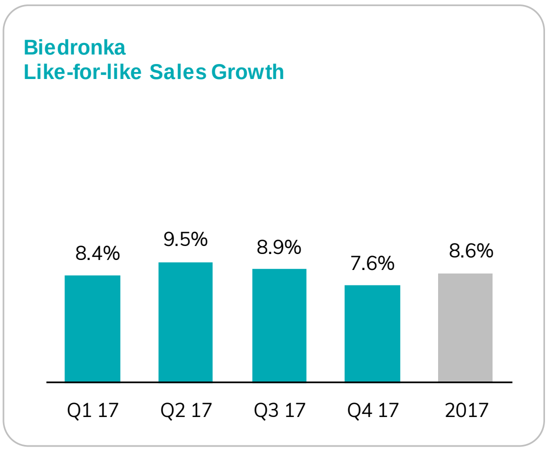
The loyalty card, launched in September 2016, has more than six million active users and has been progressively used by the Company as a means of increasing the notoriety of its commercial initiatives.

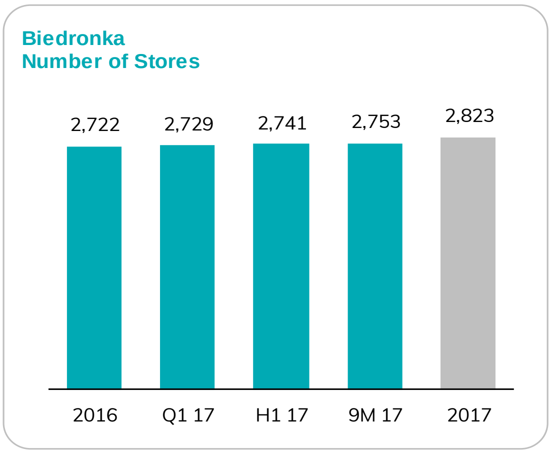
The result of this ongoing focus on growth led to a 13.2% increase in the banner's sales, which reached 11.1 billion euros. In local currency, sales grew by 10.4%, driven by the LFL of 8.6% and by the store opening plan.

Biedronka - Net Sales (million euros)



Regarding the execution of the investment plan for the year, and besides the opening of 121 new locations, it is essential to highlight the store refurbishing plan, which included 226 locations in 2017.





Biedronka believes that the investment in refurbishing is essential to reinforce the banner's competitive position in the market, enabling it not only to protect the levels of efficiency, but also to improve the shopping experience with a positive impact on LFL growth.

Focus on sales, combined with the operational discipline and efficiency protection, enabled the EBITDA margin to remain stable at 7.3%, despite the already expected pressure on costs, namely those related to staff.

The EBITDA generated by the Company increased by 13.8% (+11.0% in local currency) to 805 million euros.

4.1.2. Pingo Doce

Message from the Managing Director

In 2017, Pingo Doce reinforced its position in the Food Retail market, increasing its market share for the sixth year running, as a result of continuous improvements to i) the shopping experience: we opened 10 new stores and full refurbished 23; ii) reinforcing the differentiating pillars of our offer: Perishables, Private Brand and Meal Solutions, and iii) placing value on our people.

The investment in Perishables was the foundation for the growth in these categories, strengthening our positioning as an expert in Fresh Produce and contributing towards securing the preference of portuguese consumers.

2017 was once again a year of great innovation in the Private Brand, with the launch of 175 products in what consumers have chosen as the quality brand. The Private Brand remains as an essential cornerstone of the value proposition that we deliver every day to our customers, and also reflects Pingo Doce's concern for promoting a more balanced and varied diet.

We recognize that our people are our greatest asset, and so 2017 also stands out for the further investment in our employees, through the implementation of a new salary policy, the continuous investment in training and professional development.

In a mature business, it is critical to have efficiency in all the processes. That is why we built a new Distribution Centre, in the North of the country in Alfena, Valongo, which has an area of 70 thousand sqm and has improved the supply chain and the service to the 180 stores in the northern region.

We believe we have a strong Company that is well prepared for the challenges of the future, with a robust value proposition, and which is the Portuguese people's supermarket of choice. We are committed to continuing to strengthen our market position, and to more fully and consistently meet the demands of our customers.

2017 Performance

Throughout 2017, the Food Retail market in Portugal remained extremely competitive and promotional, with the consumers reacting positively to the campaigns that ran at any given moment. As planned, Pingo Doce remained focused on its sales performance and on increasing market share, reinforcing its market position.

In pursuit of this objective, the banner concentrated investments in essential and differentiating areas of its value proposition.

Strong commercial dynamics was maintained, with 548 promotional campaigns and 35 theme-related activities, aimed at reinforcing to reinforce the relationship with customers.

The line of communication followed throughout 2017 consistently using the preferred means of communication, with radio ads supporting in-store activities and the six television campaigns strengthening Pingo Doce's positioning as the leader in quality and price.

The Poupa Mais ('Save More') card also played an essential part in communicating with the consumer, namely in disclosing campaigns, having its penetration rate increased by 5.5 p.p. in 2017.

Pingo Doce, without neglecting price competitiveness, also reinforced the innovation of the Private Brand assortment, launching 175 new articles and introducing improvements to the packing of more than 200 of its products.

The store environment and the quality of the shopping experience were also given due attention, as the refurbishing plan covered a total of 23 locations, besides the 21 store improvement projects that were also carried out during the year.

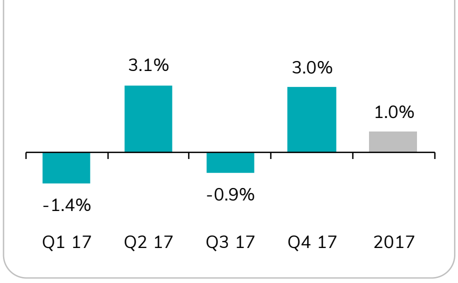
This consistent investment strategy has led to a 1% growth in LFL sales (excluding fuel), which together with the new stores, resulted in an increase of 3.1% of the total sales, which stood at 3,667 million euros, and in reinforced market share.

Pingo Doce - Net Sales (million euros)

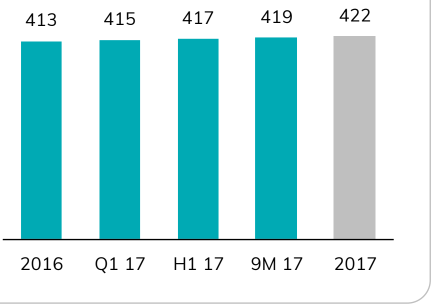
During the year, the Company carried out a review of its remuneration packages of the store and warehouse teams, an essential aspect for achieving sustainability and service quality in the operations. As anticipated, this review had an impact on Pingo Doce's EBITDA margin which went from 5.4% in 2016 to 5.1% in 2017, the EBITDA generated in the year having reached 188 million euros.

Pingo Doce opened 10 new stores in 2017, four of which with an agency contract, the store management and ownership of the locations where these operate are undertaken by third-parties with proven experience in the proximity food retail sector.

Pingo Doce
Like-for-like Sales Growth
(excl. fuel)



Pingo Doce
Number of Stores



At the end of the year, Pingo Doce launched its App, which makes it possible to view the in-store promotions as well as create and share shopping lists, and to check all the benefits obtained.

Within the scope of the logistics re-scaling, the inauguration of a new Distribution Centre in Alfena, in the North of Portugal, was a crucial milestone for the quality and efficiency of the Company's operations.

This new Distribution Centre enables us to supply more than 180 stores and to close a less efficient logistics infrastructure that was being used to provide the service to the stores.

4.1.3. Recheio

Message from the Managing Director

2017 was a record year for sales at Recheio, which maintained its market leadership, with sustained growth, and consolidated its different strategic areas. Food Service and Exports continued to play an important role in boosting turnover, along with the investment in online and multi-channel sales as a means of improving customer service.

This year we opened a new store in Vila Nova de Gaia and reinforced our presence in traditional retail through the Amanhecer project, which now has 314 stores.

2017 Performance

Recheio sales increased by 7.2% in 2017, driven by the growth in all the segments in which it operates: HoReCa, Traditional Retail and Exports.

After identifying Food Service and Exports as the main drivers of sales impetus and growth in 2017, the Company continued its development and consolidation trajectory in these two channels.

The HoReCa channel continued to post the biggest growth in volume, as a result of the increased tourism in the country and the priority that the Company gave to being its customers' preferred partner.

Despite the severe competitive pressure in Traditional Retail, Recheio managed to continue increasing the value of its customers' average basket, through a reliable and consistent value proposition, with particular emphasis on competitive price positioning.

With regard to Exports, there was an increase in sales of more than 20%, either by enlarging the number of countries to which it exports, or the growing number of customers in the markets where it does business.

Regarding the Amanhecer project, 29 stores were added to the network during the year, so that the Company ended the year with 314 partner stores.

Improvements were made during the year to the logistics operation in Leiria and the Transport Management System was extended to more of the Company's stores, in order to ensure better delivery route management and to increase the customer service level.

In 2017, investment was maintained in the online channel and the Company continued to win new customers, reinforcing the brand notoriety and developing additional means of disclosing the assortment and of communicating with its international customers.

Simultaneously, as far as Restaurant Services and Take Away are concerned, Caterplus' website was developed and launched, so as to boost the number of customers in this sector.

In 2017, the Company inaugurated a new store in Cais de Gaia and replaced the Food Service Platform, by transferring it from the Mercado Abastecedor do Porto to Guardeiras, thereby aiming to boost sales growth and providing a better response to customers and reinforcing the efficiency of the operation.

Regarding its promotional strategy, Recheio continued to invest in leaflets and seasonal campaigns, focusing the message on low prices to increase both the number of customers and the value of the average basket per customer.

Sales of Private Brand, another of the banner's cornerstones of differentiation, increased by 9.5%, representing 21.6 % of Recheio's sales. 192 new products were launched during the year.

In terms of profitability, Recheio increased its EBITDA by 6.7% with the respective margin relatively stable at 5.3%, despite the strong investment in price and the promotional initiatives that were carried out.

4.1.4. Ara

Message from the Managing Director

It was a year of strong expansion, in which we opened a total of 169 new stores in the three regions where we currently operate, closing the year with 389 locations: 109 in the South, where we began the operation (Coffee Growing Region), 150 in the North (Caribbean Coast) and 130 stores in the Centre (Bogota and surrounding area).

It took a huge effort to achieve this number of openings as well as strong focus on recruiting, selecting and training new employees to ensure a quality, efficient and welcoming service for all the Colombians who visit us every day. We trained more than 2,000 employees and, today, we are around 4,500 people.

We continued to gain market share in the Colombian modern Food Retail market, reinforcing our leadership in the Coffee Growing Region, where we ended the year with a share above 24%, which means, representing more than 5% of modern retail nationwide.

In a context of rapid growth and the accelerated expansion of a format that has been well received by the Colombian people, recruitment, selection and training of future employees will continue to be one of the priorities in order to respond to the needs of the business.

Confident of the entire team's high level of engagement and determination to exceed the defined goals, we have an ambitious plan for 2018.

2017 Performance

2017 was a year marked by accelerated expansion, mainly concentrated in the Bogota region. The opening of new stores and the cascading of the format in the regions where we operate continued to be among the main priorities, with Ara ending the year totalling 389 stores.

Notwithstanding the focus dedicated to developing the Ara chain, in March 2017, a cash & carry store with the *Bodega del Canasto* banner was inaugurated next to the border with Venezuela, with the objective of testing the market in this sector while at the same time supplying the region with essential products.

Our sales reached 405 million euros, a growth of 72% compared to the previous year, Ara having consolidated its leadership in modern retail in the Coffee Growing region and increased its share in all the geographic areas where it is present.

During the year, priority was given to developing the Private Brand assortment, 196 new products having been launched. The Private Brand has 106 suppliers, mostly local, and it already counts for more than 40% of Ara's sales.

The banner also remained focused on the efficiency of the operation, namely in the logistics area, in particular regarding transportation, implementing the TMS (Transport Management System), enabling better planning of goods distribution, and reducing the number of kilometres travelled, with a direct influence on reducing the costs of the operation.

During the year, Ara became even more price-focused, having combined nationwide campaigns with the introduction of regional leaflets, keeping in permanent contact with local consumers and giving its price positioning greater notoriety.

4.2. Agribusiness

4.2.1. Jerónimo Martins Agro-Alimentar (JMA)

Jerónimo Martins Agro-Alimentar

Message from the Managing Director

2017 was JMA's third year in business, throughout which it increased and consolidated the capacity of its operating units.

In the Dairy business, the current factory improved the level of productive efficiency achieved in 2016, continuing to ensure the supply of UHT milk and cream for the Pingo Doce and Recheio Private Brands, while the construction of the new factory went into cruise speed, enabling production in this new unit to become a reality in 2018.

In the Production and Fattening of Angus beef, two new units were acquired in January and June in the Centre and Alentejo regions, which will enable to replicate the same business model as had already been implemented in the unit in the North of the country.

In the Aquaculture business, sea bream began to be produced in September in the unit set up in Madeira, through Marismar (in partnership with a local company) and in December, Seaculture made its first catch, thereby starting to supply sea bass from the unit in Sines.

2017 Performance

In 2017, JMA reinforced its presence in the three areas in which it does business: Dairy Products, Angus beef Production and Fattening and Aquaculture, and its mission continued to be to protect and secure sustainable access to sources of differentiating products, ensuring that the Group's internal needs are met with competitive costs, efficiency and quality.

In the Dairy business, 2017 was a year for maintaining efforts and focus on operational improvements and optimizing the current factory, which improved its efficiency in the production of processed milk, increasing the volume produced and securing 55% of the Private Brand UHT milk and cream needs.

In the meantime, the construction of the new factory and the installation of processing equipment began, which should be concluded in the first half of 2018.

In the Angus Fattening business, during 2017 we made further improvements to operating efficiency in the Manhente (Barcelos) unit. Additionally, two new farms were acquired in the Centre and Alentejo regions, and these will significantly enhance the existing operation, which will also be extended to production.

With regard to Aquaculture, Seaculture's production of sea bass continued in the concession set up in the Port of Sines, where it recorded a significant increase in the installed and used capacity. In December, Seaculture made the first catch, thereby starting its supply of sea bass. On the island of Madeira, a unit was also set up for the purpose of producing sea bream, through a local partnership. This year was crucial for assessing this production's performance and for adapting the infrastructures to the project being developed.

4.3. Specialized Retail

4.3.1. Hebe

hebe zdrowie i piękno

Message from the Managing Director

In 2017, Hebe reinforced its position in the Polish market, achieving solid improvements in many areas of the business. The execution of the strategy enabled us to achieve the results defined.

We also accelerated our expansion with 30 openings, reaching 182 locations at the end of the year. At the same time, we kept enhancing differentiation through our exclusive assortment, service and unique store environment. We also continued to invest in digital, social and loyalty assets, strengthening the proximity with our Facebook fans and loyal customers. Moreover, in 2017, we focused particularly on improving the instore logistics to optimize our productivity and ensure an enhanced shopping experience for our customers.

Finally, all "Na zdrowie" pharmacies were rebranded to "HebeApteka" reinforcing the consistency of the Hebe brand.

In 2018, we will pursue the strategy execution and accelerate the development of the chain, reaching more cities and customers.

2017 Performance

In 2017, the market was very challenging as it became more promotional and competitive, with some non-specialist players also developing their presence in the health & beauty and personal care categories.

Hebe posted a 35.7% sales growth, reaching 707 million zlotys by the year-end, continuing to increase the number of visits and to enlarge its customer base, while also targeting the increase in the average basket.

In terms of market share evolution, during 2017 Hebe accelerated its positive trajectory and maintained its position as the chain with the highest growth in the Polish Health & Beauty and Personal Care markets, having increased its market share in all categories, especially in fragrances, make-up and skin care.

In 2017, Hebe opened 30 stores, primarily in shopping centres and galleries, ending the year with a total of 182 locations.

The Company continued to increase the sales of its exclusive brands and Private Brands which represent almost 20% of the business. Hebe also launched a new SPA category as well as a new "Hebe Professional" brand – make-up, hand and foot accessories - which are very well accepted by customers and create differentiation through an innovative assortment.

Hebe continued its endeavour to achieve enhanced sales performance and brand awareness, managing seasonal campaigns, related to Valentine's Day, Women's Day, Easter, Black Friday, Christmas and New Year.

Hebe's loyalty programme came close to 2.5 million members, 95% of whom are women. More than 60% of the Company's total sales were made to customers who are loyalty card holders, showing the relevance of the programme, which still has room for development.

Hebe also invested in digital presence. On Facebook, Hebe reached more than 400 thousand fans. The company also invested in developing Instagram (26 thousand followers) and launched a YouTube channel, increasing awareness of the brand among younger generations.

The Company continued to reduce its operating losses, focusing on increasing the top line growth and being more cost-efficient, while improving its margin mix.

4.3.2. Jeronymo and Hussel

Message from the Managing Director

2017 was marked by the Company's re-design, following the sale of the Olá ice cream parlours, which represented 30% of our sales. We continued to invest in refurbishing the Hussel stores to the new more modern concept and launched a new generation of Jeronymo coffee shops, completing three openings during the year.

In 2018, we will invest in expanding the Jeronymo brand and continue renewing the Hussel chain.

2017 Performance

In 2017, the Company's sales increased compared to the previous year, with a like-for-like growth in both banners.

Jeronymo inaugurated three new stores - Porto, Braga and Lisbon (a kiosk located in the Colombo shopping centre) -, thereby reinforcing its presence in very well-known locations.

In 2017, the Jeronymo coffee shops continued to invest in developing the assortment and in better adapting to the taste of the Portuguese consumer, namely investing in healthier products. During the year, various theme-based campaigns ran, with communication at the point of sale and on social networks, most actively on Facebook.

In 2017, Hussel opened a new store in Mar Shopping in Loulé and refurbished four stores, modernizing them to fit its 5th generation concept that was launched in the previous year, with the objective of differentiating its stores and better adapting to its positioning.

In marketing terms, campaigns were launched to boost sales in the less dynamic months and increase customer attraction, while continuing to invest in innovation and development of limited edition products for regular campaigns (Valentine's Day, Easter and Christmas) and in the specific décor in the stores for those occasions.

In terms of developing the assortment, the Company invested in products especially aimed at consumers with dietary restrictions and launched some sugar-free, lactose-free and gluten-free products.

5. Outlook for the Jerónimo Martins Businesses

Biedronka

For 2018, Biedronka is maintaining sales growth, essentially focused on the LFL, and the reinforcement of its market share as strategic priorities. The Company is aware of the challenges ahead and is prepared to the market changes following the new regulation on the Sunday trade ban.

The price positioning and perception will continue to be essential parts of the banner's strategy, as well as the permanent focus on the needs and aspirations of the consumer, by continuously adjusting the offer.

This strategic vision implies the permanent investment in the quality of the value proposition, where the pricing policy, the refurbishing plan and the teams are of key importance.

The efficiency of the operation, a fundamental competitive advantage, is also one of the Company's permanent focal points which, for the year, will be centred in developing automation solutions which will make it possible not only to increase efficiency but also the speed of some operational processes.

Hebe

In 2018, Hebe will leverage on its value proposition, through a differentiating and unique assortment and by maintaining competitive pricing. Meanwhile, store expansion will accelerate, focusing on locations with greater consumer traffic, in order to gain scale but also to increase Hebe's penetration in the market.

Pingo Doce

The Company's priority for 2018 will be to continue to focus on the defined strategic pillars - price, Perishables, Private Brand and the quality of the shopping experience – that should enable us to achieve an increase in market share.

Within the framework of this vision, the investment in the stores, the assortment and the teams will play a key role in executing the strategy for the year, always geared towards identifying the best opportunities for serving the consumer.

Recheio

In 2018, the Company intends to remodel some locations, in order to improve the shopping experience and customer service and to develop the Perishables category, an area where it has strong expertise.

Focus will also be on the expansion of the partnership with Traditional Retail and the continued development of the Amanhecer chain.

Recheio will continue to develop its information systems to simplify processes and further strengthen relations with its customers.

Ara

In 2018, Ara aims to continue focus in its store expansion, mainly in the Bogota region, while consolidating the locations in the other regions where it is already present - the Coffee Growing region and the Caribbean Coast.

The communication strategy will be centred on strengthening our positioning and price leadership.

After five years in operation, analysing and seeking to understand the consumer and the specific regional aspects of the competitive market, we have drawn up a new, more flexible and dynamic organizational structure that has been fully operational since 1 January 2018, which gives greater autonomy to the regions to better meet the local needs of the consumer. We believe this new organisational design to be crucial for us to succeed in a market where price and emotion go hand in hand.

Jeronymo & Hussel

In 2018, both banners will continue to be focused on the operation and commercial dynamics as means of reinforcing their liaison with consumers.

Jeronymo will continue to be focused on identifying potential new locations and on opening new stores, investing in the renewed image, while Hussel will remain focused on refurbishing some of its stores, adapting them to the new concept, and in developing the new image of its website.

Agribusiness

In 2018, it is expected that JMA will achieve expansion in all its areas of activity: i. start of production in the new dairy factory, reinforcing efficiency, innovation and capacity in this area; ii. increase domestic Angus beef production and fattening through two new farms acquired in 2017; and iii. expansion of the Aquaculture business to other regions and start of gilt-bream fishing on the island of Madeira.

6. 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.

7. Dividend Distribution Policy

The Company's Board of Directors has 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.

At the 6 April 2017 AGM, considering the good performance of the previous year and the strong balance sheet position, following the Board of Directors' proposal, it was resolved to distribute dividends and free reserves in a total amount of 380.2 million euros, equivalent to approximately 100% of the 2016 ordinary consolidated earnings. This translated in a gross dividend of 0.605 euros per share, paid in May 2017.

Taking into account the financial situation of the Group at the end of 2017, as well as its cash generation capacity, and because it will not affect either the strength of its balance sheet or its future expansion opportunities, the dividends' proposal (refer to the results appropriation proposal below) to be submitted to the AGM on the 12 April 2018, corresponds to nearly 100% payout which, for the second consecutive year and exceptionally, will be the double of that would normally result from the Company's dividend policy.

8. Results Appropriation Proposal

In the financial year 2017, Jerónimo Martins, SGPS, S.A. declared consolidated profits of 385,355,786.63 euros and a profit in individual accounts of 539,215,535.50 euros.

The Board of Directors proposes to Shareholders that the net profits for the year be applied in the following manner:

- Free Reserves .... 153,985,358.64 euros
- Dividends .... 385,230,176.86 euros

The proposed distribution of profits for the year represents a **gross dividend payment of 0.613 euros** per share, excluding own shares in the portfolio.

Lisbon, 27 February 2018

The Board of Directors

9. 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)

The Board of Directors

Members of the Board of Directors	Held on 31.12.16		Increases during the year		Decreases during the year		Held on 31.12.17	
	Shares	Bonds	Shares	Bonds	Shares	Bonds	Shares	Bonds
Pedro Manuel de Castro Soares dos Santos	274,805	-	-	-	-	-	274,805	-
Andrzej Szlezak	-	-	-	-	-	-	-	-
António Pedro de Carvalho Viana-Baptista	-	-	-	-	-	-	-	-
Artur Stefan Kirsten	-	-	-	-	-	-	-	-
Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code) [1]	353,260,814	-	-	-	-	-	353,260,814	-
Clara Christina Streit	800	-	-	-	-	-	800	-
Francisco Manuel Seixas da Costa	-	-	-	-	-	-	-	-
Hans Eggerstedt	19,700	-	-	-	-	-	19,700	-
Henrique Manuel da Silveira e Castro Soares dos Santos	26,455 [2]	-	-	-	-	-	26,455 [2]	-
Sérgio Tavares Rebelo	-	-	-	-	-	-	-	-

[1] Sociedade Francisco Manuel dos Santos, B.V.
[2] Of which 1,500 shares held by spouse.

Statutory Auditor

As at 31 December 2017, the Statutory Auditor Ernst & Young Audit & Associados, SROC, S.A., did not hold any shares or bonds of Jerónimo Martins, SGPS, S.A. and had not made any transactions, this year, with Jerónimo Martins, SGPS, S.A. securities.

List of Transactions made by Persons with 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. hereby informs that no transactions were made by persons with managerial responsibilities in the Company during the course of 2017.

List of Qualifying Holdings as at 31 December 2017

(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	No. of Shares Held	% Capital	No. 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%
Standard Life Aberdeen plc *Through Investment Managed by Standard Life Aberdeen plc*	23,127,393	3.675%	23,127,393	3.675%
BlackRock, Inc.	16,623,792	2.642%	16,623,792	2.642%
Baillie Gifford & Co. Through Baillie Gifford Overseas Limited	12,723,138	2.022%	12,723,138	2.022%
BNP Paribas Investment Partners, Limited Company Through Investment Funds Managed by BNP Paribas	13,536,757	2.151%	12,604,860	2.003%

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.

CONSOLIDATED FINANCIAL STATEMENTS

3

Consolidated Financial Statements

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

Euro thousand

		2017	2016	4th Quarter 2017	4th Quarter 2016
Sales and services rendered	3	16,276,150	14,621,738	4,350,003	3,883,514
Cost of sales	4	(12,817,884)	(11,508,992)	(3,418,896)	(3,045,356)
Gross profit		**3,458,266**	**3,112,746**	**931,107**	**838,158**
Distribution costs	4	(2,605,993)	(2,307,621)	(694,678)	(614,834)
Administrative costs	4	(261,139)	(237,555)	(72,989)	(63,105)
Other operating profits/losses	4	(13,940)	(31,994)	(2,654)	(12,102)
Operating profit		**577,194**	**535,576**	**160,786**	**148,117**
Net financial costs	6	(12,166)	(17,356)	(3,221)	(4,964)
Gains in joint ventures and associates	7	(13)	10,271	(10)	(1)
Gains on disposal of business		-	220,678	-	(3,318)
Gains/ losses in other investments		(198)	(4,974)	(200)	(1,392)
Profit before taxes		**564,817**	**744,195**	**157,355**	**138,442**
Income tax	8	(152,236)	(129,969)	(51,008)	(44,392)
Profit before non-controlling interests		**412,581**	**614,226**	**106,347**	**94,050**
Attributable to:					
Non-controlling interests		27,225	21,008	6,250	2,414
Jerónimo Martins Shareholders		**385,356**	**593,218**	**100,097**	**91,636**
Basic and diluted earnings per share - Euros	19	0.6132	0.9440	0.1593	0.1458

To be read with the attached notes to the consolidated financial statements. The amounts presented for quarters are not audited.

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

Euro thousand

		2017	2016	4th Quarter 2017	4th Quarter 2016
Net profit		**412,581**	**614,226**	**106,347**	**94,050**
Other comprehensive income:					
Remeasurements of post-employment benefit obligations	5.2	(1,385)	(643)	(1,385)	(643)
Related tax	8.3	312	145	312	145
Items that will not be reclassified to profit or loss		**(1,073)**	**(498)**	**(1,073)**	**(498)**
Currency translation differences		62,154	(32,267)	28,218	(20,591)
Change in fair value of cash flow hedges		527	(411)	26	(186)
Change in fair value of hedging instruments on foreign operations		(16,550)	(390)	(2,602)	942
Change in fair value of available-for-sale financial assets		-	297	-	-
Related tax		(375)	298	(128)	133
Items that may be reclassified to profit or loss		**45,756**	**(32,473)**	**25,514**	**(19,702)**
Other comprehensive income, net of income tax		**44,683**	**(32,971)**	**24,441**	**(20,200)**
Total comprehensive income		**457,264**	**581,255**	**130,788**	**73,850**
Attributable to:					
Non-controlling interests		27,177	21,007	6,202	2,413
Jerónimo Martins Shareholders		430,087	560,248	124,586	71,437
Total comprehensive income		**457,264**	**581,255**	**130,788**	**73,850**

To be read with the attached notes to the consolidated financial statements. The amounts presented for quarters are not audited.

Jerónimo Martins

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

Euro thousand

	Notes	2017	2016
Assets			
Tangible assets	9	3,474,835	3,023,360
Intangible assets	10	811,040	786,983
Investment property	11	13,714	13,952
Investments in joint ventures and associates	13	1,557	-
Available-for-sale financial assets		1,417	1,000
Trade debtors, accrued income and deferred costs	15	111,383	112,836
Derivative financial instruments	12	227	-
Deferred tax assets	8.3	106,025	69,756
Total non-current assets		**4,520,198**	**4,007,887**
Inventories	14	841,565	718,618
Biological assets		5,498	1,181
Income tax receivable		5,094	2,037
Trade debtors, accrued income and deferred costs	15	387,833	311,130
Derivative financial instruments	12	294	1,277
Cash and cash equivalents	16	681,333	643,512
Total current assets		**1,921,617**	**1,677,755**
Total assets		**6,441,815**	**5,685,642**
Shareholders' equity and liabilities			
Share capital		629,293	629,293
Share premium		22,452	22,452
Own shares		(6,060)	(6,060)
Other reserves		(51,109)	(96,865)
Retained earnings	18	1,193,319	1,189,191
		1,787,895	**1,738,011**
Non-controlling interests		**225,298**	**252,500**
Total Shareholders' equity		**2,013,193**	**1,990,511**
Borrowings	20	237,762	114,829
Trade creditors, accrued costs and deferred income	22	779	793
Derivative financial instruments	12	-	293
Employee benefits	5.2	66,482	61,823
Provisions for risks and contingencies	21	29,308	21,582
Deferred tax liabilities	8.3	71,579	59,742
Total non-current liabilities		**405,910**	**259,062**
Borrowings	20	299,505	224,581
Trade creditors, accrued costs and deferred income	22	3,662,293	3,166,527
Derivative financial instruments	12	2,805	317
Income tax payable		58,109	44,644
Total current liabilities		**4,022,712**	**3,436,069**
Total Shareholders' equity and liabilities		**6,441,815**	**5,685,642**

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

Euro thousand

	Shareholders' equity attributable to Shareholders of Jerónimo Martins, SGPS, S.A.								Non-controlling interests	Shareholders' equity
	Share capital	Share premium	Own shares	Other reserves			Retained earnings	Total		
				Cash flow hedge	Available-for-sale financial assets	Currency translation reserves				
Balance Sheet as at 1 January 2016	629,293	22,452	(6,060)	99	(230)	(64,261)	760,400	1,341,693	251,526	1,593,219
Equity changes in 2016										
Currency translation differences				(3)		(31,977)		(31,980)		(31,980)
Change in fair value of cash flow hedging				(333)				(333)		(333)
Change in fair value of hedging instruments on foreign operations						(390)		(390)		(390)
Change in fair value of available-for-sale financial investments					230			230		230
Remeasurements of post-employment benefit obligations							(497)	(497)	(1)	(498)
Other comprehensive income	-	-	-	(336)	230	(32,367)	(497)	(32,970)	(1)	(32,971)
Net profit							593,218	593,218	21,008	614,226
Total comprehensive income	-	-	-	(336)	230	(32,367)	592,721	560,248	21,007	581,255
Dividends							(166,535)	(166,535)	(17,428)	(183,963)
Acquisitions/Disposal of non-controlling interests							2,605	2,605	(2,605)	-
Balance Sheet as at 31 December 2016	629,293	22,452	(6,060)	(237)	-	(96,628)	1,189,191	1,738,011	252,500	1,990,511
Equity changes in 2017										
Currency translation differences				(6)		61,885		61,879		61,879
Change in fair value of cash flow hedging				427				427		427
Change in fair value of hedging instruments on foreign operations						(16,550)		(16,550)		(16,550)
Remeasurements of post-employment benefit obligations							(1,025)	(1,025)	(48)	(1,073)
Other comprehensive income	-	-	-	421	-	45,335	(1,025)	44,731	(48)	44,683
Net profit							385,356	385,356	27,225	412,581
Total comprehensive income	-	-	-	421	-	45,335	384,331	430,087	27,177	457,264
Dividends (note 18.3)							(380,203)	(380,203)	(54,379)	(434,582)
Balance Sheet as at 31 December 2017	629,293	22,452	(6,060)	184	-	(51,293)	1,193,319	1,787,895	225,298	2,013,193

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

Euro thousand

	Notes	2017	2016
Operating Activities			
Cash received from customers		18,346,499	16,487,933
Cash paid to suppliers		(15,980,545)	(14,351,132)
Cash paid to employees		(1,277,994)	(1,100,375)
Cash generated from operations	17	**1,087,960**	**1,036,426**
Interest paid		(18,456)	(15,756)
Income taxes paid		(160,050)	(177,388)
Cash flow from operating activities		**909,454**	**843,282**
Investment activities			
Disposals of tangible fixed assets		1,723	2,704
Disposals of intangible assets		-	1
Disposals of available-for-sale financial assets and investment property		187	2,887
Disposals of businesses, net of cash sold	7	-	302,135
Interest received		3,488	1,915
Dividends received		79	2,774
Acquisition of tangible fixed assets		(648,619)	(432,319)
Acquisition of intangible assets		(13,067)	(5,825)
Acquisition of financial investments and investment property		(602)	(358)
Acquisition of joint ventures and associates		(1,570)	-
Cash flow from investment activities		**(658,381)**	**(126,086)**
Financing activities			
Net change in loans	20	205,908	(320,078)
Dividends paid	18.3	(434,582)	(183,963)
Cash flow from financing activities		**(228,674)**	**(504,041)**
Net changes in cash and cash equivalents		**22,399**	**213,155**
Cash and cash equivalents changes			
Cash and cash equivalents at the beginning of the year		643,512	441,688
Net changes in cash and cash equivalents		22,399	213,155
Effect of currency translation differences		15,422	(11,331)
Cash and cash equivalents at the end of December	16	**681,333**	**643,512**

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE INTERIM PERIOD

Euro thousand

	2017	2016	4th Quarter 2017	4th Quarter 2016
Cash Flow from operating activities	909,454	843,282	360,223	306,888
Cash Flow from investment activities	(658,381)	(126,086)	(192,876)	(143,967)
Cash Flow from financing activities	(228,674)	(504,041)	(4,274)	10,099
Cash and cash equivalents changes	22,399	213,155	163,073	173,020

The amounts presented for quarters are not audited.

1 Activity

Jerónimo Martins, SGPS, S.A. (JMH), is the parent Company of Jerónimo Martins (Group), which includes the Companies detailed in notes 28 and 30. The activities of the Group and its performance during the year 2017 are detailed in Chapter II of this Annual Report.

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

Share Capital: 629,293,220 euros

Registered at the Commercial Registry Office and Tax Number: 500100144

JMH has been listed on the Euronext Lisbon since 1989.

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

2 Accounting policies

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

2.1 Basis for preparation

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

The 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 (EU), as at 31 December 2017.

The JMH Consolidated Financial Statements were prepared in accordance with the historical cost principle, except for investment property, derivative financial instruments, biological assets, financial assets at fair value through profit or loss and available-for-sale financial assets, 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 The 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 2.6)

Change in accounting policies and basis for presentation:

2.1.1 New and amended standards adopted by the Group

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

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

The Group adopted the new amendments, with no significant impact on its Consolidated Financial Statements.

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

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

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

These new standards and amendments are effective for annual periods beginning on or after January 1, 2018, and have not been applied in preparing these Consolidated Financial Statements. None of these standards are expected to have a significant impact on the Group's Consolidated Financial Statements, except on the new standard IFRS 16 Leases, as detailed below.

IFRS 15 Revenue from Contracts with Customers

The new standard IFRS 15 Revenue from Contracts with Customers (IFRS15) establishes a five-step model for the recognition of revenue resulting from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of the standard is mandatory for years beginning on or after 1 January 2018 and its adoption should follow the full retrospective method or modified retrospective method.

The Group adopted this new standard on 1 January 2018, using the modified retrospective method, with the cumulative effect of the adoption of this standard recognized in the Group's Retained earnings at that date.

During 2017, the Group analyzed the impacts of its adoption, expecting no significant impact in the Consolidated Financial Statements, but instead an increase in disclosures associated with "Sales and services rendered".

In preparing to adopt IFRS 15, the Group considered the following relevant aspects:

i) Sale of goods

In most of Groups' sales of goods, there is only one performance obligation, resulting in the immediate recognition of revenue with the delivery of the goods to the customer.

When there are promotional campaigns that offers, to the customers, performance obligations to be satisfied in future moment, the Group defer the portion of revenue related to the future obligation, and revenue is recognized in profit or loss only when that future obligation is satisfied or expires.

The Group also implemented loyalty programs using customer cards. According to IFRIC 13 Customer Loyalty Programmes, the Group estimates, for sales made using the customer card, the fair value of the benefits attributed to customers, and the revenue is deferred until the moment the benefit is satisfied or expires.

Some sales to customers include commercial discounts based on quantity purchased. Currently, the Group recognizes the revenue from the sale of goods net of the estimated commercial discount expected to be achieved by the customer for the entire year.

The application of IFRS 15 will not have a significant impact on how the Group currently recognizes the revenue from sales of goods to customers.

ii) Rights of return

With the application of IFRS 15, in the sales to customers should be estimated the goods that could be returned by customers, being recognized: a) a responsibility of return, represented by the obligation to deliver to the customer the amount related to the goods returned; and b) a return asset - with adjustment of cost of sales - for the right to receive the goods returned by the customer.

The returns of assets whose responsibility is assumed directly by the Group, does not have the materiality that can impact significantly the Consolidated Financial Statements of the Group.

iii) Warranty obligations

In the sale of goods, the Group provides the warranties arising from the Law, together with the suppliers, and do not sells extensions of warranties that should be recognized as a separate performance obligation.

Also regarding this aspect, the adoption of IFRS 15 will not have any significant impact on the Group's Consolidated Financial Statements.

iv) The Group as principal or agent

The Group operates in some stores outside the major urban areas through Commercial Mandate contracts celebrated with third parties, with the Group acting as principal, recognizing to that extent the full revenue from sales of these stores.

The application of IFRS 15 will not change the Group's designation as principal, so it will continue to recognize the sales revenue from this group of stores.

IFRS 9 Financial Instruments

The new standard IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement, is mainly focused on the following aspects: i) Classification and measurement; ii) Impairment; and iii) Hedge accounting.

The Group adopted this new standard on 1 January 2018, date when its adoption became mandatory, without restatement of comparative information being required.

During 2017, the Group analyzed the impact of adopting this new standard, and anticipates no significant impact on the Group's Consolidated Financial Statements.

i) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity as result of applying the classification and measurement requirements of IFRS 9.

ii) Impairment

IFRS 9 requires the Group to record expected credit losses on trade receivables, based on an expected losses model (either on a 12-month expected losses or lifetime basis expected losses), replacing the incurred losses model under IAS 39. The Group will apply the simplified approach to trade receivables, recognizing the estimated losses for the entire life of the receivables.

Group's current accounting policy already provides for the recognition of a general impairment charge on trade receivables, considering the uncollectable history of each business.

In addition, considering that most of the Group's sales are made on a cash basis, the Group does not anticipate any material impact on its Consolidated Financial Statements by applying this new impairment recognition model.

iii) Hedge accounting

The Group determined that all hedging relationships that are currently designated will continue to qualify as hedge accounting with the adoption of IFRS 9.

As the standard does not change the general principles of recognition of effective hedges, the application of the hedging requirements of IFRS 9 will not have any significant impact on the Group's Consolidated Financial Statements.

IFRS 16 Leases

The new standard IFRS 16 eliminates the classification of leases as either operating leases or finance leases for lessees, as is required by IAS 17 and, instead, introduces a single accounting model, very similar to the current treatment that is given to finance leases in lessee accounts.

This single accounting model provides for the lessee the recognition of: i. assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, regardless of the lease term; and ii. depreciation of lease assets separately from interest on lease liabilities in the Income Statement.

The Management is assessing the impacts that will result from adopting this new standard, and expects that its adoption will have a significant impact on the Group’s Consolidated Financial Statements, as result of the incorporation of the assets which are currently under operating leases and their respective responsibilities.

Despite not responding to the criteria established for the capitalization of operating leases as foreseen in the new IFRS 16, the information in note 24, enables the possibility to realize the impacts of its application.

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

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

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

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

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

2.1.4 Change of accounting policies

In addition to the above, the Group has not changed its accounting policies during 2017, nor were identified errors regarding previous years, which compel the restatement of Financial Statements.

2.2. Basis for consolidation

Reference dates

The Consolidated Financial Statements include, as at 31 December 2017, 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 28 and 30, respectively.

Business combinations

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

Investments in subsidiaries

Subsidiaries are all entities over which JMH has control. The Group controls an entity when it 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 control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners and the equity instruments 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 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 in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. The Group's investment in associates includes Goodwill identified on acquisition.

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 of each investor. The Group has assessed the nature of its joint arrangements (see note 2.6) 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 by the Group, 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 carrying value of Goodwill exceeds its recoverable amount, an impairment is recognised immediately as an expense and is not subsequently reversed (note 2.5.1).

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.

Loss of control or significant influence

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured 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 12).

Whenever 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 from 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 the functional currency (euro) at the exchange rate prevailing on the transaction date.

At the balance sheet date, monetary assets and liabilities expressed in foreign currencies are translated at the exchange rate prevailing on that date and exchange differences arising from this conversion are recognised in the income statement. 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, which are equity instruments.

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)	Polish Zloty (PLN)	Swiss Franc (CHF)	Colombian Peso (COP)
Rate at 31 December 2017	4.1770	1.1702	3,546.3400
Average rate for the year	4.2539	-	3,352.1100
Rate at 31 December 2016	4.4103	1.0739	3,128.3800
Average rate for the year	4.3627	-	3,355.5700

2.4 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 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: i. financial assets at fair value through profit or loss; ii. loans and receivables; iii. 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. 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 included within 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 income for the period. The dividends of equity holdings classified as available-for-sale are recognised in gains in other investments, when the right to receive the payment is established.

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

2.5 Impairment

2.5.1 Impairment of non-financial assets

Except for investment property (note 11), inventories (note 14) and deferred tax assets (note 8.3), 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 assets not yet available for use and other intangible assets with indefinite useful life, the recoverable amount is determined annually at the balance sheet date.

The recoverable amount of the Group's 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.

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 were recognised.

2.5.2 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.

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 current fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit and loss. Impairment losses on equity instruments recognised in profit or loss are not reversed through the income statement, until they are sold.

Clients, debtors and other financial assets

Impairment losses are recognised when there are objective indicators that 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. Financial difficulties of the debtor;
III. Probability of the debtor's bankruptcy.

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

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

2.6 Critical accounting estimates and judgments on the preparation of the Financial Statements

Tangible and intangible assets, and investment property

Determining the fair value of investment property, as well as the useful life of assets, is based on Management estimates. Determining impairment losses of these tangible and intangible assets also involves the use of estimates. The value in use or the fair value of these assets (including Goodwill) 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.

If the cash flow assumptions were reduced by 10% compared to the estimates, or if the discount rate was higher by 100 bps, according to current projections of the business areas the Goodwill would still be recoverable and there would be no risk of impairment (see note 10.4).

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 the use of assumptions, with some assumptions requiring the use of estimates. Therefore, changes in those assumptions could result in a change in the fair value reported (see note 12).

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 increase by 1 p.p., the impact in Group accounts would be the following:

	Impact on Group accounts	
	Income statement	Other comprehensive income
Portugal	1,651	138
Poland	(551)	235

A positive amount means a gain in Group accounts.

Impairment losses of clients and debtors

The Management maintains impairment losses for clients and debtors, in order to reflect the estimated losses resulting from clients' inability to make payments on the required dates and for the contracted amounts. When evaluating the 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 obligations for pension and other long-term benefits requires the use of assumptions and estimates, including actuarial projections and other factors that may impact the costs and obligations for the benefit plans.

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

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

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

Portugal

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

Based on these results and following the recommendation of the external actuaries, the Group has decided to reduce its discount rate from 1.40% to 1.30%.

Poland

- Narrow range [3.00% - 3.30%]
- Extended range [2.80% - 3.50%]

Based on these results and following the recommendation of the external actuaries, the Group has decided to increase its discount rate from 2.90% to 3.10%.

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
	PT	PL			
Discount rate	1.30%	3.10%	0.50%	(2,454)	2,617
Salary growth rate	3.00%	6% / 4%	0.50%	1,748	(1,661)
Pension growth rate	3.00%		0.50%	827	(773)
Life expectancy	TV 88/90	GUS 2015	1 ano	1,350	(1,291)

A positive amount means an increase in liabilities. A negative amount means a decrease in 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, actual losses may be different from those originally estimated. These estimates are subject to changes as new information becomes available, mainly with the support of internal specialists, if available, or through the support of external consultants, such as actuaries or legal advisers. Changes to estimates of potential losses on proceedings under way may significantly affect future results.

Investment in associates

Management has assessed the level of influence that the Group had on Perfumes e Cosméticos Puig Portugal Distribuidora, S.A., and determined that it had significant influence, even though the shareholding was 27.55%, due to the Board of Directors representation and contractual terms. Consequently, this investment was classified as an associate until the date it was sold, on 30 September 2016.

The Management also assessed the level of influence that the Group has on Novo Verde – Sociedade Gestora de Resíduos de Embalagens, S.A., with a percentage of control of 30% and a percentage of interest of 15.3%. Given the legal regime applicable to waste management companies, which prevent this type of company from distributing reserves and retained earnings to its shareholders, this investment cannot be classified in the Group's accounts as an associate and has therefore been classified as available-for-sale financial asset.

Investment 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 with the other Investor, the Group has the power to appoint and remove the majority of members of the Board of Directors. In addition, all key management personnel with the powers to conduct the relevant activities of JMR are employees of another company 100% owned by Jerónimo Martins. For these reasons, the Management concluded that the Group has the practical ability to direct the relevant activities of JMR and hence has the control over the Company. Therefore JMR is classified as a subsidiary, as well as all entities directly controlled by JMR.

The Group held 45% of the voting rights of its joint arrangement in Unilever Jerónimo Martins, Lda. and Gallo Worldwide, Lda.. The Group had joint control over this arrangement as under the contractual agreements unanimous consent is required from all parties to the agreements for all relevant decisions and activities. The joint arrangements were structured as limited companies and provided the Group and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, these arrangements were classified as joint ventures until the date they were sold on 30 September 2016.

2.7 Fair value of financial instruments

To determine the fair value of a financial asset or liability, the market price is applied, if such a market exists. A market is regarded as active if quoted prices are readily and regularly available from an exchange, broker or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis (level 1). 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, fair value financial instruments held for sale and biological assets 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 (level 2). 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.

Borrowings

The fair value of borrowings is obtained 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 carrying value is approximately its fair value.

Creditors and accruals

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

2.8 Fair value hierarchy

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

- Level 1: The fair value of financial instruments is based on quoted prices obtained in active and liquid markets at balance sheet date. This level includes equity investments quoted on Euronext Lisbon;
- Level 2: The fair value is not based on quoted prices obtained in active markets included in level 1, but using valuation models, which may involve 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 biological assets, available-for-sale financial assets and the over-the-counter derivatives entered into 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 models whose main inputs are not based on observable market data. This level includes investment property, which are evaluated by external independent experts.

2017	Total	Level 1	Level 2	Level 3
Assets measured at fair value				
Investment property	13,714	-	-	13,714
Biological assets				
Consumable biological assets	3,738	-	3,738	-
Bearer biological assets	1,760	-	1,760	-
Derivative financial instruments				
Derivatives held for trading	294	-	294	-
Derivatives used for hedging	227	-	227	-
Total assets	**19,733**	**-**	**6,019**	**13,714**
Liabilities measured at fair value				
Derivative financial instruments				
Derivatives held for trading	269	-	269	-
Derivatives used for hedging	2,536	-	2,536	-
Total liabilities	**2,805**	**-**	**2,805**	**-**

2016	Total	Level 1	Level 2	Level 3
Assets measured at fair value				
Investment property	13,952	-	-	13,952
Available-for-sale financial assets				
Equity investments	80	80	-	-
Biological assets				
Consumable biological assets	1,181	-	1,181	-
Derivative financial instruments				
Derivatives used for hedging	1,277	-	1,277	-
Total assets	**16,490**	**80**	**2,458**	**13,952**
Liabilities measured at fair value				
Derivative financial instruments				
Derivatives used for hedging	610	-	610	-
Total liabilities	**610**	**-**	**610**	**-**

2.9 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
2017								
Assets								
Cash and cash equivalents	-	-	681,333	-	-	**681,333**	-	**681,333**
Available-for-sale financial assets	-	-	-	1,417	-	**1,417**	-	**1,417**
Debtors, accruals and deferrals	-	-	395,744	-	-	**395,744**	103,472	**499,216**
Derivative financial instruments	294	227	-	-	-	**521**	-	**521**
Other non-financial assets	-	-	-	-	-	**-**	5,259,328	**5,259,328**
Total assets	**294**	**227**	**1,077,077**	**1,417**	**-**	**1,079,015**	**5,362,800**	**6,441,815**
Liabilities								
Borrowings	-	-	-	-	537,267	**537,267**	-	**537,267**
Derivative financial instruments	269	2,536	-	-	-	**2,805**	-	**2,805**
Creditors, accruals and deferrals	-	-	-	-	3,409,641	**3,409,641**	253,431	**3,663,072**
Other non-financial liabilities	-	-	-	-	-	**-**	225,478	**225,478**
Total liabilities	**269**	**2,536**	**-**	**-**	**3,946,908**	**3,949,713**	**478,909**	**4,428,622**
2016								
Assets								
Cash and cash equivalents	-	-	643,512	-	-	643,512	-	643,512
Available-for-sale financial assets	-	-	-	1,000	-	1,000	-	1,000
Debtors, accruals and deferrals	-	-	322,025	-	-	322,025	101,941	423,966
Derivative financial instruments	-	1,277	-	-	-	1,277	-	1,277
Other non-financial assets	-	-	-	-	-	-	4,615,887	4,615,887
Total assets	-	1,277	965,537	1,000	-	967,814	4,717,828	5,685,642
Liabilities								
Borrowings	-	-	-	-	339,410	339,410	-	339,410
Derivative financial instruments	-	610	-	-	-	610	-	610
Creditors, accruals and deferrals	-	-	-	-	2,945,327	2,945,327	221,993	3,167,320
Other non-financial liabilities	-	-	-	-	-	-	187,791	187,791
Total liabilities	-	610	-	-	3,284,737	3,285,347	409,784	3,695,131

3 Segments reporting

Operating segments are reported consistently with the internal reporting that is provided to the Governing Bodies, including the Managing Committee and the Board of Directors. Based on this report, the Governing Bodies evaluate the performance of each segment and allocate 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, Portugal Cash & Carry and Poland Retail. Apart from these there are also other businesses but due to their low materiality they are not reported separately.

Management evaluates the performance of segments based on Earnings Before Interest and Taxes (EBIT). This indicator excludes the effects of other operating profits/losses (see note 4.1).

Transactions between segments are performed under normal market conditions, as described in note 27.1, following the same accounting policies adopted by the Group when dealing with transactions with unrelated parties.

Revenue recognition

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.

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

The identified operating segments are:

- 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 which operates under Biedronka banner;
- Others, eliminations and adjustments: includes i. business units with reduced materiality (Coffee Shops Chocolate Stores and Agribusiness in Portugal, Health and Beauty Retail in Poland, Retail business in Colombia); ii. the Holding Companies; and iii. Group's consolidation adjustments.

Detailed information by operating segments as at December 2017 and 2016

	Portugal Retail		Portugal Cash & Carry		Poland Retail		Others, eliminations and adjustments		Total JM Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net sales and services	4,060,684	3,914,632	945,166	880,826	11,074,700	9,781,348	195,600	44,932	16,276,150	14,621,738
Inter-segments	385,852	351,085	4,853	3,906	1,449	1,487	(392,154)	(356,478)	-	-
External customers	3,674,832	3,563,547	940,313	876,920	11,073,251	9,779,861	587,754	401,410	16,276,150	14,621,738
Operational cash flow (EBITDA)	188,465	191,626	50,309	47,140	804,961	707,421	(121,735)	(84,368)	922,000	861,819
Depreciations and amortisations	(97,530)	(95,095)	(13,695)	(12,908)	(194,100)	(169,922)	(25,541)	(16,324)	(330,866)	(294,249)
Operational result (EBIT)	90,935	96,531	36,614	34,232	610,861	537,499	(147,276)	(100,692)	591,134	567,570
Other operating profits/losses									(13,940)	(31,994)
Financial results and gains in investments									(12,377)	208,619
Income tax									(152,236)	(129,969)
Net result attributable to JM									385,356	593,218
Total assets	1,789,365	1,733,533	399,904	351,026	3,743,785	3,063,023	508,761	538,060	6,441,815	5,685,642
Total liabilities	1,335,184	1,226,101	389,210	305,006	2,762,900	2,210,170	(58,672)	(46,146)	4,428,622	3,695,131
Investments in fixed assets	101,780	136,839	28,453	30,420	353,850	232,895	238,199	82,292	722,282	482,446

Reconciliation between EBIT and operating profit

	2017	2016
EBIT	591,134	567,570
Other operating profits/losses	(13,940)	(31,994)
Operational result	**577,194**	**535,576**

Financial assets with credit risk per segment

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

	Portugal Retail		Portugal Cash & Carry		Poland Retail		Others, eliminations and adjustments		Total JM Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Cash and cash equivalents	71,587	43,950	23,096	16,449	460,053	268,119	126,597	314,994	681,333	643,512
Available-for-sale financial assets	279	219	1,133	696	-	-	5	85	1,417	1,000
Debtors, accruals and deferrals	89,927	90,943	47,429	43,428	283,718	215,376	(25,330)	(27,722)	395,744	322,025
Derivative financial instruments	-	-	-	-	227	-	294	1,277	521	1,277
Total	**161,793**	135,112	**71,658**	60,573	**743,998**	483,495	**101,566**	288,634	**1,079,015**	967,814

Information by geography

In the table below are presented sales and services rendered and non-current assets by geography:

	Sales and services		Non-current assets (1)	
	2017	2016	**2017**	2016
Portugal	4,629,877	4,482,173	1,609,587	1,536,124
Poland	11,240,890	9,903,843	2,410,932	2,137,212
Colombia	405,383	235,722	279,070	150,959
Total	**16,276,150**	**14,621,738**	**4,299,589**	**3,824,295**

(1) Includes Tangible assets, Intangible assets and Investment property

4 Operating costs by nature

Operating costs by nature

Operating costs by nature include:

- costs of goods sold less vendor allowances based on volume purchased and promotional allowances obtained for commercial activity and in store advertisement. Includes also materials consumed in the production of goods by the companies;
- distribution costs, related with retail main activity in store, logistics and warehousing;
- administrative costs, corresponding to supporting central offices activities;
- other operating losses and gains.

Other operating profits/losses

Other operating profits/losses, that due to their nature or materiality might 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 losses and gains are excluded from the operational performance indicators adopted by Management.

	2017	2016
Cost of goods sold and materials consumed	12,798,905	11,491,109
Changes in inventories of finished goods and work in progress	(4,430)	(930)
Net cash discount and interest paid to suppliers	(23,621)	(24,240)
Electronic payment commissions	28,962	24,543
Other supplementary costs	3,078	5,274
Supplies and services	594,822	546,416
Advertising costs	114,748	88,300
Rents	359,515	331,922
Staff costs	1,306,131	1,153,063
Depreciations and amortisations	330,910	294,327
Profit/loss with tangible and intangible assets	10,028	15,133
Transportation costs	169,046	150,824
Other natures of profit/loss	10,862	10,421
Total	**15,698,956**	**14,086,162**

4.1 Other operating profits/losses

Operating costs by nature include the following other operating losses and gains considered material, which are excluded from the Group's performance indicators, to assure a better comparability between financial periods:

	2017	2016
Legal contingencies	-	(77)
Losses from organizational restructuring programmes	(7,442)	(5,763)
Assets write-offs and gains/losses in sale of tangible assets	(3,836)	(9,041)
Changes to benefit plans and actuarial assumptions	338	(15,362)
Donations of educational sponsorship	(3,000)	(1,000)
Others	-	(751)
Total	**(13,940)**	**(31,994)**

5 Employees

5.1 Staff costs

	2017	2016
Wages and salaries	1,002,167	893,853
Social security	208,443	172,576
Employee benefits (note 5.2)	7,998	23,289
Other staff costs	87,523	63,345
Total	**1,306,131**	**1,153,063**

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

The average number of Group employees during the year was 98,729 (2016: 91,943).

The number of employees at the end of the year was 104,203 (2016: 96,233).

5.2 Employees benefits

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 employee private 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, with the respective responsibilities assured directly by the Group.

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 life annuity method, taking into account that the plans only include retired employees. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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

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

At the time of amendments to the 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 which exists in some of the Group's Companies includes a component of defined contribution and a defined benefit.

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

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

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

In 2016 the defined benefit component of the seniority awards program was extended to Polish subsidiaries, and the amount of provisions for employee benefits - seniority awards was increased, as a result of the recognition of past services.

Amounts of employee benefits in the balance sheet:

	2017	2016
Retirement benefits - defined benefit plan paid by the Group	19,707	19,636
Seniority awards	46,775	42,187
Total	**66,482**	**61,823**

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

	Income statement		Other comprehensive income	
	2017	2016	**2017**	2016
Retirement benefits - defined contribution plan	697	585	-	-
Retirement benefits - defined benefit plan paid for by the Group	264	359	1,385	643
Seniority awards	7,037	22,345	-	-
Total	**7,998**	**23,289**	**1,385**	**643**

The changes in each plan are detailed below:

	Defined contribution plans for active employees		Defined benefit plans for former employees		Other long term benefits granted to employees	
	2017	2016	**2017**	2016	**2017**	2016
Balance at 1 January	**-**	**-**	**19,636**	**21,843**	**42,187**	**21,065**
Acquisitions/Disposals of business	-	-	-	(1,585)	-	(155)
Interest costs	-	-	264	359	1,030	393
Past service cost	-	-	-	-	-	19,679
Current service cost	697	585	-	-	6,414	1,999
Actuarial (gains)/losses						
Changes in demographic assumptions	-	-	-	-	12	-
Changes in financial assumptions	-	-	922	552	1,011	570
Changes in experience	-	-	463	91	(1,430)	(296)
Contributions or retirement pensions paid	(697)	(585)	(1,578)	(1,624)	(3,550)	(857)
Currency translation differences	-	-	-	-	1,101	(211)
Balance at 31 December	**-**	**-**	**19,707**	**19,636**	**46,775**	**42,187**

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

	Portugal		Poland	
	2017	2016	2017	2016
Mortality table	TV 88/90	TV 88/90	GUS 2015	GUS 2013
Discount rate	1.30%	1.40%	3.10%	2.90%
Pension and salaries growth rate	3.00%	2.50%	4% - 6%	4% - 6%

The mortality assumptions used are those most commonly adopted in Portugal and Poland, and are based on actuarial advice in accordance with published statistics and experience in each country. The assumption's sensitivity analysis is described in note 2.6.

Expected future payments

The expected maturity for the next 10 years for the liabilities associated with defined benefit plans is as follows:

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years
Retirement benefits - defined benefit plan paid for by the Group	1,501	5,267	4,778
Seniority awards	4,293	16,577	42,694
Total	**5,794**	**21,844**	**47,472**

6 Net financial costs

Net financial costs represent interest on borrowings, interest on investments made, dividends, foreign exchange gains and losses in financial operations, gains and losses resulting from changes in the fair value of financial assets measured at fair value through profit and loss, and costs and income with financing operations. Net financial costs are accrued in the income statement in the period in which they are incurred.

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

	2017	2016
Interest expense	(15,157)	(12,833)
Interest received	3,512	1,909
Dividends	79	63
Net foreign exchange	3,923	(3,090)
Other financial costs and gains	(4,078)	(3,405)
Fair value of financial investments held for trade:		
Derivative instruments (note 12)	(445)	-
Total	**(12,166)**	**(17,356)**

Interest expense includes the interest on loans measured at amortised cost and interest on derivatives of fair-value hedge and cash flow hedge (note 12).

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

7 Gains in disposal of business

	2017	2016
Proceeds net of cost to sell	-	303,464
Investments in joint ventures divested	-	(84,038)
Net assets from other businesses divested	-	2,581
Cash and cash equivalents of divested business	-	(1,329)
Total	**-**	**220,678**

In 2016, the Group sold its subsidiary Monterroio - Industry & Services Investments B.V., and subsequently repurchased its interest in two subsidiaries of the latter: Jerónimo Martins - Restauração e Serviços, S.A. (100%) and Hussel Ibéria – Chocolates e Confeitaria, S.A. (51%).

The Group recognised a gain with these transactions of EUR 220,678 thousand, as presented above.

From the total of net assets divested, EUR 83,367 thousand are related to joint ventures Unilever Jerónimo Martins and Gallo Worldwide (note 13).

8 Income tax recognised in the income statement

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

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

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

The measurement of deferred tax assets and liabilities should reflect the tax consequences from the way the Group estimates, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

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

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

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

8.1 Income tax

	2017	2016
Current income tax		
Current tax of the year	(165,818)	(129,693)
Adjustment to prior year estimation	762	1,879
	(165,056)	**(127,814)**
Deferred tax		
Temporary differences created and reversed	24,989	9,195
Change to the recoverable amount of tax losses and temp. differ. from prev. years	(494)	(625)
	24,495	**8,570**
Other gains/losses related to tax		
Impact of changes in estimates for tax litigations	(11,675)	(10,725)
	(11,675)	**(10,725)**
Total income tax	**(152,236)**	**(129,969)**

8.2 Reconciliation of effective tax rate

	2017		2016	
Profit before tax		**564,817**		**744,195**
Income tax using the Portuguese corporation tax rate	**22.5%**	**(127,084)**	**22.5%**	**(167,444)**
Fiscal effect due to:				
Different tax rates in foreign jurisdictions	(6.1%)	34,452	(3.7%)	27,173
Non-taxable or non-recoverable results	7.2%	(40,769)	(3.1%)	22,787
Changes in estimates for tax litigations	2.1%	(11,675)	1.4%	(10,725)
Non-deductible expenses and fiscal benefits	0.3%	(1,526)	0.2%	(1,526)
Adjustment to prior years estimation	(0.1%)	762	(0.3%)	1,879
Equity method	-	-	(0.2%)	1,600
Change to the recoverable amount of tax losses and temporary differences of prior years	(0.0%)	58	(0.0%)	198
Results subject to special taxation	1.1%	(6,454)	0.5%	(3,911)
Income tax	**27.0%**	**(152,236)**	**17.5%**	**(129,969)**

In 2016 the effective tax rate is significantly influenced by the gain as a result of the divestment in Monterroio - Industry & Services Investments B.V. (note 7). Excluding the effect of this gain the effective tax rate in 2016 would be of 24.8%.

In 2017 and 2016, the Corporate Income Tax rate (CIT) applied to companies operating in Portugal was 21%. For companies with a positive tax result, there is a surcharge of 1.5% regarding municipal tax, and an additional state tax that varies between 3%, 5% and 7%, for taxable profits higher than EUR 1,500 thousand, EUR 7,500 thousand and EUR 35,000 thousand respectively, as applied in 2015.

In Poland, for 2017 and 2016, the income tax rate applied to taxable income was 19%.

In Colombia, the income tax rate was 34% in 2017 and 2016. If a taxable loss is determined, a tax rate of 3% is levied on the net asset value, in accordance with the fiscal stability agreement obtained.

8.3 Deferred tax assets and liabilities

	2017	2016
Opening balance	**10,014**	**1,718**
Currency translation difference	(275)	287
Revaluation and reserves	212	156
Acquisition/disposal of business	-	(717)
Result of the year (note 8.1)	24,495	8,570
Closing balance	**34,446**	**10,014**

Deferred taxes are presented in the balance sheet as follows:

	2017	2016
Deferred tax assets	106,025	69,756
Deferred tax liabilities	(71,579)	(59,742)
	34,446	**10,014**

2017	Opening balance	Impact on results	Impact on equity	Acquisition/ disposal of business	Currency translation differences	Closing balance
Deferred tax assets						
Excess over legal provisions	48,083	8,558	-	-	2,568	59,209
Update of assets to fair value	4,934	45	-	-	-	4,979
Employee benefits	9,504	307	312	-	-	10,123
Other temporary differences	7,235	24,296	-	-	183	31,714
	69,756	**33,206**	**312**	**-**	**2,751**	**106,025**
Deferred tax liabilities						
Update of assets to fair value	663	(10)	-	-	-	653
Deferred income for tax purposes	44,518	8,715	-	-	2,358	55,591
Differences on valuation criteria in other countries	12,011	-	-	-	671	12,682
Derivative instruments	(56)	-	100	-	(1)	43
Other temporary differences	2,606	6	-	-	(2)	2,610
	59,742	**8,711**	**100**	**-**	**3,026**	**71,579**
Net change in deferred tax	**10,014**	**24,495**	**212**	**-**	**(275)**	**34,446**

2016	Opening balance	Impact on results	Impact on equity	Acquisition/ disposal of business	Currency translation differences	Closing balance
Deferred tax assets						
Update of assets to fair value	34,251	15,119	-	(132)	(1,155)	48,083
Revaluation of assets	2,936	1,998	-	-	-	4,934
Employee benefits	9,234	516	145	(391)	-	9,504
Other temporary differences	9,824	(2,165)	(67)	(194)	(163)	7,235
	56,245	**15,468**	**78**	**(717)**	**(1,318)**	**69,756**
Deferred tax liabilities						
Update of assets to fair value	665	(2)	-	-	-	663
Deferred income for tax purposes	38,315	7,394	-	-	(1,191)	44,518
Differences on valuation criteria in other countries	12,423	-	-	-	(412)	12,011
Derivative instruments	23	-	(78)	-	(1)	(56)
Other temporary differences	3,101	(494)	-	-	(1)	2,606
	54,527	**6,898**	**(78)**	**-**	**(1,605)**	**59,742**
Net change in deferred tax	**1,718**	**8,570**	**156**	**(717)**	**287**	**10,014**

8.4 Unrecognised deferred taxes on tax losses

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

Expiring date	Tax	
	2017	**2016**
2017	-	748
2018	3,231	3,387
2019	5,006	4,742
2020	7,050	6,618
2021	6,905	5,783
2022 or further	87,315	56,031
Total	**109,507**	**77,308**

9 Tangible assets

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

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

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

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

Depreciation

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

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

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

9.1 Changes occurred during the year

2017	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	**446,754**	**2,833,353**	**1,571,798**	**232,671**	**289,153**	**5,373,729**
Foreign exchange differences	12,325	73,243	35,753	4,794	54	126,169
Increases	29,510	248,090	161,449	16,815	253,351	709,215
Disposals and write offs	(44)	(24,287)	(71,699)	(6,914)	(1,991)	(104,935)
Transfers and reclassifications	6,472	97,386	18,486	6,731	(130,261)	(1,186)
Closing balance	**495,017**	**3,227,785**	**1,715,787**	**254,097**	**410,306**	**6,102,992**
Depreciation and impairment losses						
Opening balance	**-**	**1,091,934**	**1,081,465**	**176,970**	**-**	**2,350,369**
Foreign exchange differences	-	27,953	22,354	3,895	-	54,202
Increases	-	149,476	146,473	21,621	-	317,570
Disposals and write offs	-	(19,758)	(66,731)	(6,826)	-	(93,315)
Transfers and reclassifications	-	(323)	232	(578)	-	(669)
Closing balance	**-**	**1,249,282**	**1,183,793**	**195,082**	**-**	**2,628,157**
Net value						
As at 1 January 2017	**446,754**	**1,741,419**	**490,333**	**55,701**	**289,153**	**3,023,360**
As at 31 December 2017	**495,017**	**1,978,503**	**531,994**	**59,015**	**410,306**	**3,474,835**

* Opening balance of land and natural resources is net of impairment losses

2016	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	447,317	2,649,510	1,524,879	219,960	224,452	5,066,118
Foreign exchange differences	(7,296)	(41,799)	(20,758)	(2,729)	(981)	(73,563)
Increases	3,220	175,799	111,621	23,603	162,338	476,581
Disposals and write offs	(101)	(11,661)	(58,403)	(13,293)	(1,981)	(85,439)
Transfers and reclassifications	11,629	62,219	14,464	5,527	(94,675)	(836)
Acquisitions/Disposals of business	-	(715)	(5)	(397)	-	(1,117)
Closing balance	454,769	2,833,353	1,571,798	232,671	289,153	5,381,744
Depreciation and impairment losses						
Opening balance	-	980,185	1,018,510	177,310	-	2,176,005
Foreign exchange differences	-	(14,852)	(11,648)	(2,344)	-	(28,844)
Increases	-	136,482	128,400	15,534	-	280,416
Disposals and write offs	-	(8,908)	(53,499)	(13,184)	-	(75,591)
Transfers and reclassifications	-	(371)	(293)	(2)	-	(666)
Acquisitions/Disposals of business	-	(602)	(5)	(344)	-	(951)
Impairment losses	8,015	-	-	-	-	8,015
Closing balance	8,015	1,091,934	1,081,465	176,970	-	2,358,384
Net value						
As at 1 January 2016	447,317	1,669,325	506,369	42,650	224,452	2,890,113
As at 31 December 2016	446,754	1,741,419	490,333	55,701	289,153	3,023,360

* Opening balance of land and natural resources is net of impairment losses

The increase in tangible assets correspond to the Group's investments in new stores and distribution centers (51%), and remodelling of the existing stores. The investment programme is detailed in the Consolidated Management Report.

Impairment losses on land in 2016 (EUR 8,015 thousand) are reflected in the Income statement in "Other operating profits/losses". In Note 4.1 is included in the line " Profit/loss with tangible and intangible assets ".

There are no financial charges capitalised in tangible fixed assets.

9.2 Guarantees

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

9.3 Tangible assets in progress

Amounts in work in progress are mostly related to the implementation and refurbishment of stores and distribution centres.

9.4 Impairment tests

As mentioned in Note 2.5.1, the Group analyses at the date of each balance sheet whether there are indicators of possible impairment losses on tangible assets.

If there are indicators of possible impairment losses on an asset or cash-generating unit, the Group calculates its value-in-use using the Discounted Cash Flow (DCF) method.

Value in use is supported by past performance and market development expectations, with five-year projections of future cash flows for each of the assets or cash-generating units, based on medium/long-term plans approved by the Board of Directors.

These estimates are made considering the following assumptions

Business area	Discount rates	Growth rates in perpetuity
Retail in Portugal	8.3% (2016: 8.3%)	1% (2016: 1%)
Cash & Carry in Portugal	8.3% (2016: 8.3%)	1% (2016: 1%)
Retail in Poland	8.5% (2016: 8.5%)	1.5% (2016: 1.5%)
Health and Beauty Retail in Poland	10.1% (2016: 10.1%)	1.5% (2016: 1.5%)
Specialized Retail in Portugal	8.3% to 10.5% (2016: 8.3% to 10.5%)	1% (2016: 1%)
Retail in Colombia	11.7% (2016: 11.7%)	1.5% (2016: 1.5%)

The discount rates adopted corresponds to the weighted average cost of capital (WACC) estimated for each of the business areas on the different geographies.

Growth rates in perpetuity considered was 1% for mature markets as Portugal and 1.5% for the Polish and Colombian market, where growth potential is still considered to exist.

Cash flows also include the expected annual growth in sales, margins and operating costs of each of the business areas.

10 Intangible assets

Intangible assets are stated at acquisition cost net of accumulated amortisation and impairment losses (note 2.5).

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 may 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

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

10.1 Changes occurred during the year

2017	Goodwill	Develop. Expenses	Software, ind. property and other rights	Key money	Work in progress	Total
Cost						
Opening balance	**629,902**	**32,416**	**119,102**	**132,789**	**4,684**	**918,893**
Foreign exchange differences	16,730	1,293	5,483	4,956	227	28,689
Increases	-	2,414	1,634	2,323	6,696	13,067
Disposals and write offs	-	-	-	(981)	(103)	(1,084)
Transfers and reclassifications	-	891	588	(32)	(955)	492
Closing balance	**646,632**	**37,014**	**126,807**	**139,055**	**10,549**	**960,057**
Amortisation and impairment losses						
Opening balance	**-**	**29,285**	**17,488**	**85,137**	**-**	**131,910**
Foreign exchange differences	-	1,196	465	3,084	-	4,745
Increases	-	1,816	2,953	8,571	-	13,340
Disposals and write offs	-	-	-	(953)	-	(953)
Transfers and reclassifications	-	-	-	(25)	-	(25)
Closing balance	**-**	**32,297**	**20,906**	**95,814**	**-**	**149,017**
Net value						
As at 1 January 2017	**629,902**	**3,131**	**101,614**	**47,652**	**4,684**	**786,983**
As at 31 December 2017	**646,632**	**4,717**	**105,901**	**43,241**	**10,549**	**811,040**

2016	Goodwill	Develop. Expenses	Software, ind. property and other rights	Key money	Work in progress	Total
Cost						
Opening balance	640,187	31,229	114,644	136,326	9,571	931,957
Foreign exchange differences	(10,285)	(759)	(3,162)	(3,048)	(256)	(17,510)
Increases	-	1,586	2,278	357	1,644	5,865
Disposals and write offs	-	(128)	(133)	(1,228)	(5)	(1,494)
Transfers and reclassifications	-	488	5,551	382	(6,270)	151
Acquisitions/Disposals of business	-	-	(76)	-	-	(76)
Closing balance	629,902	32,416	119,102	132,789	4,684	918,893
Amortisation and impairment losses						
Opening balance	-	28,545	14,692	78,924	-	122,161
Foreign exchange differences	-	(716)	(210)	(1,666)	-	(2,592)
Increases	-	1,570	3,217	9,124	-	13,911
Disposals and write offs	-	(114)	(133)	(1,228)	-	(1,475)
Transfers and reclassifications	-	-	(2)	(17)	-	(19)
Acquisitions/Disposals of business	-	-	(76)	-	-	(76)
Closing balance	-	29,285	17,488	85,137	-	131,910
Net value						
As at 1 January 2016	640,187	2,684	99,952	57,402	9,571	809,796
As at 31 December 2016	629,902	3,131	101,614	47,652	4,684	786,983

The Group identified as intangible assets of indefinite useful life, besides Goodwill, the trademark Pingo Doce, with net value of EUR 9,228 thousand.

Development expenses mainly relate to IT implementations.

10.2 Guarantees

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

10.3 Intangible assets in progress

Intangible assets in progress include the implementation of projects for processes simplification, usage rights and key money.

10.4 Impairment tests for Goodwill and other intangible assets

Goodwill is allocated to the Groups' business areas as presented below:

Business areas	2017	2016
Portugal Retail	246,519	246,519
Portugal Cash & Carry	83,836	83,836
Poland Retail	306,989	290,750
Poland Health and Beauty Retail	9,288	8,797
Total	**646,632**	**629,902**

As a consequence of the currency translation adjustment of the assets in the Group's businesses in Poland:

- the Goodwill related to the business in Poland (Biedronka), totalling PLN 1,282,278 thousand, was updated positively by EUR 16,239 thousand;

- the Goodwill related to the Health and Beauty Retail business in Poland (Hebe), totalling PLN 38,796 thousand, was updated positively by EUR 491 thousand.

The cash-generating units used to perform Goodwill impairment tests correspond to the business segments, which is the lowest level for which Goodwill is monitored by Management.

In 2017, evaluations were made based on the value in use according to 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, supported on historical performance of each business unit, incorporating the expected impacts of its investment plans, weighted by the risks each business is exposed.

Pingo Doce brand is not being amortised but subject to impairment tests annually, with the same assumptions that are used for Goodwill. The same applies to intangible assets in progress.

These estimates are made considering the following assumptions:

Business area	Discount rates	Growth rates in perpetuity
Retail in Portugal	8.3% (2016: 8.3%)	1% (2016: 1%)
Cash & Carry in Portugal	8.3% (2016: 8.3%)	1% (2016: 1%)
Retail in Poland	8.5% (2016: 8.5%)	1.5% (2016: 1.5%)
Health and Beauty Retail in Poland	10.1% (2016: 10.1%)	1.5% (2016: 1.5%)

The discount rates adopted corresponds to the WACC estimated for each of the business areas on the different geographies.

Growth rates in perpetuity considered was 1% for mature markets as Portugal and 1.5% for the Polish market, where growth potential is still considered to exist.

Cash flows also include the expected annual growth in sales, margins and operating costs of each of the business areas.

Note 2.6 presents the information related to sensibility analysis to the Goodwill impairment tests.

11 Investment property

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

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

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

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

For this purpose, an estimation of the market rent is used, considering all the endogenous and exogenous variables of the asset under valuation, and a yield that reflects the risk of the market of which that asset is a part, as well as the characteristics of the asset itself. 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 the income statement as revaluation surplus. Gains and losses in subsequent revaluations (fair value) are recognised in the income statement, in accordance with IAS 40.

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.

	2017	2016
Opening balance	**13,952**	20,387
Changes in fair value	(238)	(3,562)
Disposals	-	(2,873)
Closing balance	**13,714**	13,952

The investment property relates to plots of land and buildings 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 are no longer in use 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 property that are not expected to be sold within a period of less than 12 months.

In 2017 the amount of income from investment property amounted to EUR 74 thousand (EUR 73 thousand in 2016), and costs were recognised in the amount of EUR 29 thousand (EUR 33 thousand in 2016).

12 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.

Whenever available, fair values are estimated based on quoted instruments. In the absence of market prices, fair values are estimated through discounted cash flow methods and option valuation models, in accordance with generally accepted assumptions.

Derivative financial instruments are recognised on the date they are negotiated (trade date), at their fair value. Subsequently, the fair value of derivative financial instruments is valued on a regular basis, and the gains or losses resulting from this valuation are recorded directly in the income statement, except in relation to cash flow hedge derivatives, whose changes in fair value are recorded in equity, in the cash flow hedge reserve. Recognition of changes in the fair value of hedge instruments depends on the nature of the hedged risk and the type of hedge used.

Derivatives held for trading

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.

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. 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 (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.

Foreign exchange risk (net investments in foreign entities hedge)

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).

Exchange rate fluctuations in loans contracted in foreign currencies for the purpose of funding investments in foreign operations are taken directly to the 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 the 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.

	Notional	2017				Notional	2016			
		Assets		Liabilities			Assets		Liabilities	
		Current	Non-current	Current	Non-current		Current	Non-current	Current	Non-current
Derivatives held for trading										
Currency forwards - stock purchase (PLN)	118 million PLN	-	-	269	-	-	-	-	-	-
Currency forwards - intercompany loans (PLN)	315 million PLN	294	-	-	-	-	-	-	-	-
Cash flow hedging derivatives										
Interest rate swap (PLN)	189 million PLN	-	227	-	-	200 million PLN	-	-	-	293
Foreign operation investments hedging derivatives										
Currency forwards (PLN)	600 million PLN	-	-	2,536	-	538 million PLN	1,277	-	317	-
Total derivatives held for trading		**294**	**-**	**269**	**-**		-	-	-	-
Total hedging derivatives		**-**	**227**	**2,536**	**-**		1,277	-	317	293
Total assets/liabilities derivatives		**294**	**227**	**2,805**	**-**		1,277	-	317	293

At 31 December 2017, the values shown include interest receivable or payable related to these financial instruments that are due. The net payable amount is EUR 0 thousand (2016: EUR 1 thousand).

Derivatives held for trading

Currency forwards

The Group hedges its exposure to foreign exchange risk inherent to the purchase of stocks in foreign currency. For this purpose, in 2017, the Group contracted currency forwards, with maturity in the first quarter of 2018, with a notional amount of PLN 118,030 thousand.

The Group also hedges the foreign exchange risk of loans granted to subsidiaries in foreign currency. For this purpose, in 2017, the Group contracted currency forwards, with maturity in the first quarter of 2018, with a notional amount of PLN 315,496 thousand.

Cash flow hedge

Interest rate swap

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 2017 and 2016. The Group had interest rate swaps in zlotys.

In summary:

	Currency	Loan amount	Hedged amount	Index hedged	Rate review date	Loan and hedge maturity
JMNK/2020	PLN	377,763	188,882	Wibor 3 months	March	June 2020

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 March 2018.

Impacts on the Financial Statements

	2017	2016
Fair value of financial instruments as at 1 January	**667**	**157**
(Receipts) / payments made	13,575	1,377
Change in the fair value of held for trading derivatives (results)	(445)	-
Change in the fair value of cash flow hedge derivatives (others reserves)	527	(411)
Change in the fair value of cash flow hedge derivatives (foreign exchange differences)	(7)	(4)
Change in the fair value of net investment hedging derivatives (currency translation reserves)	(16,550)	(390)
Interest expenses from financial instruments that qualify as hedge accounting (income statement)	(51)	(62)
Fair value of financial instruments as at 31 December	**(2,284)**	**667**

13 Investments in joint ventures and associates

The joint ventures and associates are listed in note 30, and changes in these investments were as follows:

	Joint ventures		Associates		Total	
	2017	2016	**2017**	2016	**2017**	2016
Opening balance	**-**	75,789	**-**	689	**-**	76,478
Equity method:						
Net result	(13)	10,288	-	(17)	(13)	10,271
Dividends and other income received	-	(2,711)	-	-	-	(2,711)
Other increases/(reductions)	1,570	-	-	-	1,570	-
Disposals of business (note 7)	-	(83,367)	-	(672)	-	(84,039)
Acquisitions of business	-	1	-	-	-	1
Closing balance	**1,557**	-	**-**	-	**1,557**	-

14 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.

Its valuation generally follows the last acquisition price, being FIFO (First In, First Out) the cost method used in the recording of the inventory sold.

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

	2017	2016
Raw and subsidiary materials and consumables	5,847	3,928
Goods available for sale	883,667	749,951
Work in progress and finished goods	435	906
	889,949	**754,785**
Net realisable adjustment	(48,384)	(36,167)
Net inventories	**841,565**	**718,618**

Adjustments in inventories to net realisable value:

	2017	2016
Balance as at 1 January	**(36,167)**	**(29,400)**
Set up, reinforced and transfers	(10,994)	(8,205)
Unused and reversed	2	579
Foreign exchange difference	(1,225)	597
Acquisitions and business restructuring	-	262
Balance as at 31 December	**(48,384)**	**(36,167)**

No inventories have been pledged as guarantee for the fulfilment of contractual obligations.

15 Trade debtors, accrued income and deferred costs

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 (note 2.5).

	2017	2016
Non-current		
Other debtors	74,664	75,987
Collateral deposits associated to financial debt	34,367	34,367
Deferred costs	2,352	2,482
Total	**111,383**	**112,836**
Current		
Commercial customers	56,424	45,928
Other debtors	122,316	93,117
Other taxes receivable	16,019	11,364
Accrued income and deferred costs	193,074	160,721
Total	**387,833**	**311,130**

Non-current debtors include EUR 73,544 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 26).

The Group has EUR 34,367 thousand of remunerated deposits in financial institutions, with limited availability according to specific conditions, which is being used as a collateral guarantee for financial loans to its subsidiary Jeronimo Martins Colombia, SAS. This deposits will be released on loans repayment date.

Accrued income includes basically supplementary gains contracted with suppliers, in the amount of EUR 182,494 thousand (2016: EUR 148,502 thousand).

The deferred costs include EUR 6,058 thousand of pre-paid rents, EUR 1,372 thousand of insurance costs and EUR 5,358 thousand of other costs attributable to future years and paid in 2017, or, if not yet paid, already charged by the entities.

Current debtors with overdue amounts are subject to an analysis of the probability of future losses, based on historical information, taking into account the nature of the commercial relationship established, as well as to existing collateral and credit insurance, with reinforcements / reversals of adjustments for impairment losses recognized when justified (see note 31.2.1).

The ageing analysis of debtors that are past their due date is as follows:

	2017	2016
Debtors balances not considered impaired		
Less than 3 months past due	26,789	23,516
More than 3 months past due	17,622	21,912
Total	**44,411**	**45,428**
Debtors balances considered impaired		
Less than 3 months past due	1,100	284
More than 3 months past due	17,670	8,513
Total	**18,770**	**8,797**

Of the debtors balances not considered impaired, EUR 1,368 thousand (2016: EUR 3,853 thousand) are covered by credit guarantees and credit insurance.

Movements on impairment of trade receivables are as follows:

	2017	2016
Balance as at 1 January	**23,714**	**23,863**
Set up, reinforced and transfers	2,286	2,562
Unused and reversed	(1,968)	(1,189)
Foreign exchange difference	471	(232)
Used	(308)	(1,111)
Acquisitions and business restructuring	-	(179)
Balance as at 31 December	**24,195**	**23,714**

Impairment losses and reversals related to other debtors are included in note 4 - Operating costs by nature, under "Cost of goods sold and materials consumed" when related to commercial disputes with suppliers, amounted EUR (1,517) thousand (2016: EUR (1,585) thousand), and in the caption "Other natures of profit/loss" when related to customers and other debtors, amounted EUR 1,199 thousand (2016: EUR 212 thousand).

16 Cash and cash equivalents

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

	2017	2016
Bank deposits	460,235	524,941
Short-term investments	217,199	114,974
Cash and cash equivalents	3,899	3,597
Total	**681,333**	**643,512**

Bank deposits correspond to values in banks to meet current cash requirements as well as receipts from customers in transit.

Short-term investments correspond to time deposits in financial institutions.

Ratings of bank deposits and short-term investments are detailed in note 31.2.1.

17 Cash generated from operations

	2017	2016
Net results	**385,356**	**593,218**
Adjustments for:		
Non-controlling interests	27,225	21,008
Income tax	152,236	129,969
Depreciations and amortisations	330,910	294,327
Provisions and other operational gains and losses	13,003	31,619
Net financial costs	12,166	17,356
Gains/Losses on disposal of business	-	(220,678)
Gains/Losses in associated companies	13	(10,271)
Gains/Losses in other investments	198	4,974
Profit/ Losses in tangible and intangible assets	10,039	15,133
	931,146	**876,655**
Changes in working capital:		
Inventories	(117,051)	(99,646)
Trade debtors, accrued income and deferred costs	(9,593)	(2,160)
Trade creditors, accrued costs and deferred income	283,458	261,577
Total	**1,087,960**	**1,036,426**

18 Capital and reserves

Share capital

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

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

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

Payable dividends

Payable dividends are recognised as a liability in the Group's Financial Statements in the period in which they are approved for distribution by the shareholders

18.1 Share capital and share premium

Authorised share capital is represented by 629,293,220 ordinary shares (2016: 629,293,220).

The holders of ordinary shares have the right to receive dividends as established at the General Shareholder's Meeting and have the right to 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 no changes occurred in the amount of EUR 22,452 thousand showed in share premium.

18.2 Own shares

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

18.3 Dividends

Dividends distributed in 2017 totalling EUR 434,582 thousand, were paid to JMH shareholders in the amount of EUR 380,203 thousand, and to non-controlling interests in the Group Companies in the amount of EUR 54,379 thousand.

18.4 Other reserves and retained earnings

In the individual accounts of JMH duly states all conditions related to the use of reserves to be distributed comprised in Company equity. We therefore recommend reading this information.

19 Earnings per share

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

19.1 Basic and diluted earnings per share

	2017	2016
Ordinary shares issued at the beginning of the year	629,293,220	629,293,220
Own shares at the beginning of the year	(859,000)	(859,000)
Weighted average number of ordinary shares	**628,434,220**	**628,434,220**
Diluted net results of the year attributable to ordinary shares	385,356	593,218
Basic and diluted earnings per share – Euros	**0.6132**	**0.9440**

20 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.

The Group has negotiated several commercial paper programmes in the total amount of m EUR 365,000, of which EUR 165,000 are committed. The utilizations under these programmes are remunerated at the Euribor rate for the respective issue period, plus variable spreads. During the year, some emissions were carried out for short periods to meet specific cash requirements and the utilization on December 31, 2017 was EUR 30,000.

In the sub-holding, JMR, SGPS, S.A., and its subsidiaries was reimbursed the bond loan JMR'15 in the amount of EUR 150.000 thousand that matured in December and was contracted a new bank loan of EUR 100.000 thousand, for a tenure of 6 months.

The short-term lines that Jerónimo Martins Colombia, SAS holds with local banks were increased for an amount above COP 300.000.000 thousand, around EUR 85.000 thousand, with one year maturity.

Polish company Jerónimo Martins Nieruchomosci SKA has negotiated new credit facilities for the total amount of PLN 669.000 thousand, around EUR 160.000 thousand, with 1 year maturity.

As mentioned in note 15, some of the loans contracted by Jerónimo Martins Colombia are secured by bank deposits of other companies of the Group.

20.1 Current and non-current loans

2017	Opening balance	Cash flows	Transfers	Foreign exchange difference	Closing balance
Non-current loans					
Bank loans	111,823	132,822	(18,254)	5,117	231,508
Financial lease liabilities	3,006	5,464	(2,440)	224	6,254
Total	**114,829**	**138,286**	**(20,694)**	**5,341**	**237,762**
Current loans					
Bank overdrafts	-	6	-	-	6
Bank loans	73,622	219,098	18,254	(13,448)	297,526
Bond loans	150,000	(150,000)	-	-	-
Financial lease liabilities	959	(1,482)	2,440	56	1,973
Total	**224,581**	**67,622**	**20,694**	**(13,392)**	**299,505**

2016	Opening balance	Cash flows	Transfers	Foreign exchange difference	Closing balance
Non-current loans					
Bank loans	384,291	(102,475)	(165,699)	(4,294)	111,823
Bond loans	150,000	-	(150,000)	-	-
Financial lease liabilities	131	2,933	(25)	(33)	3,006
Total	**534,422**	**(99,542)**	**(315,724)**	**(4,327)**	**114,829**
Current loans					
Bank overdrafts	8,831	(8,786)	-	(45)	-
Bank loans	114,491	(212,504)	165,699	5,936	73,622
Bond loans	-	-	150,000	-	150,000
Financial lease liabilities	188	754	25	(8)	959
Total	**123,510**	**(220,536)**	**315,724**	**5,883**	**224,581**

20.2 Loan terms and maturities

2017	Average rate	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Bank loans					
Commercial paper in EUR		30,000	30,000	-	-
Loans in EUR		100,002	100,002	-	-
Loans in PLN		233,678	8,354	225,324	-
Loans in COP		165,354	159,170	6,184	-
Bank overdrafts		6	6	-	-
Financial lease liabilities		8,227	1,973	6,019	235
	3.06%	**537,267**	**299,505**	**237,527**	**235**

2016	Average rate	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Bank loans					
Loans in PLN		90,846	5,191	85,655	-
Loans in COP		94,599	68,431	25,166	1,002
Bond Loans					
Loans		150,000	150,000	-	-
Financial lease liabilities		3,965	959	2,360	646
	2.74%	**339,410**	**224,581**	**113,181**	**1,648**

The increase in loans is mainly due to the level of investments in 2017, namely the retail business in Poland (Biedronka) and the retail business in Colombia (Ara), whose financing in local currency (zloty and Colombian peso, respectively) explains the increase in the average financing rate.

20.3 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:

	2017	2016
Non-current loans (note 20.1)	237,762	114,829
Current loans (note 20.1)	299,505	224,581
Derivative financial instruments (note 12)	2,284	(667)
Interest on accruals and deferrals	2,019	1,035
Bank deposits (note 16)	(460,235)	(524,941)
Short-term investments (note 16)	(217,199)	(114,974)
Collateral deposits associated to financial debt (note 15)	(34,367)	(34,367)
Total	**(170,231)**	**(334,504)**

21 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.

2017	Opening balance	Set up, reinforced and transfers	Unused and reversed	Foreign exchange difference	Used	Acquisitions/ Disposals of business	Closing balance
Taxes	11,076	7,493	(550)	-	-	-	18,019
Legal claims	3,566	1,690	(791)	119	(256)	-	4,328
Others	6,940	837	(809)	-	(7)	-	6,961
	21,582	**10,020**	**(2,150)**	**119**	**(263)**	**-**	**29,308**

2016	Opening balance	Set up, reinforced and transfers	Unused and reversed	Foreign exchange difference	Used	Acquisitions/ Disposals of business	Closing balance
Taxes	72,576	12,496	(6,687)	-	(67,309)	-	11,076
Legal claims	4,918	584	(1,725)	(77)	(133)	(1)	3,566
Others	6,453	1,725	(998)	-	(32)	(208)	6,940
	83,947	**14,805**	**(9,410)**	**(77)**	**(67,474)**	**(209)**	**21,582**

Provisions for "taxes" is aimed to cover possible future disbursements resulting from the tax litigation described in note 26. These are all cases in dispute in several courts, for which there is no date to be concluded.

In 2016, the Group decided to replace part of the bank guarantees issued in favour of the Portuguese Tax Authority by the Special Programme for Reducing the Indebtedness to the State (PERES Plan) launched by the Portuguese Government. This replacement definitively delimits the value of the contingencies associated with the cases in question, as well as it reduces the amount of interest and fines if the disputes in court do not have a favourable outcome for the Group.

As a result, the provisions related to the matters covered by this payment were used. The Board of Directors firmly believes in its arguments, and the processes follow their course in court.

The ongoing lawsuits for which the Group constitutes provisions essentially relate to commercial, labour and regulatory disputes, for which it is estimated may result in future disbursements. Since these are many and relatively small claims related to different periods, their payment should be phased over time upon completion of the respective court proceedings.

The provision for other litigation is intended to cover the estimated future disbursements related to liabilities assumed by the Group as a result of past transactions, such as guarantees provided by the sale of business. Because they are events that are not always in dispute with the counterparty, the probability of short-term disbursement is considered remote.

22 Trade creditors, accrued costs and deferred income

Suppliers and other creditor's 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.

	2017	2016
Non-current		
Other commercial creditors	17	5
Accrued costs and deferred income	762	788
Total	**779**	**793**
Current		
Other commercial creditors	2,913,196	2,560,840
Other non-commercial creditors	302,020	228,713
Other taxes payables	92,920	79,272
Accrued costs and deferred income	354,157	297,702
Total	**3,662,293**	**3,166,527**

The accrued costs, totalling EUR 341,547 thousand include salaries and wages to be paid to the employees, in the amount of EUR 157,306 thousand, interest payable in the amount of EUR 47,115 thousand and supplementary costs with the distribution and promotion of goods in the amount of EUR 14,370 thousand. The remaining EUR 123,071 thousand relates to sundry costs (utilities, insurance, consultants, rents, among others) for 2017, which had not been invoiced by the respective entities prior to the end of the year.

Deferred income totalling EUR 13,372 thousand comprises mostly supplementary gains received in the amount of EUR 7,188 thousand, which are attributable to future years.

23 Guarantees

The bank guarantees are as follows:

	2017	2016
Guarantees provided to suppliers	23,450	18,779
Guarantees for Tax Authorities	93,236	156,422
Financing bank guarantees	28,933	32,919
Other State guarantees	5,254	12,277
Other guarantees provided	5,259	4,599
Total	**156,132**	**224,996**

Following the adhesion to PERES plan (note 21), the respective bank guarantees were cancelled.

24 Operational lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operational leases. Payments made for these contracts are recognised in the income statement on a straight-line basis over the period of the leases.

The Group has liabilities relating to medium and long-term contracts which have penalty clauses if broken.

The future payments associated to the total of such contracts, are as follows:

	2017	2016*
Payments in less than 1 year	345,208	318,169
Payments between 1 and 5 years	1,154,998	1,109,391
Payments in more than 5 years	1,328,053	1,200,702
Total	**2,828,259**	**2,628,262**

* partial amounts were restated

These amounts relate to store and warehouse rent contracts, with initial terms between five 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, the majority of them with the payment of penalties. The liabilities relating to these penalties correspond mainly to the remaining rents until the end of the contract, which at the end of 2017 were EUR 1,896,388 thousand (2016: EUR 1,885,549 thousand).

The operational lease contracts recognised as costs are analysed as follows:

	2017	2016
Buildings	327,588	301,326
Plants & machinery	12,000	10,823
Transport equipment	15,952	15,833
IT equipment	641	664
Others	3,147	3,149
Total	**359,328**	**331,795**

The difference to the rents stated in note 4 are costs with occasional renting in the amount of EUR 187 thousand (2016: EUR 127 thousand).

25 Capital commitments

Capital expenditure contracted for at the balance sheet date amounted to EUR 83,776 thousand and refers, essentially, to work in progress, 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.

26 Contingencies, contingent assets and contingent liabilities

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

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

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

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

Assets recognised in the Consolidated Financial Statements

- Under non-current debtors (note 15), an amount of EUR 72,689 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 within the law and maintains the administrative and judicial claims filed against such settlements expecting 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 cancellation 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.

Contingent liabilities

- The 2016 Portuguese State Budget law included a transitory rule that could have a material impact for the Group and, in particular, for the JMR-Gestão de Empresas de Retalho, SGPS, S.A. (JMR SGPS) and Recheio, SGPS, S.A. (Recheio SGPS) subsidiaries.

According to this law 1/4 (one quarter) of all the book gains derived from internal transactions (i.e. transactions between affiliated companies within the same fiscal group) - that under the previous legal framework were not taxable unless i. a transaction with third parties took place or ii. the tax group was dissolved – are to be added to the 2016 collectable income and subject to Corporate Income Tax.

In the late nineties, JMR and Recheio and its respective subsidiaries went through a significant restructuring process following several acquisitions and the decision to reorganise the Group's assets. The transactions between the several companies within the JMR and Recheio Groups were made according to the existing legal framework and in line with best practices (at market value) having generated suspended internal book gains.

Considering that the transactions were all internal, these book gains were obviously eliminated in the consolidation process while still being reflected in the individual accounts.

The 2017 and 2018 Portuguese State Budgets law included an identical rule, which may generate a similar impact for the Group. No notifications have been received so far.

Based on the assessment of our legal and fiscal advisors, we firmly believe that there are sufficient grounds to oppose the said rules. Therefore, we are not incorporating the considered amount that results from the application of the 2016, 2017 and 2018 transitory rules - c. EUR 150,000 thousand in taxes – in Jerónimo Martins' results.

- There are several disputes arising out of the ordinary course of the Group's businesses, and the most significant 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, considers that there is enough ground for its appeal in court and, in that sense, it 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 for the amounts it expects to pay in the future, or proceeding with its payment (see note 21), when it considers that it is the best way to protect the Group's interests:

a) 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 in 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 issued additional assessments, amounting to EUR 20,888 thousand, of which EUR 19,581 thousand is still in dispute. In spite of a judicial claim that was ruled in favour of the Portuguese Tax Authorities, the Board of Directors maintains its convictions and claimed against them judicially;

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

c) The Portuguese Tax Authorities assessed Feira Nova – Hipermercados, S.A. (Feira Nova) and Pingo Doce – Distribuição Alimentar, S.A. (Pingo Doce) regarding 2002 to 2004, the amount of EUR 4,845 thousand. These additional assessments relate 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, the Lisbon Tax Court ruled in favour of Feira Nova regarding all VAT assessments, amounting to about EUR 2,813 thousand. The remaining judicial claims are still under discussion in Court;

d) The Portuguese Tax Authorities have informed Jerónimo Martins, SGPS, S.A. (JMH), to restate the dividends received, amounting to EUR 10,568 thousand, from one subsidiary in the Madeira Free Zone in 2004 and 2005, considering them as interest for tax purposes. According to the Portuguese Tax Authorities the said income should be subject to CIT as opposed to the dividends received that are exempt. Regarding this correction the tax amount in dispute is EUR 3,065 thousand;

e) The Portuguese Tax Authorities carried out some corrections of VAT rates applied to certain goods sold by some Group Companies. With these corrections the total amount of assessments for the years 2005 to 2014 in Pingo Doce, Feira Nova and Recheio amounted to EUR 1,820 thousand, EUR 1,300 thousand and EUR 551 thousand, respectively;

f) The Portuguese Tax Authorities carried out some corrections to the CIT from Companies included in the perimeter of the Tax Group headed by Recheio SGPS. With these corrections the total assessments concerning 2007 to 2014, amount to EUR 16,580 thousand, of which an amount of EUR 15,829 thousand is still in dispute. The Lisbon Tax Court has already ruled in favour of Recheio SGPS regarding the 2008 assessment. However the Tax Authorities have appealed the said decision;

g) 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, and an amount of tax estimated of EUR 6,800 thousand;

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

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

Tax is not unconstitutional, the Companies maintain their understanding and have presented the respective appeal to higher courts.

Contingent assets

There are decisions taken by the competent courts, partially favorable to the Group's interests, on some of the cases that were paid in 2016, and despite the fact that the Tax Authority has appealed to higher courts, the Board of Directors believes that the Group will obtain future repayments. However, according to our policy described above, the disclosure of any amounts related to contingent assets will be made when their receipt becomes quantifiable.

27 Related parties

A related party is a person or entity that is related to the Group, including those that have, or are subject to, the influence or control of the Group.

27.1 Balances and transactions with related parties

56.136% of the Group is owned by the Sociedade Francisco Manuel dos Santos, B.V. (SFMS), there were no direct transactions between this and any other company of the Group in 2017. In 2016 the Group sold to SFMS 100% of the capital share of the subsidiary Monterroio – Industry & Services Investments B.V., whose impacts are reflected in note 7. The details of these operation are further explained in the 2016 Annual Report.

There no amounts payable or receivable between them on 31 December 2017.

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

	Joint ventures (note 30)		Other related parties (*)	
	2017	2016	**2017**	2016
Sales and services rendered	-	7	184	167
Stocks purchased and services supplied	-	58,673	119,186	49,028

	Joint ventures (note 30)		Other related parties (*)	
	2017	2016	**2017**	2016
Trade debtors, accrued income and deferred costs	-	-	237	456
Trade creditors, accrued costs and deferred income	-	-	3,735	8,329

(*) Entities controlled by the major Shareholder of Jerónimo Martins and entities owned or controlled by members of the Board of Directors.

All the transactions with related parties were made under normal market conditions, meaning, 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.

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.

27.2 Remuneration paid to Directors and Senior Managers

The costs incurred with fixed and variable remuneration and contributions to the pension plans attributed to the Directors and Senior Managers were as follows:

	2017	**2016**
Salaries and other short-term employee benefits	20,963	20,069
Termination benefits	413	-
Post-employment benefits	551	447
Other benefits	1,488	1,559
Total	**23,415**	**22,075**

The Board of Directors of the Company consisted of 9 Members at the end of 2017. The average number of Senior Managers of the Group was 78 (2016: 78).

Senior Managers are considered to be the Members of the Managing Committee and leading teams of the Group's business units and the Directors of the Corporate Centre.

The remuneration policy of the Board of Directors and of the Supervisory Board are stated in this Annual Report in Chapter V - Corporate Governance.

The post-employment benefits granted to the Directors and the Senior Managers are part of the defined contribution plan described in note 5.2.

The cost incurred with other benefits refer to long-term benefits and are described in note 5.2.

28 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
Beleggingsmaatschappij Tand B.V.	Business portfolio management and financial services	Amsterdam (Holland)	100.00
New World Investments B.V.	Business portfolio management and financial services	Amsterdam (Holland)	100.00
Origins - Agro Business Investments B.V.	Business portfolio management and financial services	Amsterdam (Holland)	100.00
Tagus - Retail & Services Investments B.V.	Business portfolio management and financial services	Amsterdam (Holland)	100.00
Warta - Retail & Services Investments B.V.	Business portfolio management and financial services	Amsterdam (Holland)	100.00
Desimo - Desenvolvimento e Gestão Imobiliária, Lda.	Real estate management and administration and trade marks	Lisbon	100.00
Friedman - Sociedade Investimentos Mobiliários e Imobiliários, Lda.	Provision of services in the economic and accounting area	Funchal	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
Jeronimo Martins Colombia S.A.S.	Trading and distribution of consumer goods	Bogotá (Colombia)	100.00
Jerónimo Martins – Agro-Alimentar, S.A.	Other business support service activities	Lisbon	100.00
Best-Farmer – Actividades Agro-Pecuárias, S.A.	Growing of crops and animal farming	Lisbon	100.00
Jerónimo Martins - Lacticínios de Portugal, S.A.	Manufacture of milk and dairy products	Portalegre	100.00
Seaculture - Aquicultura, S.A.	Saline brackish waters aquaculture	Lisbon	100.00
JMR - Gestão de Empresas de Retalho, SGPS, S.A.	Business portfolio management in the area of retail distribution	Lisbon	51.00
JMR - Prestação de Serviços para a Distribuição, S.A.	Retail management, consultancy and logistics	Lisbon	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
Escola de Formação Jerónimo Martins, S.A.	Training	Lisbon	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
Lidosol II - Distribuição de Produtos Alimentares, S.A.	Retail sales in supermarkets	Funchal	51.00
Lidinvest - Gestão de Imóveis, S.A.	Real estate management and administration	Funchal	51.00
Jerónimo Martins Retail Services, S.A.	Trademarks management	Klosters (Switzerland)	51.00
Jerónimo Martins Finance Company (2), Designated Activity Company	Financial services	Dublin (Ireland)	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
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
Masterchef, S.A.	Retail sales and/or wholesale of food or non-food products	Lisbon	100.00
Caterplus - Comercialização e Distribuição de Produtos de Consumo, Lda.	Wholesale of other food products	Lisbon	100.00
João Gomes Camacho, S.A.	Wholesale of food and consumer goods	Funchal	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
JM Nieruchomosci - Sp. Komandytowo-akcyjna	Real estate management and administration	Kostrzyn (Poland)	100.00
Jeronimo Martins Drogerie i Farmacja Sp. z o.o.	Retail sale of health and beauty products	Kostrzyn (Poland)	100.00
Bliska Sp. z o.o.	Retail sale of pharmaceutical, orthopaedic and health products	Warsaw (Poland)	100.00

29 Financial information on subsidiaries with material non-controlling interests

The non-controlling interests as at 31 December 2017 were EUR 225,298 thousand (2016: EUR 252,500 thousand), of which EUR 224,733 thousand (2016: EUR 251,842 thousand) related to JMR Group (Portugal Retail segment – see note 3), where AholdDelhaize Group holds a stake c. 49%.

The Financial Statements of this business unit, fully consolidated, include the following amounts related to assets, liabilities and earnings:

	2017	2016
Non-current assets	1,407,578	1,394,194
Current assets	381,787	339,339
Non-current liabilities	(42,274)	(35,157)
Current liabilities	(1,292,910)	(1,190,944)
Net assets	**454,181**	**507,432**
Revenue	4,060,684	3,914,632
Net profit	57,559	40,691
Other comprehensive income	(99)	(2)
Total comprehensive income	**57,460**	**40,689**

30 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
Marismar - Aquicultura Marinha, Lda.	Saline brackish waters aquaculture	Funchal	50.00

31 Financial risks

The Group is exposed to several financial risks, namely: i. price risk; which includes interest and exchange rate risks; ii. transactional risk, which includes credit and liquidity risk; and iii. the risk arising from the Group's investments portfolio, including various risks such as interest rate, credit, foreign exchange, inflation, political and fiscal.

The management of these risks is focused on the unpredictable nature of the financial markets and aims to minimize its adverse effects on the Group's financial performance.

Certain types of exposure are managed using financial derivative instruments.

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

Every quarter, reports on compliance with the Financial Risk Management Policy are presented to and discussed with the Audit Committee.

31.1 Pricing risk

31.1.1 Foreign exchange risk

The main source of exposure to foreign exchange risk comes from Jerónimo Martins' operations in Poland and in Colombia.

In addition to this exposure, within the scope of the commercial activities of its subsidiaries, the Group acquires merchandise denominated in foreign currency, mainly zloty and US dollars for the Portuguese operations, and euros and US dollars for the Polish operations and for the Colombian operations. As a general rule, these transactions involve low amounts and are very short dated. Exchange-rate risks associated with imports are covered by forward purchases of the currency of payment.

The Management of the operational Companies' exchange rate risk is centralised 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 financial instruments recognised on and off balance sheet as at 31 December 2017 was as follows:

As at 31 December 2017	Euro	Zloty	Colombian peso	Total
Assets				
Cash and cash equivalents	137,318	512,202	31,813	681,333
Available-for-sale financial investments	1,417	-	-	1,417
Trade debtors and deferred costs	104,827	287,644	3,273	395,744
Derivative financial instruments	-	521	-	521
Total financial assets	**243,562**	**800,367**	**35,086**	**1,079,015**
Liabilities				
Borrowings	130,008	241,904	165,355	537,267
Derivative financial instruments	-	2,805	-	2,805
Trade creditors, accrued costs and deferred income	1,012,438	2,264,876	132,327	3,409,641
Total financial liabilities	**1,142,446**	**2,509,585**	**297,682**	**3,949,713**
Net financial position in the balance sheet	**(898,884)**	**(1,709,218)**	**(262,596)**	**(2,870,698)**
As at 31 December 2016				
Total financial assets	304,404	651,944	11,466	967,814
Total financial liabilities	1,121,088	1,992,762	171,497	3,285,347
Net financial position in the balance sheet	**(816,684)**	**(1,340,818)**	**(160,031)**	**(2,317,533)**

Considering the position of the financial assets and liabilities on the balance sheet at 31 December 2017, a depreciation of the zloty against the euro of around 10% would have a positive impact on the results of EUR 670 thousand and a positive impact of EUR 162,018 thousand on equity (2016: a positive impact of EUR 134,165 thousand on equity). Regarding the Colombian peso, a depreciation against the euro of 10% would have a positive impact on equity of EUR 23,872 thousand (2016: a positive impact of EUR 14,548 thousand on equity).

31.1.2 Interest rate risk (cash flow and fair value)

All financial liabilities are directly or indirectly indexed to a reference interest rate, which exposes the Group to cash flow risk. A given portion of this risk is hedged through interest rate swaps, thus the Group is also exposed to fair value risk.

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 Group is essentially exposed to the euro, the zloty interest rate curves, and to the Colombian peso interest rates.

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, meaning 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 derivative financial instruments as of the reference dates, and the respective change in the interest rate curves.

Based on the simulations performed at 31 December 2017, and excluding the effect of interest rate derivatives, and considering that the Group is in a cash surplus position, a rise of 50 basis points in interest rates, with everything else remaining constant, would have a positive impact of EUR 863 thousand (2016: positive in EUR 1.669 thousand). 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.

31.2 Transactional risk

31.2.1 Credit risk

The Group manages centrally its exposure to credit risk on bank deposits, short-term investments and derivatives contracted with financial institutions. The Financial Departments of the business units are responsible for the management of credit risk on its customers and other debtors.

The financial institutions that the Group 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.

However, in each Company the bank that collects the deposits from stores may have a lower rating than the one defined in the general policy, although the maximum exposure cannot exceed two days of sales of the operating company.

The following table shows a summary of the credit quality on bank deposits and short-term investments and derivative financial instruments with positive fair value, as at 31 December 2017 and 2016:

Financial institutions	Rating	Balance 2017	Balance 2016
Standard & Poor's	[A+ : AA]	48,382	-
Standard & Poor's	[BBB+ : A]	176,595	174,582
Standard & Poor's	[BB+ : BBB]	85,821	186,859
Standard & Poor's	[B+ : BB]	266	72,328
Standard & Poor's	[B]	76	-
Moody's	[Caa2 : Caa1]	869	752
Moody's	P -1	71,987	70,802
Fitch's	[A- : A+]	215,642	70,050
Fitch's	[BBB- : BBB+]	76,632	64,616
Fitch's	[B- : BB-]	683	597
	Not available	1,002	313
Total		**677,955**	**640,899**

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.

With regard to customers, the risk is mainly limited to Cash & Carry business, since the other businesses operate based on sales paid with cash or bank cards (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 an analysis of the credit quality of the amounts receivable from customers and other debtors without non-payment or impairment:

Credit quality of the financial assets	2017	2016
New customer balances (less than six months)	958	170
Balances of customers without a history of non-payment	47,386	49,708
Balances of customers with a history of non-payment	11,019	6,071
Balances of other debtors with the provision of guarantees	3,270	5,502
Balances of other debtors without the provision of guarantees	136,270	98,025
Total	**198,903**	**159,476**

The following table shows an analysis of the concentration of credit risk from amounts receivable from customers and other debtors, taking into account its exposure for the Group:

Concentration of the credit risk from the financial assets	2017		2016	
	No.	Balance	No.	Balance
Customers with a balance above 1,000,000 euros	5	9,190	4	8,886
Customers with a balance between 250,000 and 1,000,000 euros	18	8,338	19	7,191
Customers with a balance below 250,000 euros	8,241	41,344	7,617	39,481
Other debtors with a balance above 250,000 euros	44	70,937	46	49,968
Other debtors with a balance below 250,000 euros	4,438	69,094	4,439	53,950
	12,746	**198,903**	**12,125**	**159,476**

The maximum exposure to credit risk as at 31 December 2017 and 2016 is the financial assets carrying value.

31.2.2 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 ensure the regular development of the Group' 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 the Group' 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.

Exposure to liquidity risk

2017	Less than 1 year	Between 1 and 5 years	More than 5 years
Borrowings			
Financial leasing	1,973	6,019	235
Commercial paper	30,124	259	-
Other loans	283,334	239,045	-
Derivative financial instruments	223	306	-
Creditors	3,215,216	-	-
Operational lease liabilities	345,208	1,154,998	1,328,053
Total	**3,876,078**	**1,400,627**	**1,328,288**

2016	Less than 1 year	Between 1 and 5 years	More than 5 years
Borrowings			
Financial leasing	959	2,360	646
Bond loans	150,670	-	-
Other loans	80,807	119,572	1,041
Derivative financial instruments	205	376	-
Creditors	2,789,553	-	-
Operational lease liabilities	318,169	1,109,391	1,200,702
Total	3,340,363	1,231,699	1,202,389

The Group has entered into some covenants in its loan agreements for the medium and 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;
- A limit on the ratios of Net Debt/EBITDA and EBITDA/Financial Results.

In some cases, the breach of these covenants may trigger the early redemption of the associated debt. At the end of December 2017 the Group was in full compliance with the covenants assumed on the debt loans in place.

31.3 Capital risk management

The Group 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 and by the ratio Net Debt/EBITDA. The Board established a target for the Gearing ratio below 100%, consistent with an investment grade rating, the ratio Net Debt/EBITDA below 3.

The Gearing ratios as at 31 December 2017 and 2016 were as follows:

	2017	**2016**
Capital invested	1,842,961	1,656,008
Net debt	(170,231)	(334,504)
Shareholder´s funds	2,013,193	1,990,511
Gearing	**(8.5%)**	**(16.8%)**
EBITDA	922,000	861,819
Net debt / EBITDA	(0.2)	(0.4)

32 Additional information required by law

In accordance with article 508-F of the Portuguese Commercial Companies Code, we hereby inform 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 Statutory Auditor in 2017 was EUR 793 thousand, of which EUR 746 thousand correspond to statutory audit of the accounts, while the remaining EUR 39 thousand, are related to reliability services under applicable legislation in the countries where the Group operates, human resources support services and training services provided to employees in programmes not specifically prepared for the Group. In addition, EUR 8 thousand was paid to the former External Auditor (PricewaterhouseCoopers & Associados, SROC, Lda.) for certification services of carbon footprint calculation and access to a tax database;

c) Note 27 of the Notes to the Consolidated Financial Statements includes all the related parties disclosures, in accordance with the International Accounting Standards.

33 Events after the balance sheet date

Where events occur after the balance sheet date that provide evidence of conditions that existed at the end of the reporting period, the impact of these events is adjusted within the Financial Statements. Otherwise, events after the balance sheet date of a material size or nature are disclosed below.

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

Lisbon, 27 February 2018

The Certified Accountant **The Board of Directors**

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; and

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, 27 February 2018

Pedro Manuel de Castro Soares dos Santos
(Chairman of the Board of Directors and Chief Executive Officer)

Andrzej Szlezak
(Member of the Board of Directors)

António Pedro de Carvalho Viana-Baptista
(Member of the Board of Directors)

Artur Stefan Kirsten
(Member of the Board of Directors)

Clara Christina Streit
(Member of the Board of Directors and Member of the Audit Committee)

Francisco Seixas da Costa
(Member of the Board of Directors)

Hans Eggerstedt
(Member of the Board of Directors and Member of the Audit Committee)

Henrique Soares dos Santos
(Member of the Board of Directors)

Sérgio Tavares Rebelo
(Member of the Board of Directors and Chairman of the Audit Committee)

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Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Jerónimo Martins, S.G.P.S., S.A. (the Group), which comprise the Consolidated Balance Sheet as at 31 December 2017 (showing a total of 6.441.815 thousand euros and a total equity of 2.013.193 thousand euros, including a net profit attributable to the equity holders of the company, as mother of the group of 385.356 thousand euros), the Consolidated Income Statement 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

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

Key audit matters

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

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

1. **First year audit**

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
We were appointed as auditors for Jerónimo Martins Group during 2017. As this is a first year audit, additional considerations are required for performing initial audit engagements which are not applied to recurring audits. Additional planning activities and considerations become necessary in order to establish a suitable audit strategy and audit plan, including:	Our audit procedures included: ▸ Developing a comprehensive transition plan, which included specific planning activities, to ensure an effective transition from the predecessor auditor. The specific planning activities included, but were not limited to, obtaining an initial understanding of the Group and its business, including background information, strategy, business risks, IT landscape and its financial reporting and internal controls

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
▸ Obtaining sufficient knowledge of the Group and its business including their control environment in order to make a risk assessment and develop an audit strategy and audit plan; ▸ Obtaining audit evidence regarding the opening balances, including application of accounting principles; ▸ Communication with the predecessor auditors; ▸ Review and discussion with the Group of the Key Audit Matters disclosed by the predecessor auditor; For some specific areas, for which we have identified as presenting higher risk, we have performed extended audit procedures regarding the prior year balances, namely: ▸ Review of the impairment tests of stores prepared by Management; ▸ Cut-off procedures and review of manual provisions related to supplementary gains; ▸ Discussions with Management regarding the most significant tax issues, including the review of the assessments and support documentation prepared by the Group; and ▸ For the major IT applications supporting the operations, performed understanding and walkthrough processes.	framework, to assist us in performing our risk assessment procedures; ▸ Assessing the opening balances and the selection and consistent application of accounting policies by discussing and reviewing key elements of the predecessor auditor's 2016 audit files, both at the Group level and for key operating units in-scope for the group audit; ▸ Discussion and approval of the Group audit plan with the Audit Committee and executive team of Jerónimo Martins Group, followed bystatus updates, progress reports and key audit matters discussions based on our audit process on a regular basis; ▸ Holding a global audit planning meeting in April 2017 at which members of Jerónimo Martins management briefed senior members of our Group audit and key location teams on the Group's organization and processes; ▸ Meeting Management, at a group and local level, to obtain a detailed understanding of the Jerónimo Martins Group, including its processes and internal controls. This exercise included more than 80 meetings and covered all geographies; ▸ Reading of the correspondence between the Group and the Regulator, regarding 2016 financial statements, and analysis of the changes performed by the Group; ▸ Obtaining evidence, for the most significant manual adjustments made in Supplementary Gains, to support the amounts recorded and the correctness of the period in which these were booked; ▸ Understanding accounting policies and historic accounting judgements by reviewing the Group accounting policy manuals and technical documentation on specific accounting topics; ▸ Review of the ongoing tax disputes, including the Group's assessment for the provisions and contingent liabilities disclosed in the 2016 financial statements and the performance of an independent calculation of the required tax provision; and ▸ Understanding and walkthrough of IT applications supporting the business and the performance of extended procedures to obtain reliance on the Manage Access and Manage Change process. We considered the results of our audit, as it progressed, to provide further evidence in respect of the opening balances.

2. Impairment assessment of stores assets

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The Group operates a significant amount of stores in three different countries: Portugal, Poland and Colombia. The carrying value of stores, including related assets, are important to our audit due to the material amount of those assets (more than 2.500 million euros as at 31 December 2017), as well as the judgment involved in the identification of any impairment triggers and subsequent assessments of the recoverability of the invested amounts. Management assesses annually whether there are triggering events indicating potential impairment focusing on future store performance, which is dependent of external factors, namely store traffic, basket size and the competitive landscape.	Our audit procedures included: ▸ Evaluating the Group's policies and procedures to identify triggering events for potential impairment of assets related to underperforming stores by assessing Management's review of the financial performance on a Cash Generating Unit (CGU) basis; ▸ Obtaining Management´s assumptions for impairment analysis and validating them by comparison to internal forecasts and long term strategic plans that were approved by Management, as well as historic trend analyses to determine Management's ability to reliably estimate such assumptions, including the discount rate calculated by the Group; ▸ Performing, for a sampling of CGUs, the re-execution of the calculation of impairment testing and comparing the value in use to the carrying amount; and ▸ Understanding, evaluating and testing controls over the fixed assets processes. We have also verified the adequacy of the disclosures presented in the consolidated financial statements.

3. Recognition of Supplementary Gains / Vendor Allowance

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The Group receives various types of vendor allowances (or "supplementary gains"), which are included in cost of sales as disclosed in notes 4, 14 and 15 to the consolidated financial statements. These allowances are associated with supply contracts with vendors and take various forms of credits and discounts. Such discounts obtained from contracts with suppliers should be considered as a component of the cost of the inventory and should be recognized in the income statement when the products are sold (according to IAS 2 - Inventories). The amounts to be deducted from the cost of sales depends on the quantities of products included in the vendor agreement which, at the date of the balance sheet, have already been sold. As the process of calculation and accounting for some material discounts	Our audit procedures included: ▸ Understanding, evaluating and performing control testing over the vendor allowances process; ▸ Understanding and performing tests on the system interface between the accounting system and the commercial system used to control the supplementary gains; ▸ Testing, for a sample of supplementary gains contracts, the accuracy of the key inputs in the system for the contracts and re-performing the amounts recorded; ▸ Performing analysis of the suppliers debtor balances, namely through the validation of credit noted issued subsequently and assessment of impairment indicators; ▸ Obtaining external confirmations from suppliers for a sample of allowances (transaction confirmations);

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
involves manual processes which are more susceptible to the occurrence of errors in the consolidated financial statements, we consider this as a key audit matter.	► Obtaining evidence, for the most significant manual adjustments, to support the amount accounted for and the correctness of the period in which these were recorded; ► Performing detailed analytical procedures, namely monthly review, prior year review, ratio analysis to sales and ratios analysis to purchases of the vendor allowances; and ► Performing year-end cut-off procedures to determine whether amounts were recorded in the correct accounting period. We have also verified the adequacy of the disclosures presented in the consolidated financial statements.

4. Tax litigations and contingencies

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The risk of tax matters and current disputes with the tax authorities are monitored constantly by both Group's Management and Audit Committee. Based on the opinion expressed by the Group's legal and tax advisors, on the opinion from external lawyers on specific tax issues, and according to Management's judgment, all disagreements with tax authorities are recognized as liabilities or disclosed as a contingent liability in accordance with IAS 37 (Provisions, contingent liabilities and contingent assets) in the consolidated financial statements. The total amount of tax contingencies, net of provisions and payments under special tax regimes amount to approximately Euro 26 million at 31 December 2017. The Group disclosed a risk that arose from the State Budget for 2016, 2017 and 2018, related to the taxation of gains from previous years that derived from internal transactions, which amounts Euro 50 million in taxes in each year. This topic is a key audit matter for our audit considering the complexity and the degree of judgment inherent to these tax matters, as well as the level of uncertain associated with the final outcome.	Our audit procedures included: ► Understanding and evaluating the monitoring processes over tax litigations and claims; ► Performing confirmation procedures with lawyers representing the Group on the tax matters; ► Reviewing the minutes of meetings and performing inquiries of management, legal department and tax department for the most significant claims and litigations; and ► Performing analyses of the ongoing tax disputes with the support of internal tax specialists. We have also verified the adequacy of the disclosures presented in the consolidated financial statements.

Responsibilities of management and the Audit Committee for the consolidated financial statements

Management is responsible for:

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion; and

- communicate with those charged with governance, including the Audit Committee, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- we also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

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

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

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

On the Corporate Governance Report

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

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

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

- We were appointed as auditors of the Jerónimo Martins, S.G.P.S., S.A. (Group´s Parent Entity) for the first time in the shareholders' general meeting held on 06 April 2017 for the ongoing mandate from 2017 to 2018;
- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work we have not identified any material misstatement to the consolidated financial statements due to fraud;

- We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the Audit Committee of the Group on February 26, 2018; and
- We declare that we have not provided any prohibited services as described in article 77, nr. 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Group in conducting the audit.

Lisbon, 05 March 2018

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

(Signed)

João Carlos Miguel Alves (ROC nº 896)
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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. management report, consolidated and individual accounts for the year ending December 31st, 2017, 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 members of the Managing Committee, the Company Secretary and the Statutory Auditor (who also performs the duties as External Auditor), and in all cases received their full co-operation.

This Committee was given access to all corporate documentation that it considered relevant, namely the minutes of the meetings of the Managing 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.

From the External Auditor and those responsible for preparing the Company's individual and consolidated financial information, with whom it met regularly, it obtained sufficient and necessary information to gauge the accuracy of the accounting documents, accounting policies and valuation criteria adopted by the Company, thereby ensuring that these correctly represent the results and the equity of the Company.

The Committee monitored, in particular, the development of tax proceedings and litigation involving Group's companies, having obtained all clarifications necessary from the Company personnel, to assess the adequacy of the Group's provisions and contingencies to which it is exposed.

In compliance with the Financial Risk Management Policy, it monitored, in particular, the financing and equity reinforcement proposals for the Colombian subsidiary, with the co-operation of the Financial Operations Department, and verified that the actions taken by the Company were adequate to comply with the policies issued by the Board of Directors.

Obtained from several departments of the Company, namely those responsible for the financial area, the risk management, the internal audit, and from the representatives of the External Auditor, all information and clarifications requested, which allowed to verify the adequacy and effectiveness of the internal control and risk management systems.

It met with the Chairman of the Ethics Committee, having obtained all clarification deemed necessary regarding the organisation and the activities developed by this committee.

In view of the International occurrences related to cyber-attacks at several organisations, it met with the Information Security Officer, having obtained the necessary clarifications regarding the impacts of such occurrences on the Company and its subsidiaries. It was also informed of the measures implemented to mitigate future events and of the contingency plans in place.

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 2018 as well as the necessary resources allocation.

Following the election of the new Statutory Auditor on April 6, 2017,(also appointed as External Auditor), it monitored the adopted work methodology , in particular the transitional process, which was accomplished as planned, without any relevant differences being reported in view of the opinion of the previous Statutory Auditor.

It monitored the evolution of issues raised, as well as the conclusions of the audit 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 Statutory Auditor in carrying out their functions.

It verified and approved all non-audit services provided by the firm of External Auditors to the Group's companies, ensuring that were carried out by their employees who took no part in the audits, and that these services are not forbidden under applicable law. It also guaranteed that the amounts paid for the services rendered 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.

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 Individual and Consolidated Financial Information, we are of the opinion that:

i) The Management Report should be approved;

ii) The Individual and 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, March 5, 2018

Sérgio Tavares Rebelo
(Chairman of the Audit Committee)

Clara Christina Streit
(Member)

Hans Eggerstedt
(Member)

CORPORATE GOVERNANCE

Corporate Governance

PART I – INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

Section A
SHAREHOLDER STRUCTURE

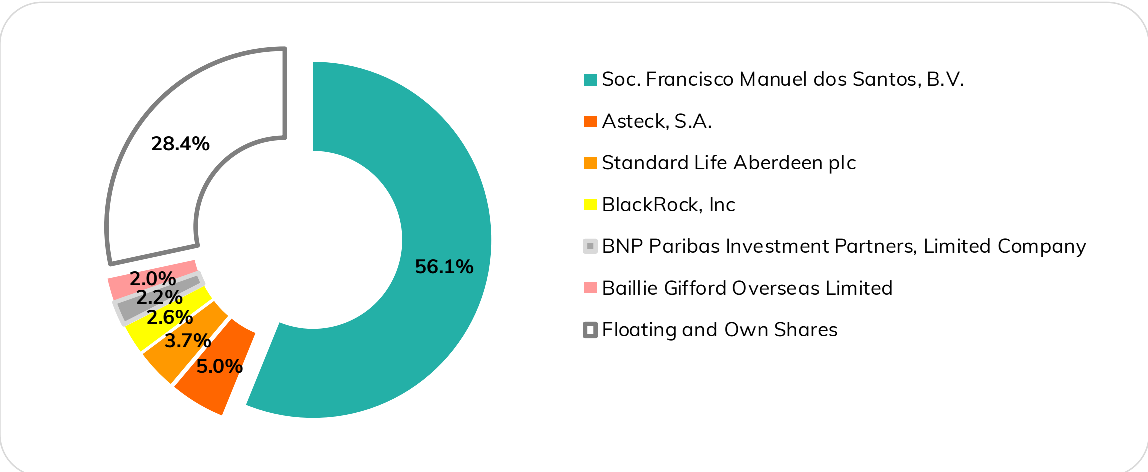
Subsection I
Capital Structure

1. The Capital Structure (Share Capital, Number of Shares, Distribution of Capital by Shareholders, etc), Including an Indication of Shares That Are Not Admitted to Trading, Different Classes of Shares, Rights and Duties of Same and the Capital Percentage That Each Class Represents (Art. 245.°-A/1/a of the Portuguese Securities Code - PSC)

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, there are no other categories of shares, and all shares have been admitted to trading on the Euronext Lisbon stock exchange.

The Company's shareholder structure is the following, with reference to 31 December 2017*:



* According to the last communications made by the shareholders with qualifying holdings to Jerónimo Martins, SGPS, S.A. up to the said date.

2. Restrictions on the Transfer of Shares, Such as Clauses on Consent for Disposal, or Limits on the Ownership of Shares (Art. 245.°-A/1/b PSC)

Jerónimo Martins' shares are freely transferable and there are no restrictions concerning their tradability.

3. Number of Own Shares, the Percentage of Share Capital that it Represents and Corresponding Percentage of Voting Rights that Corresponded to Own Shares (Art. 245.º-A/1/a PSC)

The Company holds 859 thousand 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, which would correspond to equal percentage of voting rights.

4. Important Agreements to which the Company is a Party and that Come Into Effect, Amend or are Terminated in Cases Such As a Change in the Control of the Company After a Takeover Bid, and the Respective Effects, Except Where Due to their Nature, the Disclosure Thereof Would be Seriously Detrimental to the Company; This Exception Does Not Apply Where the Company is Specifically Required to Disclose Said Information Pursuant to Other Legal Requirements (Art. 245.º-A/1/j PSC)

There are no significant agreements (including financing 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.

5. A System That is Subject to the Renewal or Withdrawal of Countermeasures, Particularly Those That Provide for a Restriction on the Number of Votes Capable of Being Held or Exercised by Only One Shareholder Individually or Together With Other Shareholders

No defensive measures were adopted 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, or that provide for a restriction on the number of votes capable of being held or exercised by only one shareholder individually or together with other shareholders.

6. Shareholders' Agreements that the Company is aware of and That May Result in Restrictions on the Transfer of Securities or Voting Rights (Art. 245.º-A/1/g PSC)

Pursuant to the communication regarding the qualifying holding received by the Company on 2nd January, 2012, the same was informed of a shareholders' agreement concerning the exercise of voting rights, on the following terms:

"It is further informed that, in accordance with the terms of number 2 of article 21, paragraphs b) and c), of the Portuguese Securities Code, Sociedade Francisco Manuel dos Santos, SGPS, S.A.[*] controls Sociedade Francisco Manuel dos Santos B.V., since it may exercise the corresponding voting rights under a Shareholders Agreement.

In accordance with the terms of article 20 of the Portuguese Securities Code, especially paragraph b) of its number 1, under the above mentioned Shareholders Agreement, the corresponding voting rights of the Jerónimo Martins, SGPS, S.A. shares, object of the purchase and sale above mentioned, remain attributed to Sociedade Francisco Manuel dos Santos, SGPS S.A.[*]"

The Company, however, does not know of any restrictions concerning the transfer of securities or voting rights.

* The company name was changed on 2015 to "Sociedade Francisco Manuel dos Santos, SGPS, S.E." .

Subsection II
Shareholdings and Bonds Held

7. Details of The Natural or Legal Persons Who, Directly or Indirectly, are Holders of Qualifying Holdings (Art. 245.º-A/1/c & /d PSC) and Art. 16.º PSC) With Details of the Percentage of Capital and Votes Attributed and the Source and Causes of the Attribution

The holders of qualifying holdings, calculated in accordance with the terms of paragraph 1 of Article 20 PSC, based on the total number of shares under the terms of section b), paragraph 3 of Article 16 PSC, as at 31st December 2017, are identified in the table below.

List of Qualifying Holdings as at 31st December 2017*

(Pursuant to paragraph 4 of Article 448 of the Commercial Companies Code – CCC, and in sub-paragraph b) of paragraph 1 of Article 8 of the Portuguese Securities Regulations no. 5/2008)

Shareholder	No. of Shares Held	% Capital	No. of Voting Rights	% of Voting Rights
Sociedade Francisco Manuel dos Santos, SGPS, S.E. 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%
Standard Life Aberdeen plc Through Investment Managed by Standard Life Aberdeen plc	23,127,393	3.675%	23,127,393	3.675%
BlackRock, Inc.	16,623,792	2.642%	16,623,792	2.642%
Baillie Gifford & Co. Through Baillie Gifford Overseas Limited	12,723,138	2.022%	12,723,138	2.022%
BNP Paribas Investment Partners, Limited Company Through Investment Funds Managed by BNP Paribas	13,536,757	2.151%	12,604,860	2.003%

* Source: Last communications made by the shareholders with qualifying holdings to Jerónimo Martins, SGPS, S.A. up to the said date.

8. A List of the Number of Shares and Bonds Held by Members of the Management and Supervisory Boards

(Pursuant to paragraph 5 of Article 447 CCC)

The Board of Directors

Members of the Board of Directors	Held on 31.12.16		Increases during the year		Decreases during the year		Held on 31.12.17	
	Shares	Bonds	Shares	Bonds	Shares	Bonds	Shares	Bonds
Pedro Manuel de Castro Soares dos Santos	274,805	-	-	-	-	-	274,805	-
Andrzej Szlezak	-	-	-	-	-	-	-	-
António Pedro de Carvalho Viana-Baptista	-	-	-	-	-	-	-	-
Artur Stefan Kirsten	-	-	-	-	-	-	-	-
Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code)[1]	353,260,814	-	-	-	-	-	353,260,814	-
Clara Christina Streit	800	-	-	-	-	-	800	-
Francisco Manuel Seixas da Costa	-	-	-	-	-	-	-	-
Hans Eggerstedt	19,700	-	-	-	-	-	19,700	-
Henrique Manuel da Silveira e Castro Soares dos Santos	26,455[2]	-	-	-	-	-	26,455[2]	-
Sérgio Tavares Rebelo	-	-	-	-	-	-	-	-

[1] Sociedade Francisco Manuel dos Santos, B.V.; See Point 20.
[2] Of which 1,500 shares held by spouse.

Statutory Auditor

As at 31st December, 2017, the Statutory Auditor, Ernst & Young Audit & Associados, SROC, S.A., confirmed not holding any shares or bonds of Jerónimo Martins, SGPS, S.A. and not having made any transactions, during 2017, with Jerónimo Martins, SGPS, S.A. securities.

9. Special Powers of the Board of Directors, especially as Regards Resolutions on the Capital Increase (Art. 245.°-A/1/i) PSC) With an Indication as to the Allocation Date, Time Period Within Which Said Powers May Be Carried Out, the Upper Ceiling for the Capital Increase the Amount Already Issued Pursuant to the Allocation of Powers and Mode of Implementing the Powers Assigned

Any capital increase is subject to prior deliberation by the General Shareholders' Meeting.

10. Information on Any Significant Business Relationships between the Holders of 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

A. Composition of the Presiding Board of the General Meeting

11. Details and Position of the Members of the Presiding Board of the General Meeting and Respective Term of Office (Beginning and End)

On 14th April 2016, Abel Bernardino Teixeira Mesquita and Nuno de Deus Pinheiro were appointed as Chairman and Secretary of the General Shareholders' Meeting, respectively, for the term 2016-2018.

B. Exercising the Right to Vote

12. Any Restrictions on the Right to Vote, Such as Restrictions on Voting Rights Subject to Holding a Number or Percentage of Shares, Deadlines for Exercising Voting Rights, or Systems Whereby the Financial Rights Attaching to Securities are Separated from the Holding of Securities (Art. 245.º-A/1/f PSC)

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 right of each ordinary 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 is there 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.

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.

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 that meet the following conditions can participate and vote at the General Meeting:

i. On the Record Date, corresponding to 00:00 (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.

Postal Vote

According to paragraph three 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 General Shareholders' Meeting or his substitute to verify their authenticity and full compliance 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.

Vote by Electronic Means

The Company, also 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 https://www.jeronimomartins.com/en/. 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.

13. Details of the Maximum Percentage of Voting Rights That May Be Exercised By a Single Shareholder or By Shareholders That Are In Any Relationship As Set Out In Art. 20/1 PSC

The Company has not established rules stating that voting rights over a certain number are not counted, when issued by a single shareholder or shareholders related to it.

14. Details of Shareholders' Resolutions That, Imposed By The Articles Of Association, May Only Be Taken With a Qualified Majority, In Addition To Those Legally Provided, and Details of Said Majority

There is no special rule in the Articles of Association regarding deliberative quorums.

Subsection II
Management and Supervision
(Board of Directors)

A. Composition

15. Details of Corporate Governance Model Adopted

The Company has adopted the Anglo-Saxon governance model which corresponds to the option foreseen in subparagraph b) of Article 278 CCC. 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.

16. Articles of Association Rules on the Procedural Requirements Governing the Appointment and Replacement of Members of the Board of Directors (Art. 245-A/1/h PSC). Diversity Policy.

The first Article of the Regulations of the Company's Board of Directors foresees that the composition of this body 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 that it will be presided over by the respective Chairman, chosen by the General Shareholders' Meeting.

Paragraph number three of Article nine 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.

Diversity Policy

In Portuguese company law the shareholders have exclusive competence to appoint the members of management and supervision bodies of companies.

Hence, considering that the shareholders are not to be confused with the Company, it is not possible for the latter to define or enforce a diversity policy as is foreseen in Art. 245-A, no. 1, r) of the Portuguese Securities Code, as amended by Decree-Law no. 89/2017, of 28th July.

In addition, the recent and late entry into force of Decree-Law no. 89/2017 still did not allow the shareholders to ponder and, wanting, to take expressly into consideration in elective procedures diversity concerns, which are underlying in the rules at stake (the first elective shareholder's general meeting after the entry into force of the said Decree-Law will only take place, foreseeably, on 2019).

This does not mean, however, that in selecting the members of management and supervision bodies of the Company (respectively, Board of Directors and Audit Committee), the shareholders do not take into account diversity criteria that seek to combine the individual attributes of each of the members, such as independence, integrity, experience and competence, with the specific characteristics of the Company, e.g., its governance model, its dimension, its shareholder structure and its business model.

It can even be said that, in the current structure of the Board of Directors and of the Audit Committee, the shareholders have safeguarded the gender diversity (notwithstanding compliance with the legislation on that subject that the Company will have to comply with from 2019 on), age diversity, qualification diversity and professional background diversity, as can be seen in point 1.3.1. of Chapter 1, and in points 17 to 19, and 26 of Chapter IV of this Report.

17. Composition of the Board of Directors, With Details of the Articles of Association's Minimum and Maximum Number of Members, Duration of Term of Office, Number of Effective Members, Date When First Appointed and End of the Term of Office of Each Member

According to the Articles of Associations, the Board of Directors is comprised of a minimum of seven and a maximum of eleven members, elected by the General Shareholders' Meeting for three year terms. During 2017, the Board of Directors had the composition indicated below, being currently composed of nine effective members, who were elected at the General Meeting held on 14th April 2016 for the term of office 2016-2018:

- **Pedro Manuel de Castro Soares dos Santos**
- Chairman of the Board of Directors since 18 December 2013
- CEO
- First appointment on 31st March 1995
- Expiry of the term of office on 31st December 2018

- **Andrzej Szlezak**
- Non-Executive Director
- First appointment on 10th April 2013
- Expiry of the term of office on 31st December 2018

- **António Pedro de Carvalho Viana-Baptista**
- Independent Non-Executive Director
- First appointment on 9th April 2010
- Expiry of the term of office on 31st December 2018

- **Artur Stefan Kirsten**
- Non-Executive Director
- First appointment on April 2010 (term of office expired on February 2011)
- New appointment on 9th April 2015.
- Expiry of the term of office on 31st December 2018

- **Clara Christina Streit**
- Independent Non-Executive Director
- First appointment on 9th April 2015
- Expiry of the term of office on 31st December 2018

- **Francisco Manuel Seixas da Costa**
- Independent Non-Executive Director
- First appointment on 10th April 2013
- Expiry of the term of office on 31st December 2018

- **Hans Eggerstedt**
- Non-Executive Director
- First appointment on 29th June 2001
- Expiry of the term of office on 31st December 2018

- **Henrique Manuel da Silveira e Castro Soares dos Santos**
- Non-Executive Director
- First appointment on 9th April 2015
- Expiry of the term of office on 31st December 2018

- **Sérgio Tavares Rebelo**
- Independent Non-Executive Director
- First appointment on 10th April 2013
- Expiry of the term of office on 31st December 2018

18. Distinction to be Drawn Between Executive and Non-Executive Directors And, as Regards Non-Executive Members, Details of Members that May Be Considered Independent

The Company seeks a balance in the composition of the Board of Directors through the integration of Non-Executive Directors and Independent Directors alongside the Executive Director, in the scope of a delegation of duties, the respective discrimination of which being referred in point 17, above. The distinctive criterium used by the Company coincides with that of the EU Commission's Recommendation 2005/162/EC, of 15th February 2005, being considered as Executive Director any member who is engaged in the daily management of the Company and, *a contrario sensu*, Non-Executive Directors are those who are not engaged in the daily management.

The Board of Directors is therefore 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, who therefore 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 assessment 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 2013 CMVM's Recommendations on Corporate Governance, hereafter referred to as "2013 CMVM's Recommendations", considering the provision of recommendation II.1.7, which establishes the independence criteria to be used in the evaluation made by the Board of Directors, Francisco Seixas da Costa, António Viana-Baptista, Clara Christina Streit, Sérgio Rebelo and Hans Eggerstedt qualify as Independent Directors. The latter three Directors are also members of the Audit

Committee and therefore they are subject further to the independence criteria indicated in paragraph 5 of Article 414 CCC. 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 CCC, except that provided for in sub-paragraph b).

Being the number of Independent Directors of four, in accordance to the criteria above mentioned, out of a total of nine Directors, the Company complies with recommendation II.1.7. (2013 CMVM's Recommendations), also in the part where it establishes that Non-Executive Directors shall include an appropriate number of independent members (*in casu*, half of such Directors).

19. Professional Qualifications and Other Relevant Curricular Information of Each Member of the Board of Directors

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 latter 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 31st March 1995, and has been Chief Executive Officer since 9th April 2010 and Chairman of the Board of Directors of the Company since 18th December 2013.

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 his academic career at said university where he was awarded his doctorate and post-doctorate degrees in Law ("Habilitated Doctor") 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 1991, 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 10th 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 offices. 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. He was CEO of Crédit Suisse AG for Spain and Portugal, from 2011 to 2016, acting currently as a consultant of that company. He has been a Non-Executive Director of the Company, since 9th April 2010.

Artur Stefan Kirsten is a German national and took his master degree in Business Economics and Informatics, from 1981 to 1986, at the FernUniversität Hagen and Georg-August-Universität Göttingen. In 1991, he has taken his Doctorate Degree followed later by the Stanford Executive Program with the Graduate School of Business of Stanford University in California. Since 1995 he has been teaching at different universities in Germany and abroad. Dr. Kirsten has been appointed to a professorship with the Westfaelische University in Gelsenkirchen since 2001. He serves as the Chief Financial Officer of Vonovia SE (former "Deutsche Annington SE") where he has been a member of the Management Board since 1st January 2011. He was Member of the Board of Directors of the Company, from April 2010 to February 2011, and he is currently a Board member at Sociedade Francisco Manuel dos Santos BV. His previous positions were as Chief Executive Officer (CEO) of Majid Al Futtaiim Group LLC, a real estate development company focusing mainly on property, retail and ventures in the Emirates, and Chief Financial Officer (CFO) of Metro AG and ThyssenKrupp AG in Germany. He has been a Non-Executive Director of the Company, since 9th April 2015.

Clara Christina Streit is both a US and German citizen and holds a Master's Degree in Business Administration from the University of St. Gallen, Switzerland. She serves as an Associate Professor at the Lisbon Nova e Católica Universities and independent Non-Executive Director of several European corporations. She began her career as a Consultant at McKinsey & Company where she retired as Senior Partner in 2012, after more than 20 years of experience as an advisor to financial institutions. From 2013 to 2017, she served as Member of the Supervisory Board and as Chair of the Nomination Committee of the Dutch insurance company Delta Lloyd N.V.. She serves as a Director of Bank Vontobel AG, since 2011, where she is also a member of the Nomination and Compensation Committee. Since 2013, she has been a member of the Supervisory Board of the German property company Vonovia SE (former "Deutsche Annington SE"). From May 2015, she has been Member of the Board of Directors and of the Internal Controls & Risks and Corporate Governance, HR & Nomination Committees at Unicredit S.p.A, Milan. In 2017, she was appointed Member of the Supervisory Board, Member of the Risk Committee and the Nomination and Corporate Governance Committee. She has been a Non-Executive Director of the Company, since 9th April 2015.

Francisco Seixas da Costa 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. Since 2014, he is a professor in Universidade Autónoma de Lisboa. In April 2016, he was appointed Director and member of the Nominations and Remunerations Committee of EDP Renováveis and, on 2017 he was appointed Member of the Independent General Council of RTP – Rádio e Televisão de Portugal, S.A.. He is a columnist and cooperates with several publications, also being the author of several works on international issues and security. He has been a Non-Executive Director of the Company, since 10th April 2013.

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 a Non-Executive Director of the Company, since 29th June 2001.

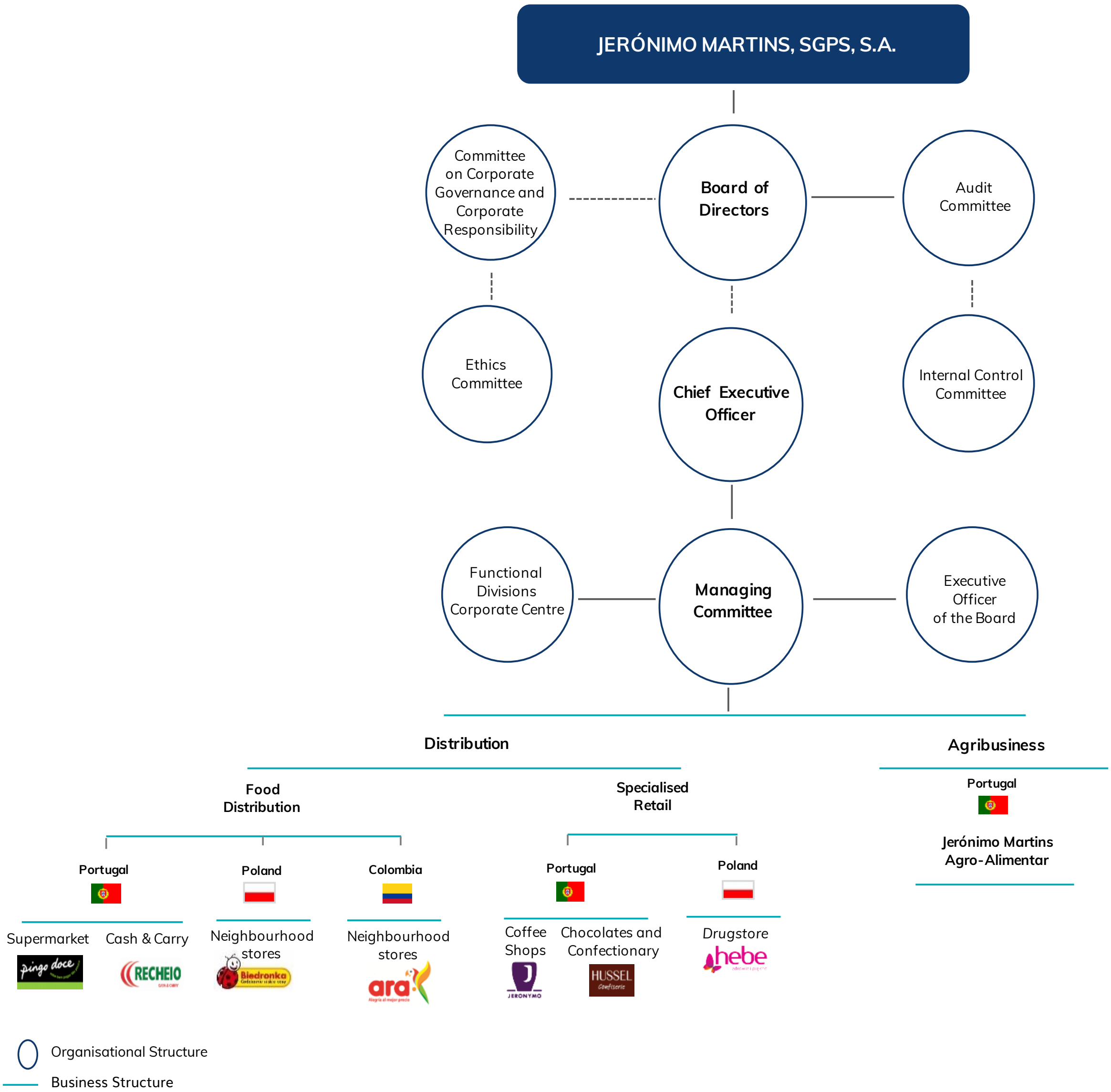
Henrique Soares dos Santos holds a Degree in Management by Instituto Superior de Gestão and is an Alumni of INSEAD. He began his career in 1993 as Management Accountant Trainee at Fima - Produtos Alimentares S.A., and one year later was Assistant of the Management Accounting Director. He served as Budget Controller of Jerónimo Martins, SGPS, S.A., between 1996 and 1997, the year he started serving as Treasury Manager of Eurocash Sp z.o.o in Poland, until 1998. The following year he was appointed Financial Controller of Jerónimo Martins Retail Activity Polska Sp z.o.o. In 2001, he served as Deputy Group Controller and in, the same year he was appointed Chief of Staff to the Chairman of the Board of Directors, a position he held until 2002. He last served as both Company Secretary and Chief Information Security Officer of Jerónimo Martins, SGPS, S.A. He was Member of the Board of Directors of Waterventures – Consultoria, Projectos e Investimentos, S.A.. He is a Member of the Board of Directors of Jerónimo Martins - Serviços, S.A., of Arica Holding B.V., of Sindcom – Investimentos, Participações e Gestão, S.A., as well as of Nesfia - Sociedade Imobiliária, S.A. and Sociedade Francisco Manuel dos Santos, II, S.A.. He has been a Non-Executive Director of the Company, since 9th April 2015.

Sérgio Tavares Rebelo has a degree in Economics 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 Economics 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, and was appointed Non-Executive Director of Integrated DNA Technologies, as from September 2015. He has been a Non-Executive Director of the Company, since 10th April 2013.

20. Customary and Meaningful Family, Professional or Business Relationships of Members of the Board of Directors, with Shareholders That are Assigned Qualifying Holdings That are Greater Than 2% of the Voting Rights

Member of the Board of Directors	Type of Relationship	Shareholder with Qualifying Holding
Artur Stefan Kirsten	Director	Sociedade Francisco Manuel dos Santos, B.V.

21. Organisational Charts Concerning the Allocation of Powers Between the Various Corporate Boards, Committees and/or Departments Within the Company, Including Information on Delegating Powers, Particularly as Regards the Delegation of the Company's Daily Management



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.

Delegation of Powers and Coordination of Non-Executive Directors

The Board of Directors, by resolution, delegated various duties regarding the day-to-day management of the Company in one Chief Executive Officer who, in the terms of such delegation, is entitled:

a. to manage all corporate businesses and perform all operations relating to its corporate objectives, included in the scope of its current role, as holding company;
b. to represent the Company, in court or otherwise, to propose and answer to any lawsuits or engage in any arbitrations, for which purpose it may designate proxies, as well as compromise in, confess or withdraw from any such lawsuits or arbitrations;
c. to decide on loans or other financial operations to be contracted from the financial market at home or abroad, as well as on the issuance of debt securities within the powers of the Board of Directors and to accept the supervision of the lending entities, all these up to the amount of 50,000,000 (fifty million) euros and in full compliance with that prescribed in the Articles of Association of the Company;
d. to decide on the provision of technical and financial support, including through the granting of loans by the Company to companies whose stakes or shares the former holds in total or in part;
e. to decide on the sale/transfer or lease (as lessor) any movable or immovable assets, including shares, units, quotas and bonds, and in general to decide on any divestments up to the amount of 50,000,000 (fifty million) euros or, independently of such threshold, whenever such divestment is set out in the Medium or Long Term Plans, as defined below, approved by the Board of Directors;
f. to decide on the acquisition or lease (as lessee) of any movable or immovable assets, including shares, units, quotas and bonds, and in general to decide on any investments up to the amount of 50,000,000 (fifty million) euros or, independently of such threshold, whenever such investment is set out in the Medium and Long Term Plans, as defined below, approved by the Board of Directors;
g. to appoint the individuals to be proposed to the General Shareholders' Meeting 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 approve policies and rules transverse to the Companies of the Group, such as procedure manuals, regulations and service instructions, *maxime*, those concerning (i) Human Resources, (ii) Operational Control, (iii) Food Safety and Quality Control, and (iv) Reporting and Investments;
i. 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;
j. to approve the organic structure for the Group's companies;
k. to decide on the instructions to be given by the Company to the management of its subsidiary Companies with respect to those matters referred to herein, pursuant to and in compliance with the applicable laws.

For the purpose of the delegation of powers, it is considered as being foreseen in the Medium and Long-Term Plans (which are considered to be the activity and investment plans and financial projections on a three-year term), the acquisitions, sales, investments or divestments, the amount of which does not exceed by more than 10% each heading contained in those Plans.
In 2017, the Managing Committee remained in office as the consultative body which, as referred in point 29, 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.

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) CCC 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, having implemented mechanisms that ensure such supervision.

To this end, 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 2017 was provided in full and in a timely manner by the Chief Executive Officer.

Additionally, considering that the Chief Executive Officer is, simultaneously, Chairman of the Board of Directors, it was approved by decision of the said Board, a Mechanism for Coordinating the Activities of Non-Executive Directors, complying with recommendation II.1.10 of CMVM's Recommendations 2013.

Such Mechanism foresees that the members of the Board of Directors who are not part of an Executive Committee or are not Executive Directors are responsible, pursuant to the terms of Article 407, paragraph 8 CCC, for monitoring the activity of the Executive Committee or the Executive Directors, as the case may be, as well as for the damages caused by their acts or omissions when, having knowledge of such acts or the intent to commit them, they do not seek the intervention of the Board of Directors to take the necessary measures.

The monitoring and supervising activity is also carried out by Non-Executive Directors through their participation in Specialized Committees and working groups set up by the Company, as well as in the corporate bodies of subsidiary companies.

Still on the terms of such Mechanism, the Executive Directors or the Chairman of the Executive Committee, as applicable, as well as Directors charged with a special duty, pursuant to the terms of Article 407, paragraphs 1 and 2 CCC, shall:

(a) whenever necessary disclose to Non-Executive Directors all the relevant information regarding the performance of the delegated powers or the special duty conferred upon them;
(b) answer, within a reasonable deadline, to any information request presented by any Non-Executive Director, within their respective functions, and such information shall also be made available to the remainder members of the Board of Directors.

It is foreseen in the said Mechanism that Non-Executive Directors may also meet in *ad hoc* meetings, convened at the request of any two of them by the Company´s Secretary (who shall inform the Chairman of the Board of Directors about the summons), pursuant to the terms foreseen in the Board of Directors Regulations.

In order to allow for an independent and informed participation of Non-Executive Directors in the meetings of the Board of Directors or in the meetings of the Specialised Committees and working groups set up by the Company as well as in the corporate bodies of subsidiary companies they integrate, the Mechanism foresees that the Company's Secretary shall make available to them the definitive agenda of the meeting and respective preliminary documentation, pursuant to the terms and within the deadlines foreseen in the Board of Directors Regulation.

The Company's Secretary shall also ensure, according to the Mechanism implemented, the delivery to the Directors, who so request, of a copy of the minutes of the meetings of the Managing Committee as well as a copy of any other minutes of the meetings of Corporate Bodies or Specialised Committees within the Board of Directors. Moreover, the Company's Secretary shall, within its duties, provide Directors with all information regarding the resolutions of the Board of Directors or Executive Committee or the decisions of the Executive Directors.

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. Specialised Retail and iii. Agro Business, being its major focus on the first one. The Distribution segment – Food and Specialised Retail – is organised into Geographical Areas and Operating Areas (under different brands). The Agro Business segment serves, essentially, as a support to Food Distribution, at the present time only in Portugal, guaranteeing the supply and differentiation in relevant categories.

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:

GRUPO JERÓNIMO MARTINS
Functional Divisions of Corporate Support

Environment Fernando Frade	**Logistics and Supply Chain** Eduardo Brito
Legal Affairs Carlos Martins Ferreira	**Marketing and Consumer** André Ribeiro de Faria
Internal Audit Madalena Mena	**Financial Operations** Conceição Carrapeta
Commercial Pedro Leandro	**Quality and Private Brand Development** Carlos Santos
Corporate Communications and Responsibility Sara Miranda	**Operations Quality and Food Safety** Marta Moreira
Financial Control António Pereira	**Human Resources** Marta Maia
Business Development João Nuno Magalhães	**Investor Relations** Cláudia Falcão
International Expansion and Strategy Nuno Abrantes	**Security** João Carreira
Fiscal Affairs Rita Marques	**Information Security** Nuno Galveia
Risk Management Kinga Kurlit	**Information Technology** Benedetto Conversano

Environment – Responsible for defining the strategy, policies and procedures across the geographies where the Jerónimo Martins Group is present, assuring the fulfillment of the commitments taken by the Group and promoting the identification of opportunities to minimize the negative environmental impacts, both direct and indirect, derived from its operations and products, on the value chain.

Based on the environmental risk evaluation, the trends, the available scientific information and the Sustainable Development Objectives set by the United Nations, the Group's environmental strategy has as its priorities: the protection of biodiversity, the correct management of waste and fighting climate change. Specific objectives, programs and goals have been established to manage each of these priorities.

The main commitments and actions implemented in 2017, as well as the results achieved, can be found in Chapter V of the Annual Report.

Legal Affairs – 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 2017, this Division continued to focus 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 projects of international expansion 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 – Assesses the quality and effectiveness of the internal control and risk management systems (both operational and non-operational) that are set by the Board of Directors, ensuring their compliance with the Group's and each business unit's procedures, as well as ensuring 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 referred in point 50.

Commercial – Responsible for defining, coordinating and implementing the strategy, and global common commercial policies, common to the several geographies where the Group operates.

It has as its main mission to lead the coordination and integration of the commercial departments of the several operational companies, in pursuing the following main goals:

- Procurement activities and joint negotiationas with producers and international suppliers of Private Brands, Perishables and *Non-Food*;
- To promote the sharing of know-how and information between the different geographies;
- To encourage and operationalize common innovation associated to private brands;
- To develop global brands in specific categories;
- To potentiate and coordinate all other commercial synergies between companies.

Corporate Communications and Responsibility – Ensures the strategic management of the Jerónimo Martins brand and is responsible for preserving and developing the Group's reputation capital. This mission is pursued by engaging in a continuous dialogue with the several external non-financial stakeholders and by promoting the integration of environmental, social and ethical concerns in day-to-day decisions along the value chain. It acts also as an agent of inter-departmental integration, developing efforts to guarantee the alignment of messages and practices with the Group's values and goals.

In 2017, in the scope of the celebration plan of the 225th anniversary of Jerónimo Martins, the team was responsible for the conception, development and simultaneous launch in the three countries of the rebranding project, including managing the change of all corporate brand's touchpoints, from the website to building signage. Two new books with important contributions to the Group's knowledge about its history were also produced and a digital archive of existing historic documents was set up and organized.

Also in the digital area, and as the manager of the LinkedIn corporate page in partnership with Corporate Human Resources, in 2017 it celebrated the achievement of reaching 100,000 followers in this social network (www.linkedin.com/company/jeronimo-martins).

It also organised the 6th Sustainability Conference, under the theme "The Power of Collective Action", addressed to both its top management and strategic business partners, which was also attended by Government and Non-Government Organisations, as well as other agents in the Food Distribution industry.

Financial Control – Responsible for providing financial information to support decision-making by the Company's Corporate Bodies. It encompasses the areas of Consolidation and Accounting, Financial Planning and Control.
The Consolidation and Accounting area prepares consolidated financial information in order to comply with statutory and legal obligations and supports the Board of Directors by implementing and monitoring the policies and the accounting principles adopted by the Group.

It also supervises the financial reporting of the different Group Companies to ensure that it conforms to the standards, supporting the Companies in the accounting assessment of non-recurrent transactions, as well as 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.

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.

In 2017, it focused its activity on the implementation of several ownership structure restructuring projects, with the aim of achieving organizational simplification and administrative efficiency. It also supported and monitored the performance of the business units, with special focus on the new businesses, and supported the development of the medium and long-term strategic plans of the Group.

Business Development – Responsible for business development projects that are focused on key opportunities and challenges that are closely linked to the business of Group Companies.

Throughout 2017, this Division coordinated Group-wide projects and supported all Group Companies in business development projects and strategic reflections.

International Expansion and Strategy – Responsible for prospecting and analysing opportunities to develop the Group's business portfolio and for leading and participating in projects of a strategic nature related to M&A activities.

With regard to the development of the business portfolio, it holds the responsibility to search for, analyse and evaluate opportunities for the Group to expand and increase its value, focusing its activity on markets and businesses that can support the development of new and relevant business units for the Jerónimo Martins portfolio.

During 2017, it led and supported several strategic projects and continued to develop prospects for expansion in new markets and businesses.

Fiscal Affairs – Provides all of the Group's Companies with assistance in tax matters, ensuring compliance with legislation in force and in the optimisation of the business units' management activities from a tax perspective. It also manages the Group's tax disputes and its relations with external consultants and lawyers, as well as with Tax Authorities.

In 2017, it gave the necessary technical support in all ownership restructuring operations. It monitored the implementation in the Group of the European legislation related with the Base Erosion and Profit Shifting (BEPS). Through the associations, national and international, that represent the sector it ensured the defense of the Group's interests, whether collaborating on the clarification and implementation of new legislation, or in the public debate of legislative projects.

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 of the Company 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 points 52 to 55 of this Report.

Logistics and Supply Chain – It has as main contribution, the participation in the execution of the strategic plans for the development and growth of the diverse businesses in the different geographies.
Its objective is to support and promote the efficiency of the Group's business models, in all dimensions of the respective supply chain.

Having the above as a starting point, this Division defined as a mission:

- To promote and foster good practices, and increase synergies among teams from different geographies;
- To plan and define with the Companies, the models of the supply chain that best adapt to the evolution of each market;
- To contribute to the evolution of supply models of suppliers, so that this translates into improvements in scale, and productivity gains in the value chain;
- To design and remodel the physical infrastructure, modern and technologically advanced, with distribution centers of reference in the industry and that in these platforms, it provides a service of excellence to the stores.

Marketing and Consumer Office - Office responsible for Marketing's strategic vision according to a consumer centric perspective with special focus on the Digital area.

It is this area's priority to understand thoroughly the clients so that the same are provided with an always improving experience in each of the Group's brands. For this are used tools and methodologies in Data and Consumer Insights that enable the establishment of a relevant interaction and a better experience in all contact points.

In 2017, this Office produced a strategic vision for Digital in the Group, prioritising key activities. Additionally it supported the Companies in several Marketing, Communication and Digital activities.

Financial Operations – This Division includes Financial Risk Management, as well as Insurance and Treasury Management. The activity of the first area is discussed in detail in points 52 to 55.

Treasury Management is responsible for managing relations with the financial institutions that already undertake, or have the potential to undertake business with Jerónimo Martins, ensuring that these entities fulfil the defined criteria, and also ensuring that the best possible conditions are always achieved. It also executes treasury planning with the aim of negotiating and implementing, for all the Group's Companies, the most suitable financial sources according to its cash flow generation profile, or to get the highest return with the lowest risk from the excess cash of the Group.

A large part of the treasury activities of Jerónimo Martins is centralized in the Holding Company, which is a structure that provides services to all other Companies of the Group. The negotiation and management of the insurance policies of the Group are also negotiated and managed in this division, where the responsibility for the relation with the insurance brockers and insurance companies that do business with the Group.

In compliance with the above-described activities, during 2017, new debt was issued to finance new investments but also to refinance debt maturing.

Quality and Private Brand Development – Responsible for defining, planning, implementing and controlling the policies, procedures, methodologies and rules in the various countries where Jerónimo Martins operates, ensuring the use of the best and most up-to-date practices in this area.

In 2017, the main activities carried out focused on:

- carrying out the defined product and supplier control activities;
- continuous improvement of Private Brand products by reformulating existing products – where we can highlight the effort to replace or remove palm oil in some products in order to improve the nutritional profile;
- increasing anti-fraud and GMO (Genetically Modified Organisms) ingredients controls;
- maintaining the certifications in Quality and Food Safety;
- rolling-out of the QMS (Quality Management System) IT tool for all geographies;
- conclusion and review of the Corporate Guidelines for Private Brand – Perishables, Food and Non-Food Products.

Operations Quality and Food Safety - Responsible in the three geographies for ensuring quality and food safety in all products and processes, along the supply chain, in all its steps: producers and suppliers, goods reception and storage, stores, kitchens and fresh dough factory.
For that, it defines, plans, implements and controls policies, standards and requirements, for products and processes, promoting alignment of local structures and sharing of best practices, always seeking continuous improvement of products Quality and Food Safety and customer satisfaction.

Human Resources – Founded on the culture and values of Jerónimo Martins, this Corporate area is responsible for defining and implementing the strategy and global policies of Human Resources with regard to the main pillars of Human Resource Management - Recruitment, Training, Development, Compensation and Benefits – promoting its compliance, safeguarding the uniqueness of the different geographical areas in which the Group operates and the individual nature of the different Companies.

The activities that this Functional Division carried out in 2017 can be found in detail in Chapter V, Section 8 - Being a Benchmark Employer - of the Annual Report.

Investor Relations – Responsible for the communication with investors – whether current shareholders or not, institutional and private, national and foreign - as well as with the analysts who formulate opinions and recommendations regarding Jerónimo Martins' share price. It is also the responsibility of this Division to co-ordinate all matters related to the Portuguese financial markets regulator (CMVM).

The activities carried out by this Functional Division can be found in detail in points 56 and 58.

Security – Responsible for the implementation of a security strategy to ensure the safety and protection of Jerónimo Martins Group's employees, customers, values and assets. In this context, it defines and coordinates procedures in terms of protecting the security of the Companies'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.

In 2017, in the scope of this Division's activities plan, the security systems assessments of the Group's companies stores were carried out, being evaluated the legal compliance and electronic security risk, in order to optimize the security procedures adopted.

In the second semester of 2017, security assessments of JM Agro-Alimentar'companies facilities were carried out and Security awareness initiatives were also carried out to the Group's stores managers.

Information Security – Responsible for planning, implementing and maintaining an information security and cibersecurity management system in all Group Companies. It is also responsible for preparing the response to security incidents, its management, and to support systems recovery in the event of any disruption to the operations.

Information Security Officers (ISO) in each country, who report to this Division, ensure local compliance with applicable Information Security Policies and Standards and provide assistance to the respective business and support areas.

In 2017, it is highlighted the assessment on the group's security architecture, the information security awareness campaign, security incidents readiness programme and promoting personal data security.

Information Technology – Its mission is to support growth of the business in a sustainable way, by leading change through relevant IT innovation in every Company of the Group.

The Division is responsible for defining and implementing the Global Information Technology Strategy for the Group, for promoting technology-based innovation and for aligning IT systems, policies and processes.

The key priorities for 2017 have been along the direction of:

- growing efficient: to support the organic expansion of the Group and, additionally, to implement a system that allows the export of products; to support the opening of a Distribution Center in Alfena to support the growth of logistical operations and the efficiency of deliveries to the stores; new logistic model in Poland; disaster recovery plan in ARA; infrastructure *upgrades* and automation for recurrent processes based on RPA technologies (robotic process automation);
- digital: creating new capabilities focused on the customer experience from digital signage to selling online, mobile app and MB way in stores. Also in this year a new phase for digital collaboration in the Group has begun at the level of each workstation;
- consumer relevant: focusing on the improvement of our assortment, more consistent and new moments of promotions, special actions directed to a specific geography (for example: Mini Cashier in the POS of ARA).

In addition, major progress was made towards the implementation of more efficient internal processes as is reflected in the Global IT Dashboard.

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 within those countries then further divided into operational areas. In Portugal there are two operational areas: Pingo Doce (Supermarkets and Hypermarkets) and Recheio (Cash & Carry), which encompasses the Food Service division through Caterplus. In Poland there is the operational unit Biedronka (food stores) and in Colombia the unit Ara (food stores).

Within the Group's portfolio there is also a business segment devoted to Specialised Retail, existing in Portugal the operational areas Jeronymo (cafeterias) and Hussel (chocolates and confectionery shops) and in Poland the operational area Hebe (drugstores).

In the last three years, the Group implemented the first investments in the Agro Business area, starting its activity in the areas of dairy products, beef and aquaculture, with a special focus in the protection and differentiation of the supply chain from the operations of Food Distribution.

B. Functioning

22. Availability and Place Where Rules on the Functioning of the Board of Directors May be Viewed

The Regulation of the Board of Directors is available on the Company's website, through the link mentioned in point 61 ("Relevant Addresses").

23. The Number of Meetings Held and the Attendance Report For Each Member of the Board of Directors

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.

During 2017, the Board of Directors met six times. The respective minutes were prepared for all meetings.

The Directors who have not personally attended Board Meetings have appointed another Board Member to represent them, as statutorily provided, with the attendance of each Director to the referred meetings during the exercise of respective duties as follows:

Pedro Soares dos Santos	100%
Andrzej Szlezak	100%
António Viana-Baptista	100%
Artur Stefan Kirsten[1]	67%
Clara Streit[1]	83%
Francisco Seixas da Costa	100%
Hans Eggerstedt	100%
Henrique Soares dos Santos	100%
Sérgio Rebelo	100%

[1] In every meeting not attended, the Director in question issued a representation letter, according to the Company's by-laws.

24. Details of Competent Corporate Boards Undertaking the Performance Appraisal of Executive Directors

The assessment of performance of Executive Directors is made by the Remuneration Committee, elected by the General Shareholders' Meeting (see points 66 et seq.).

The Remuneration Committee is in charge of, in the scope of the Remuneration Policy, assessing the individual and collective performance of Executive Directors, evaluate their influence and impact in Jerónimo Martins' businesses and assessing their alignment with the medium and long-term interests of the Company.

As referred below (see point 27), currently there are no committees composed exclusively by Directors. Notwithstanding such fact, the performance of Executive Directors who are part of mixed committees (i.e. also composed of Non-directors) is evaluated by the Remuneration Committee, in the terms referred above.

25. Predefined Criteria For Assessing Executive Directors' Performance

The predefined criteria for assessing Executive Directors' performance arise from that established in the Remuneration Policy described in point 69.

26. The Availability of Each Member of the Board of Directors and Details of the Positions Held at the Same Time in Other Companies Within and Outside the Group, and Other Relevant Activities Undertaken by Members of This Board Throughout the Financial Year

Throughout the year, the members of the Board of Directors held positions in other companies, namely:

Pedro Soares dos Santos
Director of Jerónimo Martins Serviços, S.A.*
Director of Jeronimo Martins Polska, S.A.*
Director of Jeronimo Martins Drogerie i Farmacja Sp. z o.o.*
Director of Jeronimo Martins Colombia, SAS*
Director of Recheio, SGPS, S.A.*
Director of JMR – Gestão de Empresas de Retalho, SGPS, S.A.*
Director of Jerónimo Martins – Agro-Alimentar, S.A.*
Director of Arica Holding B.V.
President of the Supervisory Board of Warta – Retail & Services Investments B.V.*
President of the Supervisory Board of New World Investments B.V.*

Andrzej Szlezak
Chairman of the Supervisory Board of Agora, S.A.
Member of the Supervisory Board of Warta – Retail & Services Investments B.V.*

António Viana-Baptista
Director of Semapa, SGPS, S.A.
Director of Arica Holding B.V.
Director (Non-Executive) of Abertis Infraestructuras, S.A.

Artur Stefan Kirsten
Member of the Executive Committee and Chief Financial Officer of Vonovia SE
President of the Supervisory Board of Vonovia Finance B.V.
Member of the Supervisory Board of AVW Versicherungsmakler GmbH
Deputy Chairman of the Administrative Board of Conwert Immobilien Invest SE
Director of Movendo Capital, B.V.
Director of Sociedade Francisco Manuel dos Santos, B.V.

Clara Christina Streit
Director (Non-Executive) of Vontobel Holding AG, Vontobel Bank AG (Zurique)
Member of the Supervisory Board of Vonovia SE
Director (Non-Executive) of Unicredit SpA
Member of the Supervisory Board of NN Group N.V.

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 Nova de Lisboa
Chairman of the International Consultive Board of Fundação Calouste Gulbenkian
Member of the Strategic Consultive Committee of Mota-Engil, S.A.
Director (Non-Executive) of EDP Renováveis, S.A.
Member of the Nominations and Remunerations Committee of EDP Renováveis, S.A.
Director (Non-Executive) of Mota-Engil Engenharia e Construções África, S.A.
Member of the Audit Committee of Mota-Engil Engenharia e Construções África, S.A.
Member of the Independent General Council of RTP – Rádio e Televisão de Portugal, S.A.

Hans Eggerstedt

Director of Arica Holding B.V.

Henrique Soares dos Santos

Director of Nesfia – Sociedade Imobiliária, S.A.
Director of Jerónimo Martins - Serviços, S.A.*
Director of Arica Holding B.V.
Director of Sindcom – Investimentos, Participações e Gestão, S.A.
Director of Sociedade Francisco Manuel dos Santos, II, S.A.

Sérgio Tavares Rebelo

Member of the Advisory Council to the Global Markets Institute at Goldman Sachs
Director (Non-Executive) of Integrated DNA Technologies, Inc.
Member of the Supervisory Board of Warta – Retail & Services Investments B.V.*
Member of the Supervisory Board of New World Investments B.V.*

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 mentioned in point 23.

C. Committees within the Board of Directors and Board Delegate

27. Details of the Committees created within the Board of Directors, and the Place Where the Rules on the Functioning Thereof is Available

Currently, there are no committees in the Company composed exclusively by Directors, without prejudice to the Audit Committee to which is made reference to in points 30 to 33, being the Regulation of the Audit Committee available on the Company's website, through the link mentioned in point 61 ("Relevant Addresses").

However, some committees were created in the Company, composed by Directors and by other individuals who are not Directors, analysed in point 29.

* Companies that are part of the Group

28. Details of the Board Delegate

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 Pedro Soares dos Santos.

29. Description of the Powers of Each of The Committees Established and a Summary of Activities Undertaken in Exercising Said Powers

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, Carlos Martins Ferreira, Luís Araújo, Marta Lopes Maia, Nuno Abrantes, Pedro Leandro and Sara Miranda. 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 businesses 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 2017, the Managing Committee held meetings for the exercise of its competences having been drawn up minutes of the meetings, which were sent to the Chairman of the Board of Directors and to the Company's Secretary.

Committee on Corporate Governance and Corporate Responsibility (CCGCR)

CCGCR is made up of a minimum of three and a maximum of nine Members, who are not required to be Directors, appointed by the Board of Directors. One of the members will be the Chairman.

The Board of Directors decided to appoint the current Chairman of the Board of Directors, Pedro Soares dos Santos, as Chairman of CCGCR, with the other Members of the Committee being Andrzej Szlezak, Artur Santos Silva, José Soares dos Santos and Maria de Fátima Barros.

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.

Especially in what concerns company governance, CCGCR has the duty to keep up, review and assess the appropriateness of the Company's model of governance and its consistency with the recommendations, patterns, and national and international best practices on company governance, addressing the Board of Directors the recommendations and proposing any changes, deemed adequate.

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. Currently, it is composed by Susana Correia de Campos Adriana Olarte and Patrícia Farinha. 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.

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 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. The minutes of the meetings held in 2017 for the exercise of its competences were drawn up.

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 for 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. 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, as a general rule, for the exercise of its competences, having been drawn up minutes of such meetings. It is composed of a Chairman (Alan Johnson) and four members (Francisco Martins, Jerónimo David Duarte, Madalena Mena and Henrique Soares dos Santos). None of the members is an Executive Director of the Company.

In 2017, 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
(Audit Committee)

A. Composition

30. Details of the Supervisory Board (Audit Committee) Representing the Model Adopted

The supervisory board of the Company is the Audit Committee, consequence of the anglo-saxon governance model adopted.

In addition to the responsibilities conferred by law, the Audit Committee, in performing its activities, is responsible in 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 Jerónimo Martins is holder of shares or quotas, ensuring full compliance with its objectives;
- approving internal audit activity programmes, 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 it 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, no. 1 of the Portuguese Securities Code –, establishing 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 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.

31. Composition of the Audit Committee, With Details of the Articles of Association's Minimum and Maximum Number of Members, Duration of Term of Office, Number of Effective Members, Date of First Appointment, Date of End of the Term of Office for Each Member. Diversity Policy

According to the Articles of Association, the Audit Committee is comprised of three members of the Board of Directors, one of whom will be its Chairman.

The members of the Audit Committee are appointed by the General Shareholder's Meeting to terms of three years, 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

The composition of the Audit Committee, during 2017, was the following:

Sérgio Tavares Rebelo

- Chairman of the Audit Committee
- First appointment on 10th April 2013
- Expiry of the term of office on 31st December 2018

- **Clara Streit**
- First appointment on 14th April 2016
- Expiry of the term of office on 31st December 2018

- **Hans Eggerstedt**
- First appointment on 30th March 2007
- Expiry of the term of office on 31st December 2018

Diversity Policy

In this regard it is applicable what is stated in point 16.

32. Details of the Members of the Audit Committee, Which are Considered to be Independent Pursuant to Art. 414/5 CSC

Each member of the Audit Committee complies with the rules of incompatibility laid down in paragraph 1 of Article 414-A CCC, except that provided for in sub-paragraph b). Sérgio Tavares Rebelo and Clara Streit comply with the independence criteria foreseen in Article 414, number 5 CCC. See point 18 concerning Hans Eggerstedt.

33. Professional Qualifications of each Member of the Audit Committee and Other Important Curricular Information

The professional qualifications of the members of the Audit Committee are those described in point 19 ("Professional Qualifications of the Members of the Board of Directors").

Additionally, reference should be made to the fact that the vast experience of the members of the Committee in corporate body positions, as well as to their special technical merit in this particular matter, have created particular added value for the Company.

The Chairman of the Audit Committee, Sérgio Tavares Rebelo, is recognised internationally as one of the best economists of today, having distinguished as a professor of International Finance at Kellogg School of Management. He acted as a consultant of several financial institutions, including, *inter alia*, the World Bank, the International Monetary Fund and the Bank of Portugal, as well as having occupied several positions in non-profit organizations. His outstanding academic background and his knowledge on risk management issues, e.g., financial, apart from his assertiveness and discernment in raising issues about the businesses and the countries where they operate, ensure him a special competence for the assignment as Chairman of the supervision body of the Company.

B. Functioning

34. Availability and Place Where the Rules On The Functioning of the Audit Committee May Be Viewed

The Regulation of the Audit Committee is available on the Company's website, through the link mentioned in point 61 ("Relevant Addresses").

35. The Number of Meetings Held and the Attendance Report for Each Member of The Audit Committee

The Audit Committee 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.

During 2017 the Audit Committee met six times, and all meetings were duly minuted.

The attendance of each Director at the meetings during the exercise of the respective duties, measured in terms of personal attendance, was as follows:

Sérgio Rebelo	100%
Clara Streit	100%
Hans Eggerstedt	100%

36. The Availability of Each Member of the Audit Committee, Indicating the Positions Held Simultaneously in Other Companies Inside and Outside the Group, and Other Relevant Activities Undertaken by Members of These Boards Throughout the Financial Year

The members of the Audit Committee have always been available for the Company's affairs during 2017, having participated in the same when it was necessary or when they considered to be necessary.

The positions held by the members of the Audit Committee in other companies are described in point 26 ("Positions that the Members of the Board of Directors Hold in Other Companies").

C. Powers and Duties

37. A Description of the Procedures and Criteria Applicable to the Supervisory Body for The Purposes of Hiring Additional Services From the External Auditor

According to the provisions of Law no. 148/2015, of 9th September, the provision of services other than audit services, is subject to the verification of its adequacy (under the point of view of threats to independence and safeguard measures that eventually may be necessary) and prior approval of the Audit Committee, duly substantiated.

38. Other Duties of the Supervisory Body

The duties of the Audit Committee are described in point 30.

Subsection IV
Statutory Auditor

39. Details of the Statutory Auditor and the Partner That Represents the Same

The Company's Statutory Auditor is Ernst & Young Audit & Associados, SROC, S.A. (Chartered Accountant) No. 178, registered at the CMVM (Portuguese Securities Market Commission) under no. 20161480, represented by João Carlos Miguel Alves, ROC no. 896 or by Rui Abel Serra Martins, ROC no. 1119.

The former Company's Statutory Auditor, PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda., ROC (Chartered Accountant) No. 183 registered at the CMVM (Portuguese Securities Market Commission) under no. 20161485 represented by João Rui Fernandes Ramos, ROC no. 1333 or by António Joaquim Brochado Correia, ROC no. 1076, remained in office until 6th April 2017.

40. Statement on the Number of Years that the Statutory Auditor Consecutively Carries Out Duties With the Company and/or Group

The Company's Statutory Auditor has carried out its duties with the Company since 6th April 2017.

The former Company's Statutory Auditor, PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda., carried out duties with the Company for 29 years. In calculating the said number of years it was taken into account the period in which other statutory auditors, members of the PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. network carried out that role in Jerónimo Martins.

41. Description of Other Services that the Statutory Auditor Provides to the Company

The Statutory Auditor also carries out the role of the Company's External Auditor, as mentioned in point 42. In point 46 reference is made to other services carried out by the Statutory Auditor for the Company.

Subsection V
External Auditor

42. Details of the External Auditor Appointed in Accordance With Art. 8 PSC and the Partner That Represents the Same in Carrying out These Duties, and the Respective Registration Number at the CMVM

The External Auditor is Ernst & Young Audit & Associados, SROC, S.A. (Chartered Accountant No. 178), registered at the CMVM (Portuguese Securities Market Commission) under no. 20161480, represented by João Carlos Miguel Alves, ROC no. 896, or by Rui Abel Serra Martins, ROC no. 1119.

During 2017, 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 for that purpose.

The former Company's Statutory Auditor, PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. registered at the CMVM (Portuguese Securities Market Commission) under no. 20161485, represented by João Rui Fernandes Ramos, ROC no. 1333 or by António Joaquim Brochado Correia, ROC no. 1076, remained in office until 6th April 2017.

43. Statement on the Number of Years that the External Auditor and Respective Partner that Represents the Same in Carrying out These Duties Consecutively Carries Out Duties With the Company and/or Group

Ernst & Young Audit & Associados, SROC, S.A., as well as the partner that represents the External Auditor has been carrying out that role for the Company since 6th April 2017.

The former Company's External Auditor, PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda., carried out duties with the Company for 29 years. In calculating the said number of years it was taken into account the period in which other statutory auditors, members of the PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. network carried out that role in Jerónimo Martins.

44. Rotation Policy and Schedule of the External Auditor and the Respective Partner That Represents Said Auditor in Carrying Out Such Duties

The Company did not set any specific policy regarding the rotation of the External Auditor and of the Statutory Auditor. It follows, however, the new Legal Regime of Portuguese Statutory Auditors, approved by Law nr. 140/2015, of 7th September, which establishes in its article 54, no. 2, that the maximum period for carrying out the duties as partner responsible for the Statutory Audit is seven years, and the company of statutory auditors may be appointed as Statutory Auditor and External Auditor for the maximum period of two mandates of 4 years, or three mandates of 3 years.

45. Details of the Board Responsible for Assessing the External Auditor and the Regular Intervals When Said Assessment is Carried Out

The Audit Committee is the responsible body for evaluating the performance of the External Auditor, which is performed annually.

46. Details of Services, Other Than Auditing, carried out by the External Auditor for the Company and/or Companies in a Control Relationship and an Indication of the Internal Procedures for Approving the Recruitment of Such Services and a Statement on the Reasons for Said Recruitment

From the non-audit services requested by Group's Companies to the External Auditor and other entities belonging to the same network:

- until 6th April 2017, PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. provided services totalling 7,500 euros, concerning certification of the carbon footprint calculation, and access to a tax database;

- from 6th April 2017 on, Ernst & Young Audit & Associados, SROC, S.A. provided services totalling 39,150 euros, concerning audit reliability services under applicable laws in the countries where the Group operates, support services in the field of human resources and other services consisting in training rendered to employees in programs not specifically prepared for the Group.

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 in the performance of its role.

As a result of the procedure mentioned in point 37, all services to which is made reference above were subject to prior approval of the Audit Committee, duly substantiated.

47. Details of the Annual Remuneration Paid by the Company and/or Legal Entities in a Control or Group Relationship to the Auditor and Other Natural or Legal Persons Pertaining to the Same Network and Percentage Breakdown Relating to the Following Services

In 2017, the total remuneration paid to the External Auditor and other individuals or companies' belonging to the same network was the following:

To PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda., the total amount of 7,500 euros was paid for services rendered until 6th April 2017.

In percentage terms, the amount referred to is divided, in the said period, as follows*:

	Amount	%
By the Company		
Amount for statutory auditing services (€)	-	-
Amount for audit reliability services (€)	-	-
Amount for tax consulting services (€)	-	-
Amount for other non-statutory auditing services (€)	7,500	100.0%
By entities comprising the Group		
Amount for statutory auditing services (€)	-	-
Amount for audit reliability services (€)	-	-
Amount for tax consulting services (€)	-	-
Amount for other non-statutory auditing services (€)	-	-

*It is clarified that in this chart only the amounts effectively paid on 2017 were considered. The amounts due for other services rendered by PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. until 6th April 2017 for, e.g., statutory auditing services, were paid in advance, on 2016, and considered in the amounts disclosed in that year.

To Ernst & Young Audit & Associados, SROC, S.A. was paid the amount of 785,147 euros, for services rendered as from 6th April 2017.

In percentage terms, the amount referred to is divided as follows:

	Amount	%
By the Company		
Amount for statutory auditing services (€)	86,650	11.0%
Amount for audit reliability services (€)	-	-
Amount for tax consulting services (€)	-	-
Amount for other non-statutory auditing services (€)	15,500	2.0%
By entities comprising the Group		
Amount for statutory auditing services (€)	659,346	84.0%
Amount for audit reliability services (€)	2,700	0.3%
Amount for tax consulting services (€)	-	-
Amount for other non-statutory auditing services (€)	20,951	2.7%

Section C
INTERNAL ORGANISATION

Subsection I
Articles of Association

48. The Rules Governing Amendment to the Articles of Association (Art. 245-A/1/h) PSC)

The Articles of Association do not define any rules applicable to the amendment of the Company's Articles of Association, therefore the terms defined by the Law apply to these matters.

Subsection II
Reporting of Irregularities

49. Reporting Means and Policy on the Reporting of Irregularities in the Company

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 Conduct.

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 informed all the Group employees of the available means to, if necessary, 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

50. Individuals, Boards or Committees Responsible for the Internal Audit and/or Implementation of the Internal Control Systems

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 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 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 the recommendations agreed with the audited areas managers.

During 2017, there were audits performed over stock management, cash collection, management of accounts payable and receivable, supplementary income, quality assurance and food safety, investments, and information systems, among others.

51. Details of Hierarchical and/or Functional Dependency in Relation to Other Boards or Committees of the Company

The head of the Internal Audit Department reports hierarchally to the Chairman of the Board and CEO and, functionally, to the Audit Committee. The head of Internal Audit is also a member of the Internal Control Committee, which in turn reports to the Audit Committee.

See organisational structure in point 21.

52. Other Functional Areas Responsible for Risk Control

a) 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.

The approach to Risk Management is detailed in the Group's Risk Management Policy, which sets out the Group's Enterprise Risk Management System and outlines the roles and responsibilities of the persons responsible for its execution.

a.1) Risk Management Objectives

The aim of the Group's Enterprise Risk Management System is not to eliminate risk completely from the Group's activities, but rather to ensure that every effort is made to manage risk appropriately, maximising potential opportunities and minimising the adverse effects of risk.

The Group's Enterprise Risk Management System has the objectives to structure and consistently organise the way the Group identifies and evaluates risks, assuring that they are assessed broadly, considering dependencies and correlations among various risks areas and also promoting alignment of the process across the organization. It establishes procedures for reporting that allow for an adequate monitoring of the risk mitigation and control measures.

Due to the size and geographical dispersion of Jerónimo Martins' activities, successful Risk Management depends on the active participation of all employees, who should assume this as an integral part of their jobs, particularly through the identification, reporting and mitigation of risks associated within their area of 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.

The Group is committed to ensuring all employees are provided with adequate guidance and training on the principles of Risk Management, on the criteria and processes set by the Risk Management Policy and on their responsibilities to manage risks effectively.

a.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 / Compliance Functions: Group and Business Unit Risk Managers) – responsible for the Risk Management analysis and reporting, as well as for suggestions or policies development that improve the efficiency of Risk Management processes. This second line also includes functions such 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 perform their Risk Management and control objectives.

The Risk Management organisational structure considers the following main roles and responsibilities:

- the Board of Directors is responsible for establishing the Risk Management Policy and strategy and for 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 assesses 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 organisation ensuring that Risk Management is embedded in all processes and activities;
- the Risk Committee assists and advises the Managing Committee, as the CEO's assisting body, in assessing and monitoring the mitigating measures for the different types of risk, and ensuring the existence of an effective Risk Management framework, that ensures a level of risk exposure compatible with the objectives and strategies approved by the Board of Directors;
- the Group Risk Management Division (GRM) is responsible for the implementation of the Risk Management framework, coordination of all Risk Management activities and for supporting the Managing Committee and the Risk Committee in the identification of risk exposures that might compromise the Group's strategic and business goals. GRM is also responsible for the coordination and alignment of the practices adopted by the Companies in the Business Continuity Plans (BCP);
- the Business Unit Risk Managers are responsible for the implementation of Risk Management initiatives at the Company level and to support the respective Risk Owners activities;
- the Risk Owners are all employees in charge of the execution and/or control over a given process or activity, within a business unit or a corporate structure, which are responsible for managing the risks involved in those activities;
- the Internal Audit Department focuses its work on the significant risks, as identified by management, and audits the Risk Management processes across the Organisation, providing assurance regarding the effectiveness and efficiency on the Management of Risk and active support in the Risk Management process.

53. Details and Description of the Major Economic, Financial and Legal Risks to which the Company is Exposed in Pursuing Its Business Activity

Strategic Risks

Strategic risk management involves monitoring factors such as social, political and macro-economic trends: the evolution of demographics, consumers' preferences, the life cycles of the businesses, the dynamics of the markets (financial, employment, natural and energy resources), geopolitical situation, the activities of competitors, technological innovation, availability of resources, legal and regulatory changes and social scrutiny of the Group's business activities.

The management team uses this information to understand market needs and attemps 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 conditions.

Operating Risks

Derives from the execution of normal business functions, across the value chain, and focuses on risks arising from the processes through which the Group units operate.

The operational risks cover risks related to category management and sourcing, stock management, cash management, logistics and supply chain and the efficiency in the use of resources and assets as well as their safety and security.

Fraud, money laundering and corruption risks are also considered in the risk assessment for the most relevant operational activities. The adequacy and range of the controls and mitigation measures are also reviewed and reconsidered whenever necessary.

Food Quality and Safety

The Group seeks to provide healthier products and food solutions, and it seeks to ensure and enforce product safety measures 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 flow, 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 to assess the efficiency of training and the suitability of the facilities and equipment.

Environmental Risks

Ensuring the efficient management of resources, while promoting environmental preservation, is essential for the sustained growth of the Jerónimo Martins Group's businesses. Considering the size of its Companies, the Group has been conducting studies on the impacts of such activities on ecosystems and on the services and the resources they provide, in the following areas: i. Impacts of the Group's Companies activities on biodiversity and dependency on ecosystem services; ii. Agricultural management practices focused on water and energy consumption, biodiversity and economic management; iii. Risk analysis on fish sold in Group's stores; iv. Analysis of risks and opportunities associated with the impacts of climate change on Group's activities; and v) Mapping of deforestation commodities, their origins and production methods in Private Brand products and Perishables.

As a result of the studies about biodiversity management, priority action areas have been identified, which entail practices such as training, partnerships with suppliers, and research and development.

This is the case of the work that has been developed with suppliers in Portugal which led to the publication of a Sustainable Agriculture Manual and the corporate sustainable fishing strategy that defines specific lines of action according to the identified risk categories[1].

Regarding both climate change risks and those associated with deforestation commodities, the following typologies were identified:

- Regulatory, which can be a result of increased costs of compliance with environmental legislation;
- Physical, which may result in shortage of natural resources, such as agricultural products, or disruption of supply chain activities associated with climatic events;
- Reputational, associated with expectations of the Group's stakeholders to reduce carbon emissions and contribute to tackle deforestation.

The probability of occurrence of these situations and their level of impact, including financial risks, as well as their management, are analysed by the Group as part of its risk assessment procedures. Considering the risks posed by climate change, particularly, the Group discloses its review in the annual response to CDP (Carbon Disclosure Project), for the programs Climate and Forest, which are available at https://www.cdp.net.

Physical Security and People Risks

The Security Department is responsible for ensuring that conditions exist to guarantee the physical security of people and facilities.

Physical security and people risk management involves defining and publicising working standards and instructions, carrying out employee awareness initiatives and training, performing audits on the stores, risk assessment in all establishments and performing emergency simulations.

Information Systems Risks

The risks associated to Information Technologies are analysed considering their different components: planning and organisation, development, innovation, operations management, information security and continuity.

The risk management of Information Security in the Group is the responsibility of an exclusively dedicated Department and consists of implementing and maintaining an Information Security Management System that ensures confidentiality, integrity and availability of critical business information, performing monitoring and control activities in order to identify and mitigate potential vulnerabilities.

Regulation Risks

Compliance with legislation is provided by the Legal Departments of the Group´s Companies. With regard to the Holding Company, the Legal Department guarantees the co-ordination and implementation of strategies aimed at protecting the interests of Jerónimo Martins in legal disputes, and it also manages outside advisers.

Compliance in issues related with Personal Data is followed by the Data Privacy Department, supported by the Legal Departments of the Holding Company, of the Group Companies and the Information Security Department.

In order to ensure the fulfilment of tax obligations, the Group Fiscal Affairs Department advises the Group's Companies, as well as oversees their tax proceedings.

[1] To find out more about the actions carried out by the Group in this area, please refer to subchapters "Protecting the Environment" and "Sourcing Responsibly", respectively, in the "Corporate Responsibility in Value Creation" chapter of the current report.

Financial Risks

Risk Factors

Jerónimo Martins is exposed to several financial risks, namely: price risk; which includes interest and exchange rate risks: transactional risk, which includes credit and liquidity risk; and the risk arising from the Group's investments portfolio, including various risks such as interest rate, credit, foreign exchange, inflation, political and fiscal.

The management of these risks is focused on the unpredictable nature of the financial markets and aims to minimize its adverse effects on the Company's financial performance.

Certain types of exposure are managed using financial derivative instruments.

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

Every quarter, reports on compliance with the Financial Risk Management Policy are presented to and discussed with the Audit Committee.

The information concerning financial risks to which the Group is exposed can be found in note 31 – Financial Risks of Chapter III of the Annual Report and Accounts.

54. Description of the Procedure for Identification, Assessment, Monitoring, Control and Risk Management

The Group's Risk Management framework assumes a continuous process of risk assessment, which is an integral part of the normal decision-making and management processes.

The Risk Management process is aligned with the ISO 31000 international standard recommendations, and seeks mainly to distinguish what is irrelevant from what is material, requiring an active management which involves 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 Group prepares and maintains an overall risk profile that lists all relevant operational and strategic risks, as well as the corresponding implemented mitigation and control mechanisms. The list is updated regularly with information from the on-going risk assessment processes.

A global annual review is made under the coordination of the Group's Risk Management Corporate Division, as part of the strategic and operational planning processes, so that the information related to the most relevant risks is duly updated and considered during the planning process. This process triggers the development of the alternatives under analysis as well as the identification of new activities that strengthen the defense of the directed objectives.

55. Core Details on the Internal Control and Risk Management Systems Implemented in the Company Regarding the Procedure for Reporting Financial Information (Art. 245-A/1/m) PSC)

The Board of Directors is highly committed to assuring the reliability of financial reporting and the preparation of the Group's financial statements. This is done by ensuring 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 detective controls, which involves 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.

Subsection IV
Investor Assistance

56. Department Responsible for Investor Assistance, Composition, Functions, the Information Made Available by Said Department and Contact Details

Composition

The Investor Relations Office of Jerónimo Martins is comprised as follows:

Office Manager: Cláudia Falcão

Team: Ana Maria Marcão, Hugo Fernandes and Raquel Freitas

Main Roles

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 *Comissão do Mercado de Valores Mobiliários* (Portuguese Securities and Exchange Commission).

Communication Policy of Jerónimo Martins for the Capital Markets

Jerónimo Martins' policy for communicating to the capital markets aims to ensure a regular flow of relevant information - history, current performance and outlook for the future -, 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.

The financial communication strategy outlined for each year is based on the principles of transparency, rigour and consistency. This ensures that all relevant information is transmitted in a non-discriminatory, clear and complete manner to stakeholders.

Information Provided

Annually, and based on the above-mentioned principles, the Office draws up a Communication Plan for the Financial Market, which is included in the global communication strategy of Jerónimo Martins.

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 2017, 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 e-mail questions addressed to the Investor Relations Office;
- telephone calls;
- release of announcements to the market through the CMVM (Portuguese Securities and Exchange Commission) extranet, through the Jerónimo Martins and Euronext Lisbon websites, and e-mail messages 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 and Annual General Shareholders' Meeting;
- organisation of visits to the operations in Poland and Colombia, with the management of the respective Companies;
- development and update of the investor relations webpage on the Company's institutional website.

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 https://www.jeronimomartins.com/en/.

The site not only provides, in Portuguese and in English, 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 accounts, including the Annual Report on the activities of the Audit Committee, six-month and quarterly reports of the Group;
- 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, and historical collection;
- information about share performance on the stockmarket;
- 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 about Corporate Governance;
- Code of Conduct of Jerónimo Martins;
- Company Articles of Association;
- current Internal Regulations;
- information regarding the General Shareholders' Meetings;
- minutes of the General Shareholders' Meetings, or respective extracts;
- historical agendas and decisions taken at the General Shareholders' Meetings held over the three previous years.

Contacts

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.com.

The main contact information for the Investor Relations Office is as follows:

Address: Rua Actor António Silva, n.º 7, 1649-033, Lisboa
Telephone: +351 21 752 61 05

57. Market Liaison Officer

The Jerónimo Martins' Market Relations Representative is the Investor Relations Office Manager, Cláudia Falcão.

58. Data on the Extent and Deadline for Replying to the Requests for Information Received Throughout the Year or Pending from Preceding Years

Within the scope of issues addressed to the Investor Relations Office, during the course of 2017, 371 meeting contacts were recorded with investors and financial analysts and 443 requests for information sent via e-mail, or through telephone contact, to which was given an immediate reply to, or were responded to within an appropriate time for the type of request.

Subsection V
Website

59. Address(es)

The Company's institutional website is available in Portuguese and English and can be accessed using the following address:

https://www.jeronimomartins.com/en/

60. Place Where Information on The Firm, Public Company Status, Headquarters and Other Details Referred to in Art. 171 CCC is Available

Information concerning Article 171 CCC is available on the Jerónimo Martins institutional website through the following link:

https://www.jeronimomartins.com/en/contacts/

61. Place Where the Articles of Association and Regulations on the Functioning of the Boards and/or Committees are Available

The Articles of Association and regulations on the functioning of the boards and/or committees are available on the Jerónimo Martins institutional website through the following link:

https://www.jeronimomartins.com/en/investors/governance/articles-of-association-and-regulations/

62. Place Where Information is Available on the Names of the Corporate Boards' Members, the Market Liaison Officer, the Investor Assistance Office or Comparable Structure, Respective Functions and Contact Details

The information in question is available on the Jerónimo Martins institutional website and may be accessed through the following links:

- Names of the Corporate Boards' Members:

Board of Directors:

https://www.jeronimomartins.com/en/investors/governance/corporate-bodies/board-of-directors/

Audit Committee:

https://www.jeronimomartins.com/en/investors/governance/corporate-bodies/audit-committee/

General Meeting

https://www.jeronimomartins.com/en/investors/governance/corporate-bodies/shareholders-meeting/

Statutory Auditor

https://www.jeronimomartins.com/en/investors/governance/corporate-bodies/statutory-auditor-roc/

- Name of the Market Liaison Officer:

https://www.jeronimomartins.com/en/investors/investor-contacts/

- Information concerning the Investor Assistance Office, respective functions and contact details:

https://www.jeronimomartins.com/en/investors/investor-contacts/

63. Place Where the Documents are Available and Relate to Financial Accounts Reporting, Which Should be Accessible For at Least Five Years and the Half-Yearly Calendar on Company Events that is Published at the Beginning of Every Six Months, Including, Inter Alia, General Meetings, Disclosure of Annual, Half-Yearly and, Where Applicable, Quarterly Financial Statements

The place where the documents in question are available is the Jerónimo Martins institutional website through the following links:

- Financial accounts reporting:

https://www.jeronimomartins.com/en/investors/presentations-and-reports/

- Half-yearly calendar on Company events:

https://www.jeronimomartins.com/en/investors/financial-calendar/

64. Place Where the Notice Convening the General Meeting and All the Preparatory and Subsequent Information Related Thereto is Disclosed

The place where the notice convening the General Meeting and all the preparatory and subsequent information related thereto is disclosed is the Jerónimo Martins institutional website through the following link:

https://www.jeronimomartins.com/en/investors/general-meetings/

65. Place Where the Historical Archive on the Resolutions Passed at the Company's General Meetings, Share Capital and Voting Results Relating to the Preceding Three Years are Available

The place where the historical archive on the resolutions passed at the Company's General Meetings, share capital and voting results relating to the preceding years, including the last three, is available is the Jerónimo Martins institutional website through the following link:

https://www.jeronimomartins.com/en/investors/general-meetings/

Jerónimo Martins

Section D
REMUNERATION

Subsection I
Power to Establish

66. Details of the Powers for Establishing the Remuneration of Corporate Boards, Chief Executive and Directors of the Company

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 Committee is elected for a three year term, being the present term comprised between years 2016-2018.

The remuneration of the Company's management is decided by the respective Board.

Subsection II
Remuneration Committee

67. Composition of the Remuneration Committee, Including Details of Individuals or Legal Persons Recruited to Provide Services to Said Committee and a Statement on the Independence of Each Member and Advisor

At the General Shareholders' Meeting held on 14th April 2016 Elizabeth Bastoni (co-opted Chairman), Erik Geilenkirchen and Jorge Ponce de Leão[2] were elected to this Committee, for the term in force.

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.

During 2017, no individual or legal person was hired to support the Remuneration Committee in the performance of its duties.

68. Knowledge and Experience in Remuneration Policy Issues by Members of the Remuneration Committee

The Members of this Committee have extensive knowledge and international experience in management and remuneration policy, which gives them the necessary skills to perform their duties adequately and effectively.

Elizabeth Bastoni holds several degrees from different Universities, having started her career in tax consultancy with specialization in expatriates taxation. She also worked in Thales as VP – Professional Development, Compensation and Benefits, and as Head of HR. She was Head of Global

[2] Jorge Ponce Leão resigned already in January 2018 due to exclusivity obligations deriving from his appointment as executive manager of a State-owned company.

Compensation and Benefits of The Coca-Cola Company, EVP and Chief HR and Communications Officer of Carlson, Chief HR Officer of BMGI (Bill and Melinda Gates Investments), Member of the Board of Directors and Chair of the Compensations Committees of Carlson Wagonlit Travel and of The Rezidor Hotel Group, as well as Member of the Board of Directors of the Human Resources Association WorldatWork. Currently she is a Non-Executive Director and member of the Compensation and Nomination Committee of Société BIC.

Erik Geilenkirchen holds a Masters in Mechanical Engineering. Since 1989 his professional activity has been focused in HR, having worked in Hay Group for nine years, and, afterwards, in Ahold Group as VP Human Resources (Asia/Pacific), SVP (Asia/Pacific) at Group Philips with focus in HR and Chief Human Resources Officer at Cofra Holding. He is the founder of "IntelligentBoardRoom.com".

Jorge Ponce de Leão has a Law degree, having worked in the Labor Law area since the beginning of the 70's as external legal advisor, as well as in-house in some Portuguese companies. He worked as Head of Legal and Tax Services (Jerónimo Martins Group – industrial area), and was appointed Member of the Board of Directors of the Company during the 1990's. He also held management duties in the HR area of Radiotelevisão Portuguesa, was CEO of SAIP SGPS and Chairman of the Board of Directors of ANA – Aeroportos de Portugal.

To better understand the business and the Company's culture and values, the members of the Remuneration Committee had the chance to visit the Operations of the Group in the several countries where it operates. This was deemed important by this Committee to make sure that the remuneration policies and processes of corporate bodies, particularly the one of Directors with executive duties are effectively aligned with the business' strategy and with the rest of the Organization.

Subsection III
Remuneration Structure

69. Description of the Remuneration Policy of the Board of Directors and Supervisory Boards as Set Out in Art. 2 of Law No. 28/2009 of 19 June

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 taking into account the current legal and recomendatory framework, as well as the organisational model adopted by the Board of Directors.

With respect to the organisation 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 Specialised Committees, who are therefore called to devote increased time to Company's affairs.

Considering the said organisational model the Remuneration Committee understands that there are no grounds justifying any major changes in the principles that have been adopted as to the Corporate Bodies Remuneration Policy.

In fixing the remuneration for the Corporate Bodies in 2017, and in order to guarantee that the Company pay levels are adequate and in line with the international market practices, as this is the landscape where the Company operates, the Remuneration Committee relied on benchmark studies[3]. Such studies included not only other companies in the PSI 20, but also other listed European international peers working in the same sector, bearing in mind the said caractheristics of the Company.

The remuneration of Directors with executive duties continues to comprise a fixed and a variable component, that together guarantee a 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, the variable component is fixed by the Remuneration Committee, taking into account the expected contribution of Directors with executive duties 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 Directors with executive duties 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 Directors with executive duties to the conduct of business namely through the achievement of EVA objectives set out in the Medium and Long-Term Plan approved by the Board of Directors and 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 Directors with executive duties responsible for each compliance stage, in the scope of their duties.

The variable remuneration is, as already noted, dependent on predetermined criteria, objectives and targets to be fixed at the start of each year by the Remuneration Committee, which take into consideration the Company's real growth, the wealth created for shareholders and long-term sustainability.

Bearing in mind the contribution of the several countries and business areas where the Group operates to total turnover and consolidated results, the Remuneration Committee considers adequate that the payment of the fixed and variable components of remuneration to Directors with executive duties be split amongst the Company and its subsidiary companies where such Directors are also members of the management body, according with a ratio to be determined by this Committee.

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 Directors with executive duties 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 maximum potential amount, in aggregate and/or individual terms of remuneration to be paid to Members of Corporate Bodies. Furthermore, the Committee considers that the Remuneration Policy of the Company is aligned with the remuneration practices of its counterparts within the PSI20, bearing in mind the characteristics of the Company.

The Company did not enter into any contracts with its Directors which mitigate the risk inherent to the remuneration variability set by the Company, nor is the same aware that any such contracts have been entered into between its Directors and third parties.

[3] Based on publicly available information and on documents published by specialized consultancy firms.

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 Specialised Committees (whether or not exclusively composed of Directors), the Remuneration Committee considered it 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 Directors with non-executive duties 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 to them meeting fees.
As established by the Remuneration Committee in 2010, life and health insurance *fringe benefits* continued for Directors with executive duties.

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, which is described in point 76.

This Remuneration Policy was subject to discussion at the Annual General Shareholders' Meeting held last year.

70. Information on How Remuneration is Structured so as To Enable the Aligning of the Interests of the Members of the Board of Directors With the Company's Long-Term Interests And How It Is Based on the Performance Assessment and How It Discourages Excessive Risk Taking

As results from the Remuneration Policy described in point 69, remuneration is structured in a way that allows alignment between the interests of the Board Members with the long term interests of the Company.

The existence of fixed and variable components of remuneration, the fact that the variable remuneration is fixed depending on the verification of several objective factors, e.g., the real growth of the Company, the wealth created for shareholders, the implementation of projects across the Group's Companies which ensure the future competitiveness of businesses and long-term sustainability, cause that management's evaluation is made taking into attention the interests of the Company and its shareholders not only in the short term, but also in the middle and long-term.

Within the parameters of the remuneration policy in force, and to ensure alignment with market best practices, the Remuneration Committee deemed adequate to review the process of defining targets and assess performance for Directors with executive duties, namely the Chief Executive Officer, having followed-up the progress in both qualitative and quantitative targets on a quarterly basis. It also defined clear and measurable qualitative targets, namely by getting access to ESG (Environmental, Social and Governance) reports.

Based on a rigorous and thorough analysis of multiple sources of evidence both internal and independent, the Remuneration Committee followed closely the progress of several performance indicators, both quantitative (sales growth, net earnings, EVA and gearing) and qualitative (strategic path and resources allocation / investments, organizational health and talent management, and multi-stakeholder relations).

As referred in point 69, the Company did not enter into any contracts with its Directors which intend to mitigate the risk inherent to the variability of remuneration set by the Company.

71. Reference to There being a Variable Remuneration Component and Information on Any Impact of the Performance Appraisal on This Component

The remuneration of Directors with executive duties is comprised of a variable component depending, also, of a performance review depending on the effective delivery of the objectives and targets, measured by the behaviour of the quantitative and qualitative indicators. See points 69 and 70.

72. The Deferred Payment of the Remuneration's Variable Component and Specification of Relevant Deferral Period

There is no deferred payment of the remuneration's variable component. See point 69.

73. The Criteria Whereon the Allocation of Variable Remuneration on Shares is Based, and Also on Maintaining Company Shares That The Executive Directors Have Had Access To, On the Possible Share Contracts, Including Hedging or Risk Transfer Contracts, the Corresponding Limit, and Its Relation to the Total Annual Remuneration Value

The Company does not have any type of plan for attribution of shares to Directors and officers, as defined in no. 3 of Article 248-B PSC.

74. The Criteria Whereon the Allocation of Variable Remuneration on Options is Based and details of the Deferral Period and the Exercise Price

The Company does not have any plan for the attribution of share purchase options to Directors and officers, as defined in no. 3 of Article 248-B PSC.

75. The Key Factors and Grounds for Any Annual Bonus Scheme and Any Additional Non-Financial Benefits

See points 69 to 71. Directors with executive duties receive also life and health insurance *fringe benefits*.

76. Key Characteristics of the Supplementary Pensions or Early Retirement Schemes For Directors and Statement on the Date When Said Schemes Were approved at the General Meeting, on an Individual Basis

At the 2005 Annual General Meeting, a Retirement Pension Plan for Executive Directors was approved.

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. In the specific case of Executive Directors in office at the time of the 2005 General Meeting, those who opted for the current Pension Plan would 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 recognised as such by the Portuguese Social Security.

The pensionable salary is the gross monthly salary paid by the Company and any of its direct or indirect subsidiary companies, 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 from said Company and subsidiary companies.

Additionally, concerning Directors who were in office at the date of the said 2005 General Meeting, the complementary pension or retirement system regime applies, and under the terms of the respective Regulation, 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. This supplement was established in the 1996 Annual General Shareholders' Meeting and only those Directors that have not opted for the Retirement Pension Plan mentioned above may benefit from this supplement.

Subsection IV
Remuneration Disclosure

77. Details on the Amount Relating to the Annual Remuneration Paid as a Whole and Individually to Members of the Company's Board of Directors, Including Fixed and Variable Remuneration and as Regards the Latter, Reference to the Different Components That Give Rise to Same

The gross remuneration of the Members of the Board in 2017 totaled 1,567,750.00 euros, corresponding 890,500.00 euros to fixed remuneration, 378,000.00 euros to variable remuneration and 299,250.00 euros contributions to retirement pension plan.

In the chart below reference is made to the gross remuneration paid individually to the Members of the Board of Directors:

Director	Remuneration Paid (euros)		
	Fixed Component	Variable Component *	Retirement Pension Plan
Pedro Soares dos Santos	220,500.00	378,000.00	299,250.00
Andrzej Szlezak	80,000.00	-	-
António Viana-Baptista	80,000.00	-	-
Artur Stefan Kirsten	80,000.00	-	-
Clara Christina Streit	80,000.00	-	-
Francisco Seixas da Costa	80,000.00	-	-
Hans Eggerstedt	80,000.00	-	-
Henrique Soares dos Santos	80,000.00	-	-
Sérgio Tavares Rebelo	110,000.00	-	-

* Annual variable remuneration fixed and paid in 2017, following the performance assessment for the year 2016.

78. Any Amounts paid, For Any Reason Whatsoever, By Other Companies in a Control or Group Relationship, or are Subject to a Common Control

Additionally to the amounts referred to in point 77, amounts were paid by other companies in a control or group relationship or subject to a common control to Directors during 2017 totalling 1.251,500.00 euros, being the gross individual amounts paid detailed in the chart below:

Director	Amounts Paid (euros)	
	Fixed Component	Variable Component *
Pedro Soares dos Santos[1]	409,500.00	702,000.00
Andrzej Szlezak[2]	50,000.00	-
Sérgio Tavares Rebelo[2]	90,000.00	-

* Annual variable remuneration fixed and paid in 2017, following the performance assessment for the year 2016.

[1] For exercise of management duties.

[2] For exercise of functions in Supervisory Board.

79. Remuneration Paid in the Form of Profit-Sharing and/or Bonus Payments and The Reasons For Said Bonuses or Profit Sharing Being Awarded

The Company did not pay to Directors any remuneration in the form of profit-sharing or bonuses (other than the variable remuneration referred in points 77 and 78, set according to the Remuneration Policy described in point 69).

80. Compensation Paid or Owed to Former Executive Directors Concerning Contract Termination During the Financial Year

No payment was made, nor there is any payment obligation whatsoever, in the event of termination of functions during the term of the Board of Directors.

81. Details of the Annual Remuneration Paid, as a Whole and Individually, to the Members of the Company's Supervisory Board for the Purposes of Law No. 28/2009 of 19 June

The gross remuneration paid to the Members of the Audit Committee, in such quality, as a whole was 60,000.00 euros, being the gross individual amounts paid detailed in the chart below:

Audit Committee	Remuneration Paid (euros)	
	Fixed Component	Variable Component
Sérgio Tavares Rebelo (President)	20,000.00	-
Hans Eggerstedt	20,000.00	-
Clara Christina Streit	20,000.00	-

82. Details of the Remuneration in Said Year of the Chairman of the Presiding Board to the General Meeting

The remuneration paid by the Company to the Chairman of the Board of the General Shareholder's Meeting in the year was 7,500.00 euros.

Subsection V
Agreements with Remuneration Implications

83. The Envisaged Contractual Restraints for Compensation Payable for the Unfair Dismissal of Directors and the Relevance Thereof to the Remuneration's Variable Component

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.

84. Reference to the Existence and Description, With Details of the Sums Involved, of Agreements Between the Company and Members of the Board of Directors and Managers, Pursuant to Art. 248-B/3 of the Securities Code That Envisage Compensation in the Event of Resignation or Unfair Dismissal or Termination of Employment Following a Takeover Bid (Art. 245-A/1/l) PSC)

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

85. Details of the Plan and the Number of Persons Included Therein

The Company does not have any plan in force to attribute shares or options to acquire shares.

86. Characteristics of the Plan (Allocation Conditions, Non-Transfer of Share Clauses, Criteria on Share-Pricing and the Exercising Option Price, the Period During Which the Options May be Exercised, the Characteristics of the Shares or Options to be Allocated, the Existence of Incentives to Purchase and/or Exercise Options)

The Company does not have any plan in force to attribute shares or options to acquire shares.

87. Stock Option Plans for the Company Employees and Staff

The Company does not have any plan in force to attribute options to acquire shares.

88. Control Mechanisms for a Possible Employee-Shareholder System Inasmuch as the Voting Rights are not Directly Exercised by Said Employees (Art. 245-A/1/e) PSC)

There is no employee-shareholder system in the Company.

Section E
RELATED PARTY TRANSACTIONS

Subsection I
Control Mechanisms and Procedures

89. Mechanisms Implemented by the Company For the Purpose of Controlling Transactions With Related Parties

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 CCC, 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.

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 for the term 2013-2015, the Board of Directors authorized, since 2013, within the terms of paragraph 2 of Article 397 CCC and following the favourable opinion of the Audit Committee, the maintenance of the contract between the Companies and its subsidiaries and the above-mentioned law firm for the provision of legal services.

Business between the Company and Other Related Parties

The Board of Directors adopted the procedure and criteria approved by the Audit Committee in the scope of business with other related parties. See point 91.

90. Details of Transactions That Were Subject To Control in the Referred Year

In 2017, there were no transactions subject to control.

91. A Description of the Procedures and Criteria Applicable to the Supervisory Body When Same Provides Preliminary Assessment of the Business Deals to be Carried Out Between the Company and the Holders of Qualifying Holdings or Entity-Relationships With the Former, as Envisaged in Art. 20 of the Securities Code

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, no. 1 PSC –, establishing the procedures and criteria necessary to define the level of significant importance.

The Audit Committee approved the procedure and criteria applicable to these situations.

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 three 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

92. Details of the Place Where the Financial Statements Including Information on Business Dealings With Related Parties Are Available, in Accordance With IAS 24

The information concerning business dealings with related parties may be found on note 27 – Related Parties of Chapter III.

PART II – CORPORATE GOVERNANCE ASSESSMENT

1. Details of the Corporate Governance Code Implemented

The Company adopted the Code of Corporate Governance of the CMVM (which is published on the CMVM's website at http://www.cmvm.pt/en/Legislacao/National_legislation/RecCorporate%20Governance/Pages/Corporate-Governance.aspx?pg, having considered that the same ensures an adequate level of protection of its shareholders' interests, and company governance transparency.

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 https://www.jeronimomartins.com/en/ .

2. Analysis of Compliance with the Corporate Governance Code Implemented

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. Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by mail and electronically.	Adopted	Part I, Section B, Sub-section I, point 12
I.2. Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law.	Adopted	Part I, Section B, Sub-section I, point 12
I.3. Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.	Adopted	Part I, Section B, Sub-section I, point 12
I.4. The company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Assembly (5 year intervals), on	Adopted	Part I, Section B, Sub-section I, point 13

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
whether that statutory provision is to be amended or prevails – without super quorum requirements as to the one legally in force – and that in said resolution, all votes issued be counted, without applying said restriction.		
I.5. Measures that require payment or assumption of fees by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members, shall not be adopted.	Adopted	Part I, Section A, Sub-section I, points 4 and 5 and Section B, Sub-section I, point 12
II. SUPERVISION, MANAGEMENT AND OVERSIGHT		
II.1. Supervision and Management		
II.1.1. Within the limits established by law, and except for the small size of the company, the board of directors shall delegate the daily management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.	Adopted	Part I, Section B, Sub-section II, points 21 and 28
II.1.2. The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its responsibilities as regards the following: i) define the strategy and general policies of the company, ii) define business structure of the group iii) decisions considered strategic due to the amount, risk and particular characteristics involved.	Adopted	Part I, Section B, Sub-section II, point 21
II.1.3. The General and Supervisory Board, in addition to its supervisory duties supervision, shall take full responsibility at corporate governance level, whereby through the statutory provision or by equivalent means, shall enshrine the requirement for this body to decide on the strategy and major policies of the company, the definition of the corporate structure of the group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the company.	Not applicable	
II.1.4. Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create the necessary committees in order to: a) Ensure a competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees; b) Reflect on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies, measures to be implemented with a view to their improvement.	Adopted	Part I, Section B, Sub-section II, points 24, 25, 29 and Section D, Sub-section III, point 69
II.1.5. The Board of Directors or the General and Supervisory Board, depending on the applicable model, should set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.	Adopted	Part I, Section C, Sub-section III, points 50, 52 and 54
II.1.6. The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the board.	Adopted	Part I, Section B, Sub-section II, point 18
II.1.7. Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the	Adopted	Part I, Section B, Sub-section II, point 18

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed as per the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to: a. having been an employee at the company or at a company holding a controlling or group relationship within the last three years; b. having, in the past three years, provided services or established commercial relationship with the company or company with which it is in a control or group relationship, either directly or as a partner, board member, manager or director of a legal person; c. being paid by the company or by a company with which it is in a control or group relationship besides the remuneration arising from the exercise of the functions of a board member; d. living with a partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings; e. being a qualifying shareholder or representative of a qualifying shareholder.		
II.1.8. When board members that carry out executive duties are requested by other board members, said shall provide the information requested, in a timely and appropriate manner to the request.	Adopted	Part I, Section B, Sub-section II, point 21
II.1.9. The Chair of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chair of the Board of Directors, the Chair of the Supervisory Board, the Chair of the Audit Committee, the Chair of the General and Supervisory Board and the Chairman of the Financial Matters Board, the convening notices and minutes of the relevant meetings.	Not applicable	
II.1.10. If the Chair of the Board of Directors carries out executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that said can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.	Adopted	Part I, Section B, Sub-section II, point 21
II.2. Supervision		
II.2.1. Depending on the applicable model, the Chair of the Supervisory Board, the Audit Committee or the Financial Matters Committee shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties.	Adopted	Part I, Section B, Sub-section II, point 19 and Subsection III, points 32, 33
II.2.2. The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, *inter alia*, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.	Adopted	Part I, Section B, Sub-section III, point 30
II.2.3. The supervisory board shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal.	Adopted	Part I, Section B, Sub-section III, point 30, and Sub-section V, point 45

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
II.2.4. The supervisory board shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	Adopted	Part I, Section B, Sub-section III, point 30 and Section C, Sub-section III, point 52
II.2.5. The Audit Committee, the General and Supervisory Board and the Supervisory Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services at least when it concerns matters related to accountability, identification or resolution of conflicts of interest and detection of potential improprieties.	Adopted	Part I, Section B, Sub-section II, point 29 and Section C, Sub-section III, point 50
II.3. Remuneration Setting		
II.3.1. All members of the Remuneration Committee or equivalent should be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy.	Adopted	Part I, Section D, Sub-section II, point 67
II.3.2. Any natural or legal person that provides or has provided services in the past three years, to any structure under the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall not be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.	Adopted	Part I, Section D, Sub-section II, point 67
II.3.3. A statement on the remuneration policy of the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall also contain the following: **a)** identification and details of the criteria for determining the remuneration paid to the members of the governing bodies ; **b)** information regarding the maximum potential, in individual terms, and the maximum potential, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances whereby these maximum amounts may be payable; **d)** information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.	Partially Adopted	Part I, Section D, Sub-section III, points 69 and 70 and Part II, point 2.1, sub. a)
II.3.4. Approval of plans for the allotment of shares and/or options to acquire shares or based on share price variation to board members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said plan.	Not applicable	Part I, Section D, Sub-section III, points 73 and 74
II.3.5. Approval of any retirement benefit scheme established for members of corporate members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said system.	Adopted	Part I, Section D, Sub-section III, points 69 and 76
III. REMUNERATION		
III.1. The remuneration of the executive members of the board shall be based on actual performance and shall discourage taking on excessive risk-taking.	Adopted	Part I, Section D, Sub-section III, points 69 and 70
III.2. The remuneration of non-executive board members and the remuneration of the members of the supervisory board shall not include any component whose value	Adopted	Part I, Section B, Sub-section II, points 17 and 18, Section D, Sub-section III, point 69 and Sub-

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
depends on the performance of the company or of its value.		section IV, points77, 78 and 79
III.3. The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and maximum limits should be set for all components.	Not Adopted	Part I, Section D, Sub-section III, point 69 and Part II, point 2.1. sub.s a) and b)
III.4. A significant part of the variable remuneration should be deferred for a period not less than three years, and the right of way payment shall depend on the continued positive performance of the company during that period.	Not Adopted	Part I, Section D, Sub-section III, point 72 and Part II, point 2.1. sub. c)
III.5. Members of the Board of Directors shall not enter into contracts with the company or with third parties which intend to mitigate the risk inherent to remuneration variability set by the company.	Adopted	Part I, Section D, Sub-section III, point 69
III.6. Executive board members shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on the gains of said shares, until the end of their mandate.	Not applicable	Part I, Section D, Sub-section III, points 69, 73 and 74
III.7. When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period not less than three years.	Not applicable	Part I, Section D, Sub-section III, points 69 and 74
III.8. When the removal of board member is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions but is yet due on inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation, beyond that which is legally due, is unenforceable.	Adopted	Part I, Section D, Sub-section III, point 69, and Sub-section V, point 84
IV. AUDITING		
IV.1. The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems of the corporate bodies as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the company.	Adopted	Part I, Section B, Sub-section V, point 42
IV.2. The company or any entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that incorporates the same network, for services other than audit services. If there are reasons for hiring such services - which must be approved by the supervisory board and explained in its Annual Report on Corporate Governance - said should not exceed more than 30% of the total value of services rendered to the company.	Partially Adopted	Part I, Section B, Sub-section III, point 30, Sub-section III, point 37, Sub-section V, point 46, and Part II, point 2.1, sub. d)
IV.3. Companies shall support auditor rotation after two or three terms whether four or three years, respectively. Its continuance beyond this period must be based on a specific opinion of the supervisory board that explicitly considers the conditions of auditor's independence and the benefits and costs of its replacement.	Adopted	Part I, Section B, Sub-section V, point 44

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
V. CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS		
V.1. The company's business with holders of qualifying holdings or entities with which they are in any type of relationship pursuant to article 20 of the Portuguese Securities Code, shall be conducted during normal market conditions.	Adopted	Part I, Section A, Sub-section II, point 10, Section E, Sub-section I, points 89 and 91
V.2. The supervisory or oversight board shall establish procedures and criteria that are required to define the relevant level of significance of business with holders of qualifying holdings - or entities with which they are in any of the relationships described in article 20/1 of the Portuguese Securities Code – thus significant relevant business is dependent upon prior opinion of that body.	Adopted	Part I, Section E, Sub-section I, point 91
VI. INFORMATION		
VI.1. Companies shall provide, via their websites in both the Portuguese and English languages, access to information on their progress as regards the economic, financial and governance state of play.	Adopted	Part I, Section C, Sub-section IV, point 56 and Sub-section V, point 59
VI.2. Companies shall ensure the existence of an investor support and market liaison office, which responds to requests from investors in a timely fashion and a record of the submitted requests and their processing, shall be kept.	Adopted	Part I, Section C, Sub-section IV, points 56 and 58

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) With respect to subparagraph **b** of **recommendation II.3.3.**, 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 is adequate and allows the alignment between the interests of Executive Directors and those of the Company in the long term, being in line with the remuneration practices of similar companies, taking into account the characteristics of the Company.

b) Regarding **recommendation III.3.**: see explanation in the preceding subparagraph.

c) 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.

d) 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 said 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% does not compromise 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.

CORPORATE RESPONSIBILITY IN VALUE CREATION

5

Corporate Responsibility in Value Creation

1. Our Approach

The Jerónimo Martins Group, which has been in business for 225 years, works to create value in a sustained manner, respecting the quality of life of the present and future generations and mitigating, as far as possible, the impact of Group's activities on the ecosystems on which it depends. The Corporate Responsibility strategy comprises five activity pillars, and is common to all the Group Companies, seeking to address the challenges identified by its stakeholders[1] and the Sustainable Development Goals defined by the United Nations[2]:

I - Promoting Good Health through Food

Promoting good health through food is embodied in two action strategies:
i. fostering the quality and diversity of the food products that the Companies sell;
ii. ensuring food safety in its broader sense, including the availability, accessibility and sustainability of the products sold.

II - Respecting the Environment

The Group endeavours to foster the efficient management of resources, linked to environmental preservation, with a view to reducing the environmental impacts generated by its businesses. There are three priority areas of activity: climate change, biodiversity and waste management.

III - Sourcing Responsibly

The Group's Companies monitor the origins and production processes of the products they develop and acquire, seeking to incorporate ethical, social and environmental concerns in its decisions throughout the supply chain. The Group is committed to developing long-lasting commercial relationships, practising fair prices and supporting local production in the countries where it operates.

IV – Supporting Surrounding Communities

The Group is strongly committed to the communities in the countries where it operates, fostering social cohesion and endeavouring to contribute towards breaking cycles of poverty and malnutrition, by supporting projects and causes concerning the more fragile groups in society: children and young people, and underprivileged elderly people.

V – Being a Benchmark Employer

By creating employment, the Group aims to stimulate social and economic development in the markets where it does business. To do so, it promotes balanced wage policies and a stimulating and positive work environment, in a firm commitment to its employees, who are also the target of social responsibility policies that are extended to their families.

[1] The 10 main material topics are mentioned in the sub-chapter 2 - "Stakeholder Engagement", also available at www.jeronimomartins.com
[2] Find out about the Group's main activities in the publication "The Power of Collective Action, available at www.jeronimomartins.com and in the corresponding table found at the end of this Chapter.

Jerónimo Martins Group remains in the main ESG Indexes

The Group's performance within the scope of its activity in the Corporate Responsibility pillars has been followed by a wide set of stakeholders, including Environment, Social and Governance (ESG) analysts.

In 2017, the Jerónimo Martins Group remained in the FTSE Russell indices: FTSE4Good Developed Index and FTSE4Good Europe Index, which identify the best companies at managing sustainability risks through commitments and activities in the course of running their businesses.

The Group also maintained its presence in the STOXX Global ESG Leaders, STOXX Global ESG Environmental Leaders, Ethibel Excellence Investment Registers, Ethibel Sustainability Index Excellence Europe, and Euronext Vigeo Eurozone 120 indices.

It also continued to secure its presence in the MSCI ACWI ESG Leaders and MSCI ACWI SRI indices, which represent high-performing companies in social, environmental and governance areas. In 2017, the Group achieved an AA rating, one level below leadership.

These indices identify the companies that best manage the ESG risks and they are used, for example, in structured investment products and as a benchmark. This inclusion is the result of recognition of the Group's commitments, actions and results regarding sustainability and in the long-term development of its businesses.

Business Model and Relation with Sustainable Development

2. Stakeholder Engagement

The Jerónimo Martins Group believes that stakeholder engagement is an important step in identifying and managing material environmental, social and economic aspects, which should, therefore, be included in its activity and communication strategy. To do so, and in order to guarantee continuous improvement, the Group uses different communication channels, aiming to be better aligned with the stakeholders' needs and expectations.

Stakeholders	Interfaces	Communication Channels
Shareholders and Investors	Investor Relations Department.	Corporate website, e-mail, Annual Report, half-yearly corporate magazine, financial releases, meetings, conferences, roadshows, Investor's Day and shareholders' meetings.
Analysts	Investor Relations Department, Communications and Corporate Responsibility Department.	Corporate website, e-mail, Annual Report, half-yearly corporate magazine, financial releases, meetings, conferences and Investor's Day.
Official Bodies, Supervising Entities and Local Councils	Investor Relations Department, Tax Departments, Legal Departments, Communications and Corporate Responsibility Department.	Corporate website, e-mail and post, half-yearly corporate magazine and meetings.
Suppliers, Business Partners and Service Providers	Commercial, Marketing, Quality and Private Brand Development, Food Safety, Environment, Regional Operations, Technical, Expansion, IT Departments and Ethics Committee.	JM Direct Portal, follow-up visits, quality and food safety audits, business meetings, direct contacts and half-yearly corporate magazine.
Employees	Human Resources Departments, Training School, Ethics Committee and Employee Assistance Services.	Employee Assistance Services (telephone line, post and electronic mail), internal magazines, Intranet, operational and management meetings, interpersonal relationships, annual performance appraisal, training sessions and internal climate surveys.
Customers and Consumers	Customer Services, Customer Ombudsman and Ethics Committee.	Toll-free phone lines, e-mail, corporate website and post.
Local Communities	Communications and Corporate Responsibility Department, Stores and Distribution Centres.	Follow-up visits, meetings, protocols and partnerships/ patronage.
Journalists	Communications and Corporate Responsibility Department.	Corporate website, press releases, press conferences, meetings, Annual Report and half-yearly corporate magazine.
NGOs and Associations	Communications and Corporate Responsibility Department.	Follow-up visits, meetings, partnerships/patronage and half-yearly corporate magazine.

At an institutional level and with regard to its Companies, the Jerónimo Martins Group is also part of various national and international organisations and initiatives concerning Corporate Responsibility, which enable it to know the trends in these areas[3].

As a result of its ongoing engagement with its stakeholders, the Group would highlight the following material aspects, in descending order[4]:

[3] For further details on the way we engage with stakeholders and on the organisations the Group is part of, please go to www.jeronimomartins.com, in the "Responsibility" area.
[4] The Group's reporting of its activity in each of these topics can be found throughout this chapter, in the area dedicated to each of the action pillars that embody the commitment to sustainable development and in its Responsibility channel at www.jeronimomartins.com.

1. Food quality and safety;
2. Suppliers Selection based on sustainability criteria;
3. Offer of products from a sustainable origin;
4. Labour conditions;
5. Preference for local suppliers;
6. Engagement and support to employees, their families and surrounding communities;
7. Offer of healthy products;
8. Waste management and recycling;
9. Energy efficiency and water consumption reduction;
10. Suppliers' relationship management.

In order to ensure compliance with the Principles of Corporate Responsibility, and to disclose and reinforce them, the Group also has the Committee on Corporate Governance and Corporate Responsibility, which works closely with the Board of Directors and with the Ethics Committee.[5]

At the end of 2017, LinkedIn, the professional social network, which had around 110 thousand followers, continues to be an important vehicle for disclosing the Group's activity, including the actions carried out within the scope of the five pillars of Corporate Responsibility. Within this context, throughout 2017, 72 posts were released relating to Corporate Responsibility, resulting in over 2.2 million impressions[6].

[5] The responsibilities of each of these Committees are described at www.jeronimomartins.com, in the "Investor" area.
[6] This indicator refers to the number of times each post was displayed to LinkedIn users.

Jerónimo Martins

3. 2017 Highlights

Promoting Good Health through Food

- Private Brand products' reformulations, prevented 718 tonnes of fat, 64 tonnes of saturated fat, 85 tonnes of sugar and 59 tonnes of salt from entering the market;
- in Poland, the GoBio range was launched for consumers that prefer biological products. Also, the first vegan products have been included in Biedronka's assortment;
- in Portugal, 11 new products from the Pura Vida range were launched. This range aims at people with specific dietary requirements and/or preferences, such as products without any added sugar, gluten-free or lactose-free products;
- in Portugal, symbols were adopted in the product packaging to ease consumer's choice such as the "Non- GMO" for products containing ingredients that might have been genetically modified, the calories icon for alcoholic beverages and, also for alcoholic drinks, symbol suggesting not to be consumed by pregnant women.

Respecting the Environment

- In 2017, the Group's carbon footprint (per € 1,000 of sales) reduced by 13.6% compared to 2014, ensuring that its reduction target for the 2015-2017 triennium was met;
- energy and water consumption per one thousand euros of sales registered a reduction of 8.1% and 0.6% compared to 2016, respectively;
- the Group adopted the Consumer Goods Forum Resolution to reduce food waste by half by 2025, with 2016 as the reference year;
- there was a reduction of 7% in the consumption of carrier bags (plastic, paper and reusable plastic), per € 1,000 sales. The sales of trolleys doubled, compared to 2016;
- the rate of waste produced by the Group and sent to recovery increased to 84.7% a rise of 1.6 pp compared to 2016.

Sourcing Responsibly

- In 2017, the acquisition of at least 80% of products from local suppliers was maintained in all the food banners the Group operates;
- the Group achieved the objective of continuing to introduce sustainability certificates (e.g. UTZ, Marine Stewardship Council and Rainforest Alliance, among others) in its Private Brand products and Perishables, having introduced 60 products with such characteristics in 2017;
- in 2017, and based on the species identified in 2015, the Group complied with its guidelines for its sustainable fishing strategy;
- the Jerónimo Martins Group obtained an overall rating of "A-" for palm oil and paper and wood in the CDP Forests 2017, positioning it at "Leadership" level, just a step away from
- reaching the maximum rating (A). The commodities soy and beef obtained a classification of "B", the equivalent of the "Management" level.

Supporting Surrounding Communities

- The value of support offered by the Group was around 21.7 million euros, an increase of 21 % compared to 2016;
- in Portugal, a partnership with Pão a Pão – Associação para a Integração de Refugiados do Médio Oriente (Association for the Integration of Middle East Refugees) was established, aiming at employability and social inclusion of Syrian refugees through the launch of a restaurant. The Group's support is given in food items in an annual value of 18 thousand euros.
- also in Portugal, the "Semear" (Seed) project, that creates work opportunities for people with intellectual difficulties, has seen its first results through the sale of 17 tonnes of vegetables at Pingo Doce stores;

- 437 Biedronka stores and 12 Distribution Centres donated to Caritas 670 tonnes of surplus food that although suitable for consumption, could not be put up for sale;
- the number of schools involved in the "Śniadanie Daje Moc" (Breakfast Gives You Strength) programme increased by 6.3% to 8,318 compared to the previous academic year, which is the equivalent of more than half of the primary schools in Poland. The programme encompassed 275,758 children, an increase of over 40%;
- in Colombia, Ara continued to support ABACO – Banco de Alimentos de Colombia through the donation of surplus food to vulnerable populations in the several municipalities where its stores are located. Over 116 tonnes of food were offered, estimated to have reached 1,544 families.

Being a Benchmark Employer

- The Group created 7,970 jobs, representing a net growth of 8.3% compared to 2016;
- over 100 million euros in bonuses to its employees were attributed and over 8,700 promotions from stores, Distribution Centres and head offices were registered;
- the investment in support initiatives to employees under the areas of Health, Education and Family Well-Being amounted to 18.7 million euros. In Poland, through the "Możesz Liczyć na Biedronkę" (You Can Count on Biedronka) programme, 5,446 employees in vulnerable situations were given financial support. In Portugal, the "Fundo de Emergência Social" (Social Emergency Fund), counts with the cooperation of social assistants, reached 706 employees.

4. Promoting Good Health through Food

4.1. Introduction

Bearing in mind the millions of customers who visit the Group's stores every day, Jerónimo Martins is seriously committed to defend and promote public health through food. Furthermore, the Group seeks to encourage responsible consumption as a means of also promoting the business sustainability.

These priorities arise from observing society's eating habits over recent years and noting that excessive consumption of sugar, salt and saturated fats, has resulted in an increase in the prevalence of diseases such as obesity, diabetes, osteoporosis and cardiovascular diseases.

For the Group, being an active agent in the change of these eating habits implies not only promoting healthier lifestyles but also a commitment to investing in the development and more democratic access to nutritionally balanced, less processed Private Brand food products, aimed at meeting specific dietary needs, including intolerance to certain ingredients, along with full, intuitive nutritional labelling.

Promoting good health through food is achieved basically using two action strategies, complemented by objectives and action plans, that are common across the countries and sectors where the Group holds operations, in line with the material topic mentioned in 2016 by the more than 4,700 stakeholders that were heard:

i. fostering food quality and diversity; and
ii. ensuring food safety.

4.2. Quality and Diversity

In order to guarantee the high standards of Quality and Food Safety of the products sold by the Group, the guidelines in place in Portugal, Poland and Colombia encompass three fundamental policies:

- Quality and Food Safety Policy – guarantees a system for continuous improvement to the processes for developing and monitoring Private Brand products and Perishables;
- Nutritional Policy – aligned with the World Health Organization's recommendations, it defines six aspects in the development of Private Brands: nutritional profile, ingredients, labelling, portion sizes, continuous improvement and communication;
- Policy on Genetically Modified Organisms – based on the principle that the Private Brand products do not contain ingredients or additives of transgenic origin and that, should that not be the case, the consumers will be informed on the respective label.

In addition, the Guidelines for Developing Private Brand Products reinforce the principles listed in the Nutritional Policy, defining the following:

- restrictions as to the use of colouring, preservatives and other superfluous, synthetic additives;
- maximum accepted quantities of some ingredients in the products, such as salt, sugar and fat;
- nutritional reformulation strategies;
- packaging material allowed for contact with foodstuffs;
- principles of nutritional labelling, including information on health, nutrition and the promotion of healthy lifestyles;
- product monitoring plans, including sensory tests, audits and laboratory controls.

In 2017 a review of the Guidelines was made, focusing more on the nutritional criteria for products eaten predominantly by children, namely regarding the nutrients present in the products.

4.2.1. Launches

In Poland, the Group launched products that have potential health benefits and also those aimed at people with specific dietary requirements, including the following:

- sautéed vegetable mixes seasoned with Mroźna Kraina, in the following varieties: quinoa, wholemeal rice, and sunflower with flax seeds, all of which are foods that are sources of protein and fibre;
- Zlota Rybka frozen cod fillets and Marinero frozen tuna steaks, without added phosphates, which are usually used to preserve fish;
- FruVita Islandic-style yoghurt *(skyr)* in the natural, raspberry, and blueberry and redcurrant varieties, which are fat-free and have a high protein content;
- Pastani pasta made of whole grains such as rye, wheat, buckwheat and spelt, which are sources of fibre and minerals, so important for a balanced diet.

During the year, Jerónimo Martins launched certified products for vegans, i.e. whose composition is free from any meat or other products of animal origin such as eggs, dairy products and honey, thereby contributing, through scale and the banner's outreach, towards more democratic access to them for the entire population. The main launches include Vitanella fruit snacks, a source of fibre without added sugar, low salt content and gluten-free, and also the Pano corn tortilla wrap.

With the same idea of making access more democratic, the GoBio range was launched, aimed at customers who prefer organic products - complying with production methods, among others, which use no phytopharmaceuticals. Natural yoghurt and fresh milk with just 2% fat are the first references in this range, being certified in compliance with the EU requirements.

The Group maintained a partnership with Polskie Stowarzyszenie Osób z Celiakią i na Diecie Bezglutenowej (Polish Association of Celiac Disease Sufferers and a Gluten-Free Diet) to monitor the launch of gluten-free products, which includes the production process, ensuring the absence of cross-contamination, and certification of the final product. 21 gluten-free references reached the market in 2017, where of particular note are the Marinero tinned herring, mackerel and tuna.

Biedronka also launched 7 lactose-free products, including the Symfonia ice creams, also gluten-free, Puszysty Bez Laktozy quark-style cheese and the Mleczna Dolina fresh milk. The latter is noted for being the first Private Brand fresh milk in Poland for people with lactose intolerance.

In 2016, Biedronka was the first distribution chain to launch the Wolno Gotowane (Cooked Slowly) range, which are convenient, pre-cooked products to maintain their nutritional properties practically unaltered, avoiding the use of preservatives and prolonging their shelf life. In 2017, two new duck references were added to the range.

Also regarding Perishables, the Kraina Mięs free-range chicken is produced without using any antibiotics and its feed contains no Genetically Modified Organisms (GMO).

In Portugal, the Group remained focused on launching Pingo Doce products that have health benefits and/or are low-processed, while also investing in more convenient portions for consumers:

- 0% fat free yoghurt with no added sugar, with tropical fruit and with strawberry. Its composition is rich in calcium, phosphorous and Vitamin B2 (Riboflavin), which helps towards normal metabolism;
- Greek-style 0% fat yoghurt, in the natural and lemon/lime varieties. Besides being sources of calcium and having a high protein content, they only have sugar that is naturally present. In the case of the latter, it has 30% less sugar when compared to the average on the market;
- breakfast biscuits in the milk and cereals, chocolate, oats, quinoa and poppy seed and ancestral cereals varieties, whose composition has a cereal content varying from 37% to 76%, all containing high-oleic sunflower oil (which is higher in polyunsaturated fatty acids

than olive oil and has antioxidant properties through Omega-3 and Omega-6 and vitamins E and K) and being sources of iron and fibre. They are sold in 50-gram sachets;
- Chicken nuggets with cheese, made of 68% chicken breast and without any flavour intensifiers. On the package it suggests preparing them in the oven, which helps to make them a healthier eating option;
- Dehydrated apple snacks, with no added sugar and a high fibre content. Each packet is the equivalent of two portions of fruit.

In the Pura Vida range, aimed at people with specific dietary needs and/or preferences, such as products with no added sugar and gluten-free and lactose-free products, 11 new products were launched, bringing the total number of references to 87, such as:
- Rice, Rice and Coconut, Oats and Almond Drinks, with no added sugar and of GMO-free origin. They are sources of calcium and several vitamins. The Rice Drink is also gluten-free;
- Chocolate with Stevia, composed of 70% cocoa and with no added sugar. It is also high in fibre, magnesium, phosphorous and iron;
- Flax Seed Flour, a seed that is important for regulating cholesterol and having a good circulatory system. It is a source of zinc and is also high in fibre, Omega-3, vitamin B1, iron, magnesium and phosphorous;
- Quinoa Seeds, a super-food high in phytonutrients, such as fibre, rich in vitamin B1 and phosphorous.

In the 0% Lactose range, the Group launched Rice Pudding, a traditional Portuguese dessert.

In Colombia, 11 new Ara Exclusive Brand products were put on the market with a view to providing healthier alternatives for the consumers of that country, including:
- Heil granola cereals, in the almond and walnut and the dried red fruit varieties, which are sources of fibre and have antioxidant properties;
- the Chocorila, Honky Tonky and Zokis breakfast cereals eaten by a younger public, which are fortified with up to 12 vitamins and minerals, are low in sugar and calories and are fat-free;
- Heil corn and rice crackers with sea salt, are low in salt, fat-free, sugar-free, gluten-free and low in calories;
- the De La Cuesta milk, in the lactose-free semi-skimmed and the full-fat milk varieties, both UHT, low in fat and calories.

4.2.2. Reformulations

The reformulations strategy focuses on decreasing, replacing or removing ingredients such as salt, sugar and fat from the composition of products, in order to make a positive contribution towards improving public health. With a view to maximising the desired results, when carrying out the strategy, priority is given to reformulating fast-moving products and/or those favoured by children.

In Poland, 47 food products were reformulated, eliminating salt, sugar and fat. In total, 713 tonnes of fat, 81 tonnes of sugar and 48 tonnes of salt were removed.[7]

The salt content was reduced in nine references of packed fish (salmon, herring and mackerel, very popular in the country), by between 3% and 37%, totalling more than 22 tonnes.

The levels of fat were reduced in 21 references of Biedronka's exclusive brands, notably the Swojska Chata traditional filled pies - *pierogi* - pre-cooked and ready to be fried. In the steamed varieties, a Russian recipe filled with mushrooms and cabbage, the fat was reduced by between 10% and 30%, totalling 78 tonnes.

[7]The number of tonnes removed is obtained using the following calculation method: the quantities of these ingredients present in the formula of the references covered, multiplied by the number of units sold in the year.

As far as sugar is concerned, among the 15 references reformulated, three varieties of Gorąca Chwila instant soup are worth reference, with reductions of between 24% and 49%, the equivalent of around three tonnes.

In Portugal, the Group reformulated 41 products, preventing around three tonnes of sugar, more than five tonnes of fat, more than 64 tonnes of saturated fat and 11 tonnes of salt from entering the market.

Within the scope of Pingo Doce's Meal Solutions business unit, it was possible to prevent over six tonnes of sugar from reaching the market.

Total Reformulations

In 2017, the Group prevented the following from entering the market:

- 718 tonnes of fat;
- 64 tonnes of saturated fat;
- 85 tonnes of sugar;
- 59 tonnes of salt.

4.2.3. Promoting Healthier Choices

The Packaging Manuals prescribe disclosing the characteristics and benefits of the Private Brand products on the labelling, complying with technical and legal requirements, namely on the nutritional composition of the products, and presenting full nutritional tables, with values per 100 grams and per portion.

The voluntary adoption of more intuitive nutritional information, on the front of the packages has been a priority for the Group, in order to enable the consumer to make a more informed choice about the products they buy.

In Portugal, the following are highlighted:

- adoption of the "Sem OGM" (No GMO) for products whose ingredients could potentially have been genetically modified;
- adoption of the calorie icon on alcoholic beverages;
- adoption of symbols advising against consumption by pregnant women, also for alcoholic beverages;
- maintenance of the icons for products that are a source of Omega-3, lactose-free, gluten-free, without added sugar and without fat;
- maintenance of the identification of Pingo Doce cold meat products that contain low fat with the symbol "Escolha Saudável" (Healthy Choice), in cooperation with the Portuguese Heart Foundation.

In Poland, the following are worth noting:

- adoption of the indication of fibre in the nutritional table (back of packages);
- adoption of the European symbols for a vegan diet and for organic products, accompanying the launches and certifications of these ranges for consumers with specific dietary needs and/or preferences;
- maintenance of the icons for products that are a source of Omega-3, lactose-free and gluten-free.

For 10 years, Pingo Doce has been following the principles of the Mediterranean Diet as a reference for developing Private Brand products and for the meals from the Meal Solutions business unit, as a differentiating aspect of its communication with the public. Besides the advice in terms of cooking and accompanying the meal with vegetables/fruit expressed on the product packaging, the bi-monthly magazine "Sabe Bem" (Tastes Good), with an average print-run of 150 thousand copies, remained one of the preferential means of communication about this diet, by publishing recipes that also encourage the re-use of food and the fight against food waste.

Besides playing a part in encouraging people to adopt this diet, Pingo Doce's website also publishes a list of lactose-free and gluten-free products, aiming to help consumers in their choice. The list is updated every month by Pingo Doce's nutrition team, in accordance with the analytical control carried out on the Private Brand products.

The year will also be remembered for the launch of the "Junto Fazemos da Mesa um Lugar Melhor" (Together We Make the Table a Better Place) campaign, which aimed to raise awareness about the importance of food for physical and psychological/emotional health, warning about excess weight among children and young people, about dividing tasks between men and women, the challenges imposed on families from the daily pace of life and from the redefinition of family units, the meal table playing a key role.

At Biedronka, the Group invested in promoting the Kraina Wedlin Nature cold meat range, considering that they are clean label products, meaning without additives (such as phosphates, preservatives, artificial colouring), or flavour enhancers (such as mono sodium glutamate).

In 2017, the exclusive campaign Gang Świeżaków, created with the intention of encouraging children to eat fruit and vegetables through a collection of soft toys, was maintained and accompanied by a digital application with interactive, educational games that boost their memory and quicker thinking. Within this context, the Group also developed:

- a back-to-school campaign with Caritas Polska, donating the entire sales of all soft toys that took place on a certain weekend, which was used to support the institution's social projects;
- a book for children, promoting healthy nutritional habits, in partnership with Instytut Żywności i Żywienia (Polish Institute of Food and Nutrition), an institution which carries out studies on consumers' food requirements and promotes actions on the importance of food for the health.

In cooperation with this institute, the Group maintained the "Codziennie Bądź w Formie" (Get in shape every day) campaign, through which it provided a special telephone service to advise consumers to make healthier nutritional choices and to read the product labels.

Biedronka maintained its support to the Zielona Kraina (Green Earth) project, developed in partnership with the supplier, Green Factory, of the Vital Fresh exclusive brand. The objective of this project is to promote healthier eating habits among primary school children. 165 cooking workshops were carried out at 61 schools in seven cities, and had a target audience of over 3,600 students.

Promoting the Mediterranean Diet, encouraging active lifestyles and sharing recipes for people with specific dietary requirements were priorities in Poland, where informative leaflets were created, totalling 2 million copies. In addition, 54 articles were published by various media, describing the nutritional profiles of Biedronka products and their health benefits. Along with these, there were also 40 articles directed at employees, disclosed using internal channels.

4.2.4. Partnerships and Support

With the objective of learning and sharing further knowledge about food, nutrition and health, the Group fosters active dialogue with institutions, publicising products for people with specific dietary needs.

In Portugal, within the scope of the partnership with the DGS (Directorate-General for Health) for sharing healthy recipes, Pingo Doce contributed with 25 recipes on the Mediterranean Diet developed by its nutrition team for the Promoting Healthy Eating National Programme, which can be viewed at www.alimentacaosaudavel.dgs.pt. In addition, the DGS participated in five articles in Pingo Doce's "Sabe Bem" (Tastes Good) magazine.

As a part of APED (Portuguese Association of Distribution Companies), Pingo Doce remained active on the technical committees dedicated to food quality.

The Group also pursued its partnerships with institutions aiming to contribute towards healthy eating, such as:
- the Portuguese Association of Nutritionists, to sponsor the Nutrition and Food Congress;
- the Portuguese Association of Celiac Disease Sufferers, to identify and publicise gluten-free products;
- the Portuguese Heart Foundation, to identify cold meat products low in fat;
- the Partnerstwo dla Zdrowia (Partnership for Health), for the Milk Start and Śniadanie Daje Moc (Breakfast Gives You Power) projects in Poland[8];
- the Polskie Stowarzyszenie Osób z Celiakią i na Diecie Bezglutenowej (Polish Association of Celiac Disease Sufferers and a Gluten-Free Diet), to certify 21 new gluten-free products.

In Colombia, Ara began its participation in the work committees of ICONTEC (Colombian Institute of Technical Standards), to discuss and create quality and food safety standards, applicable to all product categories.

4.3. Quality and Food Safety

Jerónimo Martins continually invests in the certification and monitoring of processes, facilities and equipment in order to ensure safe and high-quality products. To do so, when implementing appropriate procedures and assessing the respective performance indicators, counts not only on Quality and Food Safety technicians but also on external auditors.

Taking into account the risk analysis performed in the three countries where the Group is present, the control processes were updated, with a view to adjusting them to the changes introduced in the product assortment.

4.3.1. Certifications

During 2017, the following certifications were renewed/maintained:
- ISO 22000:2005 certification, regarding Biedronka's warehousing and distribution process in all the 15 Distribution Centres, and product development process in Biedronka's headquarters;
- ISO 9001:2008 certification for the Development of Private Brands, in Portugal, and Post-Launch Product/Supplier Follow-Up;
- 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 a franchised store of Recheio Cash & Carry in the Azores;
- HACCP certification in accordance with the *Codex Alimentarius* of the Caterplus Food Service platforms in Lisbon and Algarve;
- HACCP Certification, concerning Food Safety, based on the *Codex Alimentarius* of the Azambuja, Modivas, Alfena and Algoz Distribution Centres.

In 2017, all the Polish Distribution Centres renewed their certification for handling organic products, according to EC Regulation 834/2007.

[8] For further information about this programme, refer to sub-chapter 7. "Supporting Surrounding Communities".

4.3.2. Audits

To guarantee the high levels of Quality and Food Safety of the products sold by the Group, the processes, facilities and equipment are subject to control audits.

Distribution Poland

The stores in Poland underwent internal audits and the Distribution Centres were audited both internally and externally to check that the facilities, equipment and procedures are appropriate.

Stores and Distribution Centres	Biedronka			Distribution Centres		
	2017	2016	Δ2017/2016	2017	2016	Δ2017/2016
Internal Audits	5,371	4,411	+22%	30	30	-
Follow-up Audits	201	25	+704%	-	-	-
External Audits	-	-	-	31	30	+3%
HACCP Performance*	80%	81%	-1 p.p.	96%	96%	-

* At Biedronka, HACCP implementation is evaluated based on specific requirements, which, in turn, are 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*.

During 2017, analyses were performed on work surfaces, equipment and product handlers, with the objective of controlling microbiological risks, for which external accredited laboratories were used. A total of 269 analyses were carried out, an increase of 56% when compared to 2016.

Distribution Portugal

Audits performed on Pingo Doce and Recheio:

Stores and Distribution Centres	Pingo Doce			Recheio			Distribution Centres		
	2017	2016	Δ 2017/2016	2017	2016	Δ 2017/2016	2017	2016	Δ 2017/2016
Internal Audits	836	1,004	-17%	85	106	-24%	39	25	+56%
Follow-up Audits	1,376	785	+75%	139	107	+30%	76	19	+300%
External Audits	19	16	+19%	55	32	+72%	10	3	+233%
HACCP Performance*	88%	86%	+2 p.p.	87%	82%	+5 p.p.	90%	91%	-1 p.p.

*At Pingo Doce, as well as at Recheio, the implementation of HACCP is evaluated on specific requirements, based on the Codex *Alimentarius* and appropriate for the realities in which the Companies operate.

The follow-up and external audits' increase at Pingo Doce was due to the implementation of a greater monitoring and support strategy in the systematization of the HACCP system in stores, instead of focusing on evaluation audits. As for external audits, most of them arise from official inspections.

With regard to Distribution Centres, the increase when compared to 2016, can be explained by the fact that bi-weekly follow-ups to Warehouses were carried out in order to monitor compliance with best practices.

Using accredited external laboratories, Pingo Doce, Recheio and the respective Distribution Centres also performed 126,215 Quality and Food Safety analyses on work surfaces, handlers of Perishables and on products handled in stores, as well as on the water and air. This figure represents an increase of 5% compared to the previous year.

Distribution Colombia

In Colombia, internal audits were carried out in the Ara stores and in the Distribution Centres by external entities.

Stores and Distribution Centres	Ara			Distribution Centres		
	2017	2016	Δ 2017/2016	2017	2016	Δ 2017/2016
Internal Audits	308	182	+69%	3	2	+50%
Good Hygiene and Quality Practices*	65%	72%	-7 p.p.	91%	95%	-4 p.p.

* The compliance rate refers to the score obtained on Good Practices, in which the criteria aim to guarantee the quality and safety of the products according to the law, evaluating the operation itself and the control system and procedures. The criteria include, among others, hygiene and quality control aspects of the facilities for handling the product, such as temperature, packaging and organic waste management procedures.

The evaluation of the good hygiene and quality practices at the Ara stores decreased due to the implementation of a calibration plan with two external laboratories.

A total of 8,218 analyses were also performed on work surfaces, handlers of perishables, products handled in the stores and on the water. This figure represents a raise of 158% compared to 2016, when 3,185 analyses were performed, something that can be explained by an increase on the number of stores.

4.3.3. Analyses

Regarding Food Safety, besides the internal audits mentioned in the previous point, the Group carries out laboratory analyses on its suppliers of Perishables and Private Brand products and on suppliers in general, which may be referred to in sub-chapter 6. "Sourcing Responsibly", as well as laboratory analyses on Perishables and Private Brand products that are sold by its banners. These are carried out by accredited external laboratories.

Distribution Poland

Number of Analyses/Samples collected	2017	2016	Δ 2017/2016
Private Brand - Food	12,050	12,218	-1%
Private Brand - Non-Food*	878	1,332	-34%
Fruit and Vegetables	751	759	-1%
Meat and Fish	375	1,621	-77%
Bakery	71	39	+82%
Eggs	128	-	-

* A further 33 Private Brand non-food product inspections were carried out.

The difference in the Bakery analyses was a result of the increase in the number of references for this category in 2017. The decrease in the Non-Food Private Brand and Fresh Meat and Fish products can be explained, respectively, by the change to strategic suppliers, whose analytical products performance made it unnecessary to carry out further analyses, and also by the fact that in 2016 a number of Meat analyses were carried out, a process that became unnecessary in 2017. The egg analysis was performed to meet the legal requirements in this country.

Distribution Portugal

Number of Analyses/Samples collected	2017	2016	Δ 2017/2016
Private Brand - Food	15,852*	12,566*	+26%
Private Brand - Non-Food	4,134	3,971	+4%
Fruit and Vegetables	2,937	2,529	+16%
Meat	1,428	1,391	+3%
Fish	1,038	1,050	-1%
Bakery	511	642	-20%
Meal Solutions	1,038	1,456	-29%

* Including routine analyses on the presence of gluten, genetically modified organisms (GMO), lactose and on the denomination of species.

The increase of the Private Brand – Food product analyses is mainly due to the increased frequency of authenticity controls (DNA and GMOs) and allergen research (gluten, milk and lactose).

In the Fruit and Vegetables category, the analyses increase was due to, among others, the introduction of new assessment parameters for the control of pesticide residues, thus complying with the new European Union regulations. The decrease in the Bakery category was due to the discontinuation of specific products, which is why it was not necessary to carry out new nutritional assessments.

The decrease in the number of analyses performed on Meal Solutions products was the result of, among other things, the consolidation of the Pingo Doce kitchen processes and the non-purchase of new equipment, making new validations unnecessary.

Distribution Colombia

In Colombia, 5,023 laboratory analyses were performed on products available in the stores, which represents an increase of 16% compared to 2016.

Number of Analyses/Samples collected	2017	2016	Δ 2017/2016
Private Brand - Food	4,146	3,434*	+21%
Private Brand - Non-Food	817	813*	+1%
Fruit and Vegetables	17	26	-35%
Meat	26	44	-41%
Fish	5	7	-43%
Bakery	12	10	+20%

* 2016 figures were adjusted in accordance with the change of scope from "Number of Analysed Products" to "Number of Analyses"

The Private Brand analyses increase was mainly due to the need to evaluate the new products launched.

4.3.4. Training

Training in Food Hygiene and Safety was given to 17,593 employees in Poland (39,541 hours of training), 10,795 employees in Portugal (54,689 hours) and 3,549 employees in Colombia (17,847 hours).

5. Respecting the Environment

5.1. Introduction

Within a context of increasing pressure on natural resources, the Jerónimo Martins Group is constantly challenged to improve its efficiency and to reduce environmental impacts throughout its Companies' supply chains. The Group's priority areas of activity, as defined in the Environmental Policy[9] in force, are the preservation of biodiversity, the fight against climate change and responsible waste management.

Environmental Audits and Environmental Certification

The Environmental Management System implemented in the Jerónimo Martins Distribution Centres (DC) is based on the ISO 14001:2012 international standard. In Portugal, there continued to be four DC with this certification (Azambuja, Vila do Conde, Algoz and Alfena) out of a total of seven. In Poland, 15 out of the 17 existing DC have the same certification, guaranteeing that more than 70% of the Group's DC are certified according to this standard. It is the Group's objective to increase the number of establishments with this certification to 25 over the next three years. Also in 2017, all the DC in Poland renewed their certification for handling biological products, in accordance with EC Regulation 834/2007.

In addition, the Group conducted internal audits on stores, warehouses and DC to ensure conformity with legal requirements and with internal Environmental Management procedures. In 2017, the Group conducted 299 audits, across Portugal and Poland. Whenever the score obtained in the audits is less than 100%, corrective actions are defined.

5.2. Biodiversity

With considerable expertise in Perishables, the Group is aware that the annual sales volumes of Meat, Fish, Fruit and Vegetables, among others, results in impacts on the ecosystems. The Group therefore recognises the responsibility of knowing, mitigating and reflecting those impacts when defining policies, strategies and operational processes.

To do so, the Group assess the risks related to the different services of the ecosystems using as a basis the Ecosystem Services Review, as proposed by the World Research Institute. Based on this approach, Jerónimo Martins defined 11 priority areas of activity that guide the projects and management practices, which include the following: (i) information management; (ii) training; (iii) partnerships with suppliers; and (iv) research and development.

Among the research projects that the Group developed and supported, it should be highlighted the characterisation of the potential risks associated with the species of fish most sold by its Companies in Portugal and Poland. This analysis, performed by an independent specialised entity, in conjunction with the Group's Environment and Sustainability teams, identified aspects such as the level of stock exploitation, the impacts on ecosystems and surrounding communities, traceability and working conditions, and concluded that none of the species sold were at high risk.

In 2017, the Group assessed the degree of vulnerability of all the species of fish sold in Portugal and in Poland[10]. This analysis was based on the Red List of the International Union for the Conservation of Nature (IUCN Red List of Threatened Species) and resulted in discontinuing the sale of a single species classified as "Critically Endangered", whose production was impossible to secure throughout the entire life cycle using aquaculture. For more detailed information, see the "Responsibility" area at www.jeronimomartins.com.

[9] Available for consultation in the "Responsibility" area at www.jeronimomartins.com.
[10] To find out more about the activities carried out by the Group regarding this matter, see sub-chapter 6 of this chapter. "Sourcing Responsibly".

Concerning agriculture, after carrying out a study on the practices of the Group's suppliers of Fruit and Vegetables in Portugal, a manual was compiled to promote the use of production methods that enhance the protection of biodiversity, among other aspects. In 2017, the methodology of the manual was applied to 40 farms from 25 suppliers, having determined the overall sustainability index for each of them. In 2018, Jerónimo Martins will continue to progressively make this manual available to Fruit and Vegetable suppliers in Portugal, so that they can calculate and share their overall sustainability index, as well as the respective improvement measures, thereby enabling the Group to accompany their progress over time. The objective is for this project to be extended to suppliers in Poland and in Colombia over the coming years.

5.3. Climate Change

The IPCC[11] has warned that the impact on climate change will be felt through an increase in the average global temperature, a rise in the average sea level and the frequency and intensity of extreme weather events. In addition to the effects on the reduction of agricultural productivity, impacts are also expected regarding Operations as a result of droughts, floods and snowstorms. The Paris Agreement, already in force and ratified by two of the three countries where the Group operates, commits the signatory countries to reducing greenhouse gas emissions (GHG), to ensure that the increase in average global temperature does not exceed 2°C.

That is why the Group is focused on implementing measures that promote the reduction of energy consumption and the minimisation of the associated GHG, such as the logistics processes and refrigerant gases for example, as well as measures related to fighting deforestation, namely through commodities related to this risk: palm oil, soy, beef, and paper and wood[12].

5.3.1. Carbon Footprint

In 2017[13], the carbon footprint (scopes 1 and 2) was 1,208,592 tonnes of carbon dioxide equivalent (CO_2e), a reduction of 4.6% compared to 2016, which can be mostly justified, by the significant reduction in the market-based emission factors linked to the consumption of electricity. For the same reason, the specific value reduced from 0.0867 to 0.0743 tonnes of carbon equivalent for every thousand euros of sales.

Carbon Footprint - Indicators	2017	2016	Δ 2017/2016
Overall value (scope 1 & 2) – **t CO_2e**[14]	1,208,592	1,267,496	-4.6%%
Specific value (scope 1 & 2) – **t CO_2e/'000 €**	0.0743	0.0867	-14.3%

Carbon Footprint - Indicators	2017 (t CO_2e)	2016 (t CO_2e)	Δ 2017/2016
Overall Carbon Footprint (scope 1 and 2)[14]			
▪ Distribution Portugal	263,207	339,515	-22.5%
▪ Agribusiness	2,465	2,697	-8.6%
▪ Distribution Poland	911,490	*912,332	-0.1%
▪ Distribution Colombia	31,430	12,952	+142.7%
Carbon Footprint (scope 1 – direct impacts)			
▪ Leakage of refrigeration gases	146,482	157,794	-7.2%
▪ CO_2 usage	18,904	18,007	+5.0%
▪ Fuel consumption	56,074	59,053	-5.0%
▪ Light vehicle fleet	16,451	15,074	+9.1%

[11] IPCC is the acronym for Intergovernmental Panel on Climate Change.
[12] To find out about the Group's initiatives related to commodities linked to the risk of deforestation, see sub-chapter 6 in this chapter. "Sourcing Responsibly".
[13] The Carbon Footprint values for the year 2017 were verified by an external and independent body. The document regarding the certification process can be viewed in the "Responsibility" area at www.jeronimomartins.com.
[14] Scope 2 emissions concern location-based (heating) and market-based (electricity) type emission factors, according to the table "Carbon Footprint – Indicators".

Carbon Footprint (scope 2 – indirect impacts)			
▪ Electricity consumption (location-based)	825,710	779,842	+5.9%
▪ Electricity consumption (market-based)	950,687	995,050	-4.5%
▪ Heating (location-based)	19,994	22,518	-11.2%
Carbon Footprint (scope 3 – other indirect impacts)			
▪ Transport of goods to stores (Distribution)	164,532	155,867	+5.6%
▪ Disposal of waste in landfills	36,912	19,980	+84.7%
▪ Waste Incineration	221	-	N/A
▪ Organic waste composting	120	432	-72.2%
▪ Energy consumption in franchising stores	15,685	16,697	-6.1%
▪ Air travel by employees	1,804	1,970	-8.4%

* Corrected figures as a result of the external audit in 2017 for Carbon Footprint certification.

Notes: Calculation of the carbon footprint of the different activities is made using the three levels of the World Business Council for Sustainable Development (WBCSD) Greenhouse Gases Protocol method: direct, indirect and third party. The values presented take into account emission factors defined by the IPCC – Intergovernmental Panel on Climate Change (for refrigeration gases), by the Portuguese Directorate-General for Energy and Geology, by the Colombian Unidad de Planeación Minero Energética (Unit of Mining and Energy Planning), by the Krajowy Ośrodek Bilansowania i Zarządzania Emisjami (Polish Centre for Emission Balance and Management, for fuels and heating), by the International Energy Agency and by the suppliers (electricity) and by the Greenhouse Gases Protocol (fuels used in light vehicle fleet and transport of goods to stores, air travel) and by the UK GHG Conversion Factors for Company Reporting (waste)

5.3.2. Water and Energy Consumptions

The rationalisation of water and energy consumptions is one of the action areas in the fight against climate change, instigating initiatives to reduce their use, which contribute towards both the sustainability of resources and to a reduction in operating costs.

The Group includes environmental criteria in the projects for building and refurbishing its infrastructures. Biedronka, Pingo Doce, Recheio and Ara have been implementing efficient control systems for cooling plants, more efficient technologies in terms of lighting (LED, skylights and photovoltaic cells), refrigerated displays and freezers fitted with doors and covers and, in addition, autonomous energy management systems for energy consumption, to reach a more rational use of the energy required. Other measures such as the installation of flow restrictors, taps with timers and regulating sensors for ice machines have also been implemented. The investment in these measures – more than 65 million euros in the last four years–avoided the emission of over 65 thousand tonnes of carbon and has a return period of less than five years.

Complementary to the technological measures for reducing water and energy consumptions, Jerónimo Martins has been investing in projects to encourage best practices in terms of behaviour. The “Water and Energy Consumption Management Teams”, a project that began in the stores in Portugal in 2011, has achieved a reduction in these consumptions of 357,700 m^3 and 36,565,800 kWh in seven years. This project, which is promoted through monthly challenges and internal benchmarking, has obtained an accumulated saving of over 4.4 million euros.

Alfena, a more efficient Distribution Centre

The Alfena DC began operating in April 2017. With the objective of reducing water and energy consumption, the following types of technology were installed:

- Thermal solar panels for heating the hot water (nursery and changing rooms);
- 100% of the lighting fixtures use LED technology;
- control and regulation of the intensity of the lighting depending on motion detection and/or outdoor light;
- heat recovery from the smoke extraction system in the canteen to use for blown-air climate control inside the kitchen;
- harnessing of rain water in the returns warehouse for use, for example, in the outdoor sprinkler system.

This project enables increases in energy efficiency, obtaining reductions in energy consumption of around 32% compared to the usual technology, as well as contributing towards water savings in the order of 1,700 m^3.

Regarding office buildings, the Let's Go Green project, which encompasses six locations in Portugal, enabled an electricity reduction of 344,900 kWh between 2015 and 2017. Regarding water consumption, there was an increase of 209 m^3, justified by a growth of 28% in the number of employees working in these offices. When considering per employee consumption, there was a reduction of 2 m^3 per person, in the same period. The Group's objective is to progressively extend these projects to other countries.

Energy consumption

Total consumption	2017	2016	Δ 2017/2016
Energy consumption			
▪ Absolute value – **GJ**	6,634,950	*6,488,383	+2.3%
▪ Specific value - – **GJ/'000 €**	0.408	*0.444	-8.1%
Energy consumption per business unit			
▪ Distribution Portugal – **GJ**	1,997,887	*1,943,772	+2.8%
▪ Distribution Poland - **GJ**	4,184,639	*4,327,971	-3.3%
▪ Distribution Colombia – **GJ**	419,569	*184,296	+127.7%
▪ Agribusiness – **GJ**	32,855	*32,344	+1.6%

* Values have been recalculated to include the fuel consumption of the light vehicle fleet.

Water consumption

Total consumption	2017	2016	Δ 2017/2016
Water consumption			
▪ Absolute value – **m^3**	2,780,958	2,513,756	+10.6%
▪ Specific value – **m^3/'000**	0.171	0.172	-0.6%
Water consumption per business unit			
▪ Distribution Portugal – **m^3**	1,767,613	1,630,890	+8.4%
▪ Distribution Poland – **m^3**	813,818	735,383	+10.7%
▪ Distribution Colombia – **m^3**	105,994	66,454	+59.5%
▪ Agribusiness – **m^3**	93,533	81,029	+15.4%

The increases in the consumption of water and energy are explained by the growth of operations (increase in the number of stores and other infrastructures) and, in Poland, to the investment in the Perishables area.

Water Extraction by source

Total consumption (m^3)	2017	2016	Δ 2017/2016
Total water consumption	2,780,958	2,513,756	+10.6%
▪ Municipal supply system	2,598,057	-	-
▪ Underground water	181,787	-	-
▪ Other sources	1,114	-	-
Water consumption per business unit		-	-
▪ Distribution Portugal	1,767,613	1,630,890	+8.4%
• Municipal supply system	1,590,621	-	-
• Underground water	175,878	-	-
• Other sources	1,114	-	-
▪ Distribution Poland	813,818	735,383	+10.7%
• Municipal supply system	813,818	-	-
• Underground water	0	-	-
• Other sources	0	-	-
▪ Distribution Colombia	105,994	66,454	+59.5%
• Municipal supply system	105,994	-	-
• Underground water	0	-	-
• Other sources	0	-	-
▪ Agribusiness	93,533	81,029	+15.4%
• Municipal supply system	87,624	-	-
• Underground water	5,909	-	-
• Other sources	0	-	-

About 93% of all the water consumed by the Group comes from the municipal supply system. For less demanding operations, in terms of water quality (e.g., watering and refrigerating systems), the Group holds the necessary licenses. In 2017, the waste water discharges in the environment (only Companies in Portugal), which are properly treated before rejection, represented about 3% of the total volume of waste water generated by the Group. As far as the re-use of water is concerned, the Alfena DC collected more than 1,100 m^3 of rainwater to use in the cooling systems, sprinklers and washing the outside of trucks.

Renewable Energy

Technology	No. buildings	Energy saving/year	Saving CO_2/year
Lamp posts powered by photovoltaic panels	1	72,000 kWh	*28 t
Tubular solar light transporting system	21	120,291 kWh	*46 t
Solar collectors to produce hot water used for heating water and/or in the air conditioning system	17	482,685 kWh	*184 t
Geothermal heat pumps	13	1,523,014 kWh	519 t

* These values reflect the update in the electricity emission factor.

The investment in renewable energy, which has resulted in increasing the number of buildings with solar collectors and geothermal heat pumps, has enabled annual savings of around 2.2 million kWh, equivalent to approximately 85 thousand euros, representing an increase of 19%, in terms of kWh, compared to 2016.

5.3.3. Reduction of Environmental Impacts from Logistics Processes

As part of the Group's commitment to reduce the environmental impacts from logistics processes, the following actions are highlighted:

- in Portugal, at the end of 2017, 83% of the goods transport vehicles complied with the Euro 5 requirements (169 vehicles) and Euro 6 requirements (107 vehicles). In Poland, 93% of the goods transport vehicles complied with the Euro 5 requirements (620 vehicles) and Euro 6 requirements (267 vehicles). In Colombia, 12% of the trucks complied with the Euro 5 requirements (14 vehicles);
- in Portugal, the Group changed from conventional diesel to top diesel for the fleet of vehicles allocated to the DC, with a saving of 0.2 l/100km, which in 2017, meant a reduction in the consumption of diesel of around 50,000 litres;
- the backhauling operation in Poland entailed the collection of a total of 361,592 pallets, 18% more than in 2016, which resulted in a saving of 1,321,940 km while avoiding the emission of 3,436 tonnes of CO_2. In Portugal, this operation involved a volume of 192,400 pallets, 2% more than in 2016, leading to a saving of 6,732,404 km, avoiding the emission of 5,981 tonnes of CO_2 into the atmosphere.

5.3.4. Management of Refrigeration Gases

Jerónimo Martins works on controlling leaks, using more efficient technology and co-operating with service providers in the refrigerated and air-conditioned areas, with the aim of minimizing the emission of greenhouse gases. Investments have been made in natural refrigeration gases both in Portugal and in Poland:

- in Poland, the 16 Biedronka DC have cooling systems installed with thermal roll-containers with CO_2 snow. In Portugal, the same system is in operation in the Algoz DC;
- cooling technologies are installed which run exclusively on CO_2 (33 stores in Portugal, 259 stores and three DC in Poland);
- five DC (four in Portugal and one in Poland) have refrigerated warehouses (positive and/or negative cold) with systems running on ammonia combined with glycol;
- In Portugal, the Alfena DC has a cooling and refrigeration system running on CO_2 (ice machines, freezers and fridges in the canteen);

- in Portugal, 119 stores have refrigeration systems using R-134a combined with glycol and two stores have a cascade refrigeration system (R-134a gas or monopropylene glycol combined with CO_2);
- there are 247 stores in Portugal and 955 stores in Poland which have freezers that use only propane;
- in Poland, 179 trailers use the R452A refrigerant gas, replacing R404A, resulting in a reduction of over 50% in GWP[15] and, therefore, mitigating the contribution towards global warming.

The Group has been testing solutions in its stores and DC in order to comply with its voluntary commitments to GHG reduction as well as to ensure compliance with future legislation. Whenever possible, new stores or major remodelling projects use equipment with fluids with low GWP potential- in the case of heating, ventilation and air conditioning installations - and 100% natural refrigeration gases - in the case of industrial refrigeration installations.

5.4. Waste Management

Reducing waste generated and sending it for recovery both contribute towards a decrease in the use of natural resources and towards a Circular Economy model.

Waste Recovery Rate

	2017	2016	Δ 2017/2016 (p.p.)
Distribution – Overall*	84.7%	83.1%	+1.6
Distribution – Portugal	59.0%	59.9%	-0.9
Distribution – Poland	91.2%	89.2%	+1.9
Distribution – Colombia	80.8%	78.2%	+2.6
Agribusiness	52.8%	91.7%	-38.8

* Includes all of the Group's Distribution companies.

The waste recovery rate of the Group (Distribution) stood at 84.7%, a value that represents an increase of 1.6 p.p. when compared to 2016.

5.4.1. Characterisation of Waste

In 2017, Jerónimo Martins produced 446,564 tonnes of waste, which represents an increase of 6.3% compared to 2016. This evolution is due to the growth in the Group's operations.

Waste	Distribution Portugal (t)		Distribution Poland (t)		Distribution Colombia (t)		Agribusiness (t)	
	2017	2016	2017	2016	2017	2016	2017	2016
Cardboard and Paper	34,068	34,418	236,176	211,565	7,958	4,950	4	5
Plastic	2,202	2,302	8,055	8,375	496	274	4	3
Wood	220	218	2,188	1,917	46	27	-	-
Organic	4,210	4,307	71,847	70,787	11	-	-	-
Unsorted	40,510	38,981	29,317	33,627	1,494	1,089	43	1
Cooking Oil and Fats	166	181	-	-	5	1	-	-
Waste from Effluent Treatment	4,433	4,212	-	-	457	376	-	-
Hazardous Waste	9	10	185	109	0	1	2	5
Other Waste	1,150	654	1,307	1,537	0	1	-	46

[15] GWP is the acronym for Global Warming Potential.

5.4.2. Customer Waste Recovery

As part of the concern for promoting waste recovery to its customers, the Group endeavours to secure the necessary infrastructures and raise awareness among employees, customers and the surrounding communities. In 2017, the following projects are highlighted:

- the network of Pingo Doce recycling bins covered 372 stores, which was 88% of the store network;
- coffee pods and lids/corks/bottle tops recovered, resulted in more than 3,500 euros being raised for charities;
- 97% of the Biedronka stores have recycling bins for the collection of small electrical appliances, fluorescent lamps and batteries;
- with the revision of the Colombian legal framework, the project regarding the collection of used batteries was re-activated. Collection bins were thus placed in 186 stores (47% of the total store network in 2017).

For more detailed information on the number and type of recycling bins available for customers, see the "Responsibility" area at www.jeronimomartins.com.

Waste Dropped Off by Customers in Recycling Bins at Stores

Waste (in tonnes)	2017	2016	Δ 2017/2016
PORTUGAL			
Batteries	12.01	12.49	-3.8%
WEEE[16] (including fluorescent light bulbs)	78.70	82.04	-4.1%
Used Cooking Oil	100.35	109.26	-8.2%
Printer Ink Cartridges	2.16	3.17	-31.9%
Pods	94.68	108.99	-13.1%
Lids, Corks and Bottle Tops	8.51	10.24	-16.1%
POLAND			
Batteries	133.54	145.82	-8.4%
WEEE[9] (including fluorescent light bulbs)	176.16	224.56	-21.6%
COLOMBIA			
Used batteries	0.18	0	N/A

In Portugal and in Poland, the decrease of 13% in the total quantities of customer waste collected is mainly due to the continuous increase in proximity collection points provided by municipalities and other entities.

Food Waste

Jerónimo Martins adopted the Consumer Goods Forum's resolution with a view to reducing food waste by half by 2025, with 2016 being the reference year.

As such, using the recommendations of the Food Loss and Waste protocol, an annual amount of food waste was determined for the Group's food distribution companies and which is available in the "Responsibility" area in www.jeronimomartins.com.

In 2018, and the following years, continuity will be given to the practices and projects that have been developed so far (e.g., partnerships with suppliers and food donations to charities) in order to pursue the Group's commitment.

[16]WEEE – Waste Electrical and Electronic Equipment.

5.5. Main consumption of materials

It is the Group's objective to determine the origin and production methods of the material resources it uses, promoting more sustainable supply chains and consumption practices.

Main materials consumed

Input	2017	2016	Δ 2017/2016	
	ton	ton	ton	ton/'000€
Private Brand product paper and cardboard packaging	*182,523	171,611	6%	-7%
Other Private Brand product packaging materials**	*311,061	301,810	3%	-4%
Office paper	717	654	10%	-2%
Promotional leaflets	40,825	18,313	123%	100%

* Value estimated based on the sales growth of Private Brand articles, compared to 2016.
** Includes metals, plastics and other materials, except paper and cardboard reported above.

Despite the absolute increase in materials consumed, due to the expansion of the Group's operations, there was a reduction in consumption when compared to sales volume. The exception to this decrease lies with the consumption of paper linked to promotional leaflets, which can be justified by the change in the commercial strategy in Poland, which began investing more in this channel, linked to the heightened weekly promotional campaigns.

Rationalisation of Paper Consumption

In 2017, Jerónimo Martins continued to develop projects to reduce paper consumption and to promote the use of paper from sustainably-managed forests. Measures such as electronic invoice management enabled a saving of more than 7.85 million sheets of paper, the equivalent to a total of 940 trees.

In Poland, the paper used in the offices is produced by companies which have environmental certification or which, at least, have an environmental management system and, in Colombia, it is manufactured from cane sugar. In Portugal, the paper has the "EU Ecolabel".

In Portugal, the paper used for printing the banners' magazines is Programme for the Endorsement of Forest Certification (PEFC) certified or FSC and/or the companies producing it have ISO 14001 certification. The paper used for the leaflets for the Pingo Doce banner and for the leaflets and catalogues for the Recheio banner have the "EU Ecolabel" or are FSC or PEFC certified. In Poland, the paper used for leaflets is FSC or PEFC certified, has the "EU Ecolabel" or the "Blue Angel" label.

Ecodesign of Packaging

The Group works together with its suppliers to improve the eco-efficiency of the Private Brand product packaging, according to design strategies that aim to (i) reduce the environmental impact linked to the packaging of articles sold; and (ii) optimise the production costs, transport and management of the packaging waste. For the period 2018-2020, the Group aims to implement at least 20 projects of this kind every year.

Products encompassed	Portugal	Poland	Unit
Number of references	265	12	SKU*
Savings in packaging materials	2,495	979	t materials/year
Transport avoided	475	-	t CO_2e/year
Packaging with FSC certification	42	-	SKU*

* SKU – Stock Keeping Unit.

In Poland, all the boxes from Polish suppliers for packaging Fruit and Vegetables are made of recycled cardboard with FSC certification, and in 2017 this project began to be replicated for Private Brand products (500 references).

Reusable Packaging

In Portugal, the use of reusable plastic boxes in the Perishables and Dairy areas remained at 17% of the total boxes handled. In Poland, the project to use reusable plastic boxes to package small electronic equipment was continued (more than 77 thousand units) and in Colombia, reusable transportation boxes continued to be used for bottled water and for fruit and vegetables (around 596 thousand units).

Reusable check-out bags and solutions

Input	2017	2016	Δ 2017/2016	
	ton | unit	ton | unit	ton | unit	ton | unit/'000€
Plastic check-out bags - **tons**	5,531	5,339	3.6%	-7%
Paper check-out bags - **tons**	117	173	-32.4%	-39%
Reusable plastic bags - **tons**	2,050	1,875	9.3%	-2%
Reusable raffia bags - **tons**	976	978	-0.2%	-10%
Trolleys – **units**	26,954	11,718	130.0%	107

At the Jerónimo Martins Group, plastic bags are not given for free at the cash-desks of any of the Companies. This initiative has been progressively adopted since 2007.

5.6. Raising Employee and Consumer Awareness

Jerónimo Martins recognizes the importance of individual and collective behaviour for better management of natural resources, emissions and waste. As such, it develops various awareness initiatives, aimed at different stakeholders, such as employees, customers and consumers. For more detailed information, see the "Responsibility" area at www.jeronimomartins.com.

5.7. Partnerships and Support

The Group supported the following initiatives in Portugal, focused on restoring natural habitats and protecting biodiversity:

Institution	Project	Amount	Support started in	Further information at
Oceanário de Lisboa (Lisbon Oceanarium)	Pingo Doce Super Animals Campaign II	€ 107,550	2017	www.oceanario.pt
Oceanário de Lisboa (Lisbon Oceanarium)	Oceanário de Lisboa (Lisbon Oceanarium)	€ 100,000	2003	www.oceanario.pt
Zoo	Pingo Doce Super Animals Campaign I	€ 86,000	2017	www.zoo.pt
World Wildlife Fund (WWF)	"Green Heart of Cork"	€ 10,000	2013	www.wwf.pt
Liga para a Protecção da Natureza (LPN)	ECOs-Locais	€ 10,000	2011	www.lpn.pt
European Recycling Platform (ERP) – Portugal	"Geração Depositrão" Project	€ 5,000	2013	www.geracaodepositrao.abae.pt
Zoo	Sponsorship of the Ring-tailed lemur	€ 5,300	2015	www.zoo.pt

In 2017 Jerónimo Martins maintained its partnership with the Green Project Awards Portugal in the Research and Development category. The Jerónimo Martins-Green Project Awards prize, to the value of 20 thousand euros, aims to support scientific research projects, which have the potential to be replicated and which benefit the environment, society and the economy. In 2017, the awarded project, "ECO-Zement", stood out for its innovative use of waste from the process of refining oil in cement-based building materials. The partial replacement of cement with the said waste (which is estimated to reach 1,700 tonnes per year deposited in landfills), has a lower environmental impact than conventional materials, as it takes advantage of a raw material that is usually wasted, thereby reducing carbon emissions and the consumption of non-renewable natural resources.

6. Sourcing Responsibly

6.1. Introduction

Jerónimo Martins believes that developing partnerships with its suppliers and service providers is essential to reinforce its value proposition and to foster socio-economic development in the regions where it operates. The Group seeks to integrate social, environmental and ethical criteria in its choices and decision-making, aiming to promote an ongoing reduction in the impacts of its activities today and in the future, as advocated in its Sustainable Sourcing Policy and its Supplier Code of Conduct[17].

6.2. Commitment: Local Suppliers

Under equal commercial terms, the Group prefers to choose local suppliers. Importing essentially occurs in the following cases:

i. products are scarce, due to production seasonality, common in the Fruit and Vegetables area;
ii. when there is no local product, or the quantity produced is insufficient to guarantee the supply to the chain stores;
iii. when the quality-price ratio of domestic products does not allow the Group to keep its best price and quality commitment to its consumers.

In 2017, 92% of the products sold in Poland were sourced from local suppliers. In Portugal, that ratio stood at 84% and in Colombia at over 95%.

Perishables and Private Brand

Regarding Private Brand, most of the products were also purchased from local suppliers: more than 95% in Colombia, 92% in Poland, and between 60% (Pingo Doce) and 72% (Recheio) in Portugal. The Perishables[18] area shows the same trend, with 67% of products in Portugal being sourced from local suppliers, while this figure is 83% in Poland. In Colombia, this ratio is above 95%.

As a means of raising the awareness of its consumers and fostering the purchase of products of local origin, the Group uses specific signs.
In Portugal, domestic Perishable products are identified by "*O Melhor de Portugal Está Aqui*" (The Best of Portugal is Here) stickers. The nationally produced Private Brand products are identified by "*Produzido em Portugal*" (Made in Portugal) and "*Fruta 100% Portuguesa*" (100% Portuguese Fruit).
In Poland, domestic products are identified by the "*Polski Produkt*" (Polish Product) sticker or by the "*#jedzcopolskie*" (Eat what is Polish) sticker. In the case of the latter, Biedronka maintained the www.jedzcopolskie.biedronka.pl website to promote the consumption of fruit and vegetables, and also for sharing information about the local suppliers it works with, as well as suggested recipes.

In Colombia, domestic products are marked with the "*Hecho en Colombia*" (Made in Colombia) sticker and Private Brand products are marked with the "*Una Marca de Ara*" (An Ara Brand) sticker.

Supplier Engagement

The Group prefers to develop lasting relations for cooperation with its producers and suppliers, which may encompass technical follow-up, support in optimising their processes and/or guaranteeing product outflow, therefore stimulating local economies. The following initiatives are highlighted:

[17] Available for consultation in the "Responsibility" area at www.jeronimomartins.com.
[18] Information about the proportion of products sourced from suppliers in each of the Perishables categories is available in the "Responsibility" area at www.jeronimomartins.com.

Portugal

- In 2017, Pingo Doce entered into a partnership with a local supplier for stocking its stores with "*Maçã das Beiras*", an apple of Portuguese origin, having sold more than 1,000 tonnes;
- the partnership with a cooperative of fishermen in the Sesimbra area was maintained for catching black scabbard fish, ensuring quality and price competitiveness, as well as maintaining traditional fishing practices that enable the sustained regeneration of the species;
- in July 2017, the Group launched a promotional campaign for 100% domestic pork in around 40% of the Pingo Doce Stores, aiming to promote local production. During the year, over 26.5 thousand tonnes of the pork sold was of Portuguese origin;
- in 2017, Pingo Doce continued the extraordinary measure of supporting Portuguese producers of Perishables with whom it works and who are members of the Confederação dos Agricultores de Portugal - CAP (Portuguese Farmers' Confederation). This measure consists of Pingo Doce anticipating payment terms to an average of 10 days (instead of the 30 days established by law), without financial costs to the producer. Since its implementation in 2012, approximately 500 producers in the categories of Fruit, Vegetables, Meat, Fish, Cold Meat and Wine have already benefited from this initiative.

Poland

- Poland is one of the largest producers of strawberries in Europe. To cope with the limited useful life for this fruit to be eaten, Biedronka established a network with more than 100 suppliers, located in regions close to the DC, as a way of guaranteeing quality strawberries in sufficient quantity, thereby reducing the time between the harvest and the product being available in the stores. In the first year of the project (2014), 74 tonnes were sold between July and September. In 2016, and as a result of consolidating this initiative, it was possible to sell 650 tonnes in the same period. In 2017, Biedronka reached 1,000 tonnes, an increase of around 54% compared to 2016;
- in 2017, Biedronka increased the number of organic Private Brand Perishable SKUs to 22, compared to the nine launched in 2016. These are part of the permanent Fruit and Vegetables assortment, like apples, onions or root vegetables, and part of the offer of seasonal products such as citric fruit, tomatoes and pumpkin. The volume sold increased by 150% compared to 2016, corresponding to a total of 1,700 tonnes and along with their suppliers, contributing towards an increase in the offer of these types of products in Poland;
- in the Bakery area, Biedronka created a traditional type of bread baked in a wood oven, as part of a project in partnership with a Polish Bakery - Nowakowski Piekarnie– founded in 1925. It is made based on a traditional recipe, kneaded by hand and baked in an oven with certified beech. Over 2.3 million units were sold in 2017;
- within the Butcher's section, of note is the partnership developed with a Polish producer of beef, whose life cycle is controlled in conjunction with Biedronka in a "field to fork" approach. The Veal Festival, which began in April, takes place during the second week of each month in about 100 stores. During the project's first year, over 30 tonnes were sold.

Colombia

- Since it started doing business in 2013, Ara has been aiming to establish stable relations and partnerships with Colombian suppliers. In 2017, Ara cooperated with 95 local suppliers which provided more than 580 Private Brand products;
- the 5th edition of the Ara Private Brand Congress took place in Bogotá, under the theme "Giving Wings to a Better Retail", which was attended by 170 current and potential local suppliers;
- with the support of a local supplier, Ara created a product called "BBQ wings", the first of its kind in the Colombian market. The product is served with a spicy barbecue sauce without artificial colourants or sodium glutamate. In just six months, the product was included in the 25 top-selling products in two of the three regions where the Group is present: The Coffee Growing Region and Bogotá;

- Ara decided to extend its bakery product portfolio, which up to now focused on bread and baguettes, to flaky pastry. To do so, it brought together technicians from its quality team, professional chefs and the three suppliers who already had experience in producing pastries. Five products were created including a French croissant and a chicken/meat pie, which contributed towards around a double-digit like-for-like increase in the Bakery and Pastries category.

6.3. Commitment: Human and Workers' Rights

Jerónimo Martins works with suppliers who are committed to complying with the legal provisions and national and international agreements applicable to the area of Human and Worker's Rights, as set out in its Sustainable Sourcing Policy[19].

The Group has undertaken the commitment to terminate business relations with suppliers whenever it learns 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, and/or when they are not willing to draw up and implement a corrective action plan.

Additionally, and as part of the Group's participation in The Consumer Goods Forum, it has undertaken the commitment to contribute towards eradicating forced labour – as defined by the International Labour Organization – throughout its banners' supply chains and to continue to ensure its absence in its operations.

6.4. Commitment: Promotion of More Sustainable Production Practices

Along with the ethical and social aspects already mentioned, Jerónimo Martins also favours production methods that have a lower consumption of natural resources and impacts on the ecosystems.

Deforestation

The Group highlights its actions linked to deforestation commodities (palm oil, soy, beef, wood and paper) in order to reduce carbon emissions linked to forest destruction, preserve biodiversity in these ecosystems and contribute towards eliminating Human Rights violations of Children and/or Workers that have been reported.

To do so, since 2014, the Group has been mapping the presence of these ingredients in the Private Brand and Perishable products sold in Portugal, Poland and Colombia. Additionally, it asks its suppliers, who have products where these ingredients were identified, about their respective origin and the existence of sustainability certification. The results of this work are publicly disclosed in its annual response to the Carbon Disclosure Project (CDP) Forests. For the first time, the figures for 2017 were verified by an external entity.

Jerónimo Martins' goal is to progressively ensure the sustainable origin of these raw materials, in line with the commitment to "Zero Net Deforestation by 2020" made within the scope of its participation in The Consumer Goods Forum[20]. The following results were obtained in 2017:

- Palm oil
  - In 2017, 22,956 tonnes were present in the Group's Private Brand products and Perishables, a reduction of 38%, compared to 2014. This reduction is the result of replacing palm oil with vegetable oils with a better nutritional profile;
  - out of the total palm oil used, about 26% is RSPO certified.

[19] Available for consultation in the "Responsibility" area at www.jeronimomartins.com.
[20] For further details about the Group's actions on this subject, please go to www.cdp.net.

- Soy
  - 13,649 tonnes of soy as a direct ingredient were present in the Group's Private Brand products and Perishables in 2017. Of these, 8,215 tonnes are from countries at risk of deforestation[21], a value about six times above the observed in 2014. This increase in soy from countries at risk of deforestation is mostly due to the Group's operations expansion in Colombia, a country with a high consumption of vegetable oils containing soy and where a significant percentage is sourced from Bolivia. The Group is investing efforts to characterize the agricultural practices adopted by these suppliers. Embedded soy (e.g., used in animal feed) was calculated at 283,667 tonnes;
  - regarding levels of sustainably certified soy (e.g., RTRS and ProTerra), these were of less than 1% for direct soy and of about 3% for embedded soy. It should be noted that only 3% of the total soy available in the market holds this type of certification[22].

- Paper and Wood
  - Private Brand products represented a consumption of 108,439 tonnes of paper and wood in 2017, excluding packaging, an increase of 8%, compared to 2014. Of these, 9,417 tonnes are from countries at risk of deforestation[21], representing a reduction of 41%, compared to 2014. Paper and wood present in packaging were responsible for 94,460 tonnes;
  - out of the total paper and wood used in its Private Brand products 7% has sustainable certification, as is the case of 66% of the paper and cardboard product packaging.

- Beef
  - In 2017, 42,849 tonnes were present in the Group's Private Brand products and Perishables an increase of 37%, compared to 2014. Of these 938 tonnes are from countries at risk of deforestation[21], compared to the 2.83 tonnes in 2014. This evolution is mostly due to the increase of sourcing from countries such as Uruguay, Brazil and Argentina;
  - less than 2% of the total beef used in these products comes from these countries.

The Group also joined the Roundtable on Sustainable Palm Oil in 2017 and took the first steps towards joining the Soy Buyers Coalition, a project led by the Consumer Goods Forum, in which more than 10 companies from the manufacturing and retail sectors participate, aiming to develop and implement projects that contribute towards curbing deforestation in the main soy-producing regions in Brazil.

Jerónimo Martins Group achieves an "A-" and "B" scores in the CDP Forests 2017

In 2017, the Group obtained an overall "A-" score for palm oil, and paper and wood, positioning the Group at the "Leadership" level, one step away from achieving the highest score (A). The commodities soy and beef obtained a classification of "B", the equivalent of the "Management" level.

The CDP "Forests" programme assesses its performance in terms of the strategy for commodities linked to deforestation, including transparency when reporting information and risk management. CDP is a non-profit international organization which develops programmes for companies and cities to measure, disclose and manage important environmental information.

Fish

In the context of its sustainable fishing strategy, and as a result of the studies which have been carried out in this area[23], the Group defined courses of action to reduce pressure on threatened

[21] Countries at risk of deforestation considered are defined according to the Consumer Goods Forum' Guidelines for soy and paper and timber. Regarding beef, the Group considers the same origins considered for soy.
[22] Information provided by The International Institute for Sustainable Development in the report 'Standards and Biodiversity: Thematic Review' (2017).
[23] To find out more about the actions carried out by the Group in this area, see sub-chapter 5. "Respecting the Environment" in this chapter.

species[24]. These include: i) banning the purchase and sale of species classified as "Critically Endangered" for which there are no extraordinary licences; ii) looking for alternatives to aquaculture for species classified as "Endangered", and not carrying out promotional activities involving fish from wild populations that have not come from sustainably-managed stocks and/or that do not have a sustainability certificate; and iii) limit promotional actions for species classified as "Vulnerable" whenever they do not come from aquaculture and/or have not come from sustainably-managed stocks and/or that do not have a sustainability certificate.

In 2017, and based on the species identified in 2015, the Group verified compliance with the courses of action defined above:

- species classified as "Critically Endangered", for which there were no extraordinary licenses, were not sold;
- promotions of species classified as "Endangered" were only carried out for species from aquaculture;
- there was a 10% reduction in the promotion of species classified as "Vulnerable", of these over 95% were either sourced from aquaculture or from sustainably-managed stocks.

Partnerships for fighting food waste

Fighting food waste is a challenge Jerónimo Martins tackles on various fronts, and consequently, in several of its corporate responsibility pillars. Regarding supplier engagement, the Group encourages the purchase of non-graded food, which previously had little or no economic value. As such, it is contributing towards reducing the upstream waste in its operations, while at the same time ensuring that these products, whose nutritional profile is the same as the graded products, are part of the value chain, reaching its consumers' tables.

The Group does so both by incorporating them in its soups in Portugal and in Poland or in 4th range products (washed and pre-cut vegetables ready to use), or by selling them at a reduced price in its Recheio stores.

In total, in 2017, the Group made sure that over 13,600 tonnes of these products, also known as "ugly" fruit and vegetables, was placed on the market, an increase of 2% compared to 2016.

Reduction in the distances that products travel

Jerónimo Martins developed partnerships with its Fruit and Vegetables suppliers, seeking to reduce the environmental impacts associated with the sale of such products. An example is the case of mango production in Spain or Senegal. These partnerships have production characteristics similar to those of the mangoes produced in Brazil, but has allowed the distance travelled to be reduced by more than 5,000 km and to substitute air by sea or road transport, leading to a significant reduction in CO_2 emissions. This partnership also ensures, in stores, a product of higher quality, since the reduction in distance makes it possible to harvest the mango when it is more mature. In 2017 it sold over 47 thousand kilograms of mangoes sourced from these countries.

The Group's strategy for supplying certain strategic products, through its own production at its company Jerónimo Martins Agro-Alimentar, also means it has greater operational control over the process, in the reduction of the distances travelled by the products, and subsequent carbon emissions, and in the delivery lead time to the store, thereby contributing towards greater product quality. Such is the case of Angus beef and the production of sea-bass and gilt-head bream through aquaculture, which are varieties traditionally produced outside Portugal. In 2017, the Group secured the supply of over 350 tonnes of Angus beef and 1,330 kg of sea-bass. It aims to progressively increase these quantities.

[24] Based on the classification of the International Union for Conservation of Nature and Natural Resources (IUCN) and the Convention on International Trade and Endangered Species of Wild Fauna and Flora (CITES).

Certified Products

The Group seeks to progressively incorporate sustainability-certified Private Brand products and Perishables into its assortment. In 2017, it launched:

- 15 new references with the Marine Stewardship Council (MSC) certification;
- 13 references with organic certification in Poland, 11 in the Fruit & Vegetables category and 2 Private Brand references;
- 13 references with Forest Stewardship Council (FSC) certification regarding primary product packaging;
- 13 references with UTZ certified cocoa as an ingredient;
- 3 Dolphin Safe references;
- 2 beverage references containing coffee or tea with "Rainforest Alliance" certification;
- 1 PEFC certified reference for the paper fibres present in the product.

The table below shows the total quantity of Private Brand products and Perishables with sustainability certification in 2017 and 2016. In total, there was an increase of 30% in the number of SKUs with sustainability certification.

Certification	#SKU		Δ 2017/2016
	2017	2016	
Organic*	64	49	+31%
FSC**	43	30	+42%
UTZ	22	14	+57%
MSC	16	10	+60%
Dolphin Safe	15	12	+25%
PEFC**	14	13	+8%
SFI**	13	13	0%
EU Ecolabel	7	8	-13%
Rainforest Alliance	6	4	+50%
Fairtrade	1	1	0%
Total	**202**	**155**	**+30%**

* These products are developed according to the rules of organic production, are certified by an independent external body and bear the European Union logo which ensures compliance with the Community Regulation for Organic Agriculture.
** Figure includes products with this certification and/or packaging material with this certification.

Biedronka continued to be part of the "Charter for Sustainable Cleaning" initiative, promoted by the International Association for Soaps, Detergents and Maintenance Products, which encourages the improvement to product performance in the Hygiene and Cleaning category regarding a series of criteria: toxicity, eco-efficiency and consumption of raw materials, among others.

Sustainable cocoa, tea and coffee in Private Brand products

In 2017, 13 references were launched with UTZ certification, totalling 22 references in Portugal and Poland. An UTZ product seeks to demonstrate, through a certification programme, that the raw material was obtained using a sustainable agricultural model.

In the same period, Biedronka launched two references, one containing tea and the other coffee with "Rainforest Alliance" certification, ensuring that these ingredients originate from sustainable agriculture and that they meet the environmental and social criteria defined by that entity.

The Group maintained its first coffee product reference with 100% Fairtrade certification. The certification ensures compliance with social, environmental and economic criteria, supporting small suppliers through payment of a guaranteed minimum value for production.

These certifications promote good agricultural practices while guaranteeing farmers an improvement to their working conditions and quality of life, as well as protecting the natural resources on which they depend.

Animal welfare

Animal testing

The Jerónimo Martins Group complies with the provision of European Directive 201/63/EU in all the countries where it operates and does not permit any animal testing in its Private Brand and Perishables. The exception resides in animal food products where sensory tests are performed in order to assess the degree of the specific target population's satisfaction, and also in products which aim to control or eliminate parasites and/or super-populations that might be sources of contamination or disease (e.g. insects).

Practices adopted

Within the scope of promoting animal welfare, the Group complies with the indications of European Directive 98/58/EC in its areas of operation, as well as with the legislation in force. Whenever possible, it promotes practices above the benchmark.

Jerónimo Martins highlights the production of Private Brand free-range chickens at Biedronka, which are available in all its stores, whose sales doubled compared to 2016. The chickens are produced without using antibiotics and without feed containing genetically modified organisms. This project started in 2015 in conjunction with Polish suppliers and, to date, is unique in Poland.

Furthermore, the lamb sold by Pingo Doce comes from animals grazing on natural pastures, in accordance with the assumptions of High Natural Value agriculture and livestock. This concept assumes that low intensity production systems with reduced inputs can contribute towards protecting the biodiversity of the regions where they are implemented.

In addition, the Group has undertaken the commitment to eradicate, by 2025, the sale of eggs from caged chickens in the Jerónimo Martins Group's Private Brands.

Within the scope of the Group's agribusiness activities, the following actions are highlighted:

Angus beef:
- availability of an area per animal above the recommended 3 m^2, in over 60%;
- daily renewal of fresh hay in the bedding;
- animals driven in appropriate channels, the use of electric shocks and similar practices being banned.

Aquaculture:
- production in open sea and not in tanks, enabling the fish to develop in their natural habitat;
- handling is reduced to a minimum until capture, in order to avoid stress to the fish.

6.5. Supplier Audits

Quality and Food Safety

Jerónimo Martins regularly audits its Perishables and Private Brand suppliers as a means of assessment and follow-up in terms of management and control processes, the implemented quality system, product formulation and labour and environmental aspects. The audits are mandatory for suppliers conducting their business in countries where the Group operates.

The supplier evaluations cover a set of environmental requirements, which have a 5% weight in the assessment. These requirements include criteria associated with the management of water, effluents, waste, atmospheric emissions, noise and hazardous substances. Each supplier is reassessed at predefined intervals based on the score they obtained.

The Group also assesses the health and safety in the workplace and training conditions, which have a 10% weight in the assessment. These requirements include criteria such as the existence and use of appropriate clothing, equipment for washing hands, rules of conduct and personal hygiene, the existence and condition of social areas, changing rooms and bathrooms for employees, and ensuring the provision of appropriate training for carrying out their roles.

Audits on Perishables and Private Brand Suppliers*

	2017	2016	Δ 2017/2016
Portugal			
Perishables	921	847	+9%
Private Brand – Food and Non-Food	259	244	+6%
Poland			
Perishables	357**	376***	-5%
Private Brand – Food and Non-Food****	446	451	-1%
Colombia			
Perishables	57	56	+2%
Private Brand – Food and Non-Food	150	165	-9%

*The audits include the following topics: selection, control and follow-up.
** In 2017 a further 1,189 inspections were carried out.
*** Corrected figure compared to 2016 in order to exclude the number of inspections (1,078.).
**** In 2017 a further 3,429 inspections on non-food Private Brand products were also carried out and, in 2016 a further 3,074 were executed.

In Colombia, the reduction in the number of Private Brand audits is due to the high performance result obtained in 2016 by 30 of the suppliers evaluated. In these cases, the frequency of these audits is set to biennial.

Certifications

As regards to certifications, in the case of foreign suppliers not covered by its internal audit system, the Group demands Food Safety certification recognized by the Global Food Safety Initiative, namely British Retail Consortium (BRC), Global Good Agricultural Practices (Global G.A.P.), HACCP/Codex *Alimentarius* or ISO.

All potential new Private Brand product and Perishables suppliers must be audited in accordance with the Group's internal criteria (common to the three countries where it does business). In the case of suppliers who are not located in these countries, they must be certified according to the food standards of the BRC, the International Featured Standards (IFS) or the Food Safety System Certification (FSSC) 22000.

Awarded Private Brand non-food products

In 2017, Biedronka's non-food products were once again awarded for their quality and/or innovation. This was the case of the Dada Private Brand nappies, to which the Instytut Matki i Dziecka (Institute of Mother and Child) awarded the Golden Logo, the only product of its kind with this distinction. Skincare products for children from the Dada Private Brand, such as the cleaning wipes, also obtained a positive assessment from the same Institute.

The "Eden Sensitive" fabric softener was recommended by the Polish Allergology Association (Polskie Towarzystwo Alergologiczne) for not containing allergens and is therefore recognized as a hypoallergenic product.

Environment

The Group also carried out exclusively environmental audits on both service providers and goods suppliers, aimed at ensuring compliance with the minimum environmental performance requirements, assessing the performance level and defining an action plan to correct non-conformities. Suppliers are selected based on criteria involving materiality for the Group (business volume and product criticality and/or production location).
In 2017, Jerónimo Martins conducted 35 environmental audits on service providers in Portugal and 8 in Poland. The level of environmental performance (for all service providers in Portugal audited since 2009) was as follows: 12% achieved an "Excellent" performance, 8% "High", 75% "Basic" and 5% "Below basic".

The environmental audits on suppliers of Perishables and Private Brands are conducted by an external entity. In 2017, 60 suppliers in Portugal were audited. The level of environmental performance (for all suppliers audited since 2016) was as follows: 8% achieved an "Excellent" performance, 5% "High", 60% "Basic" and 27% "Below Basic".

All the suppliers audited and classified with a "Below basic" level (lower than 70%) and/or those who do not fully comply with the defined critical requirements, have received a corrective action plan which the supplier must address within a maximum of six months. The Group reserves the right to suspend cooperation with business partners who do not comply with the defined corrective action plan, whose effectiveness is gauged in a second audit, which is always performed in the year immediately following the first audit.

6.6. Supplier Training

In Portugal and Poland, over 20 training sessions and meetings took place, involving suppliers. These were focused on issues of Quality and Food Safety, furthering the co-operation with business partners, especially with regard to discussing areas for improvement and development of innovative products.

Regarding the Environment, in 2017, four training sessions on electronic delivery notes for transporting waste took place in Portugal, attended by 41 participants representing waste management operators, and two workshops on the Sustainable Agriculture Manual, involving 30 participants, representing suppliers of Fruit and Vegetables.

In the same year, the Group organized its 6th Sustainability Conference "The Power of Collective Action" dedicated to the United Nations' Sustainable Development Goals and how partnerships can contribute to its achievement. The one-day event was attended by more than 20 Polish and Portuguese suppliers and service providers of the Group.

7. Supporting Surrounding Communities

7.1. Introduction

With over 3,500 proximity food stores spread across more than a thousand cities, towns and villages in three countries, the Group recognizes the importance of being an active citizen in the contribution towards overcoming the socio-economic risks faced by communities, such as through fighting malnutrition and hunger, and helping to break the cycles of both poverty and social exclusion. In addition, Jerónimo Martins supports projects concerning knowledge about nutrition, aiming to raise awareness, especially among younger generations, about having healthy eating habits and lifestyles.

This is the guiding principle of the Policy on Supporting Surrounding Communities, available at www.jeronimomartins.com, which focuses on the more vulnerable groups in society: the elderly, and underprivileged children and young people.

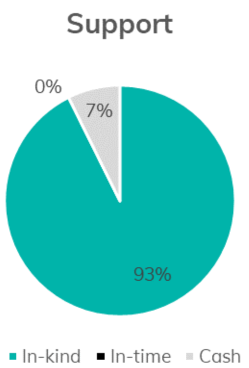
7.2. Managing the Policy

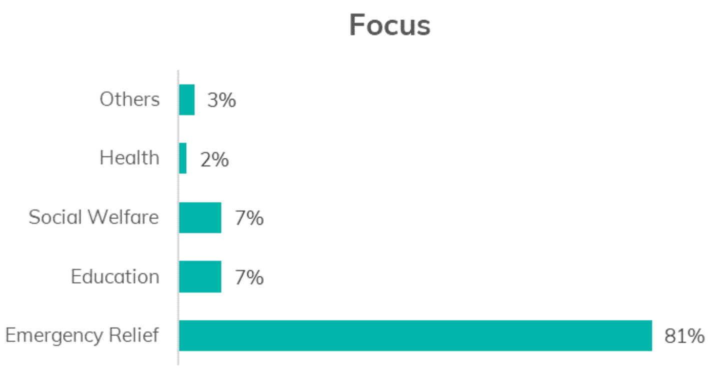
The actions supported and promoted by the Group are monitored and assessed according to the impact they produce, with a view to efficient allocation of resources to projects covering the largest possible number of people and/or generating the greatest and best results.

The criteria implicit to the methodology for measuring social impact from the London Benchmarking Group (LBG), of which the Group has been a member since 2011, makes it possible not only to gauge the social changes achieved, but also to collect feedback from employees involved in the support.

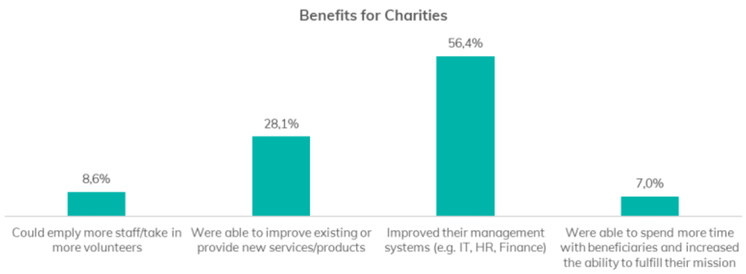
In 2017, it was possible to measure the impact of investing over 8.1 million euros[25] in support allocated to 144 organisations, which in turn, are estimated to have reached more than 268 thousand beneficiaries. This amount encompasses donations in kind and also monetary donations, channelled mainly into support in the areas of Social Emergency, Education and Social Well-Being.

Measuring Social Impacts





[25]This value refers to the activities/projects measured with institutions and their beneficiaries and which have a minimum level, as from which significant social impact data can be considered. It does not, therefore, refer to the amount reported as the total value of support offered by the Jerónimo Martins Group.



Most of the beneficiaries questioned by the institutions reported positive impacts on their quality of life. The institutions also confirmed that the support provided by Jerónimo Martins and its companies had enabled them to invest in improved management systems, both in terms of human resources and information and management technology.

Reporting of the main indicators, using the LBG model, can be found on the corporate website, in the channel Supporting Surrounding Communities.

Follow-up visits to the institutions with which the Group has entered into cooperation agreements are also carried out, to make an *in loco* check of the quality of the infrastructures and service provided.

7.3. Direct Support

In 2017, the Group continued to offer food to institutions who work on providing relief to the extremely poor, and monetary support to organisations which carry out educational work with children and young people at risk, in an attempt to curb school drop-out and social exclusion.

Direct support in money and in kind attributed at a corporate level and by all the Group's Companies amounted to around 21.7 million euros in 2017, which represents an increase of 21% compared to 2016.

> **Fighting Food Waste**
>
> In the various countries, the Group donates surplus food that has the right food safety conditions, but cannot be sold, to institutions providing social support.
>
> This food reaches people who are extremely vulnerable, and in 2017, amounted to the equivalent of 10.7 thousand tonnes donated.

Corporate

Jerónimo Martins supported more than 50 institutions, donating around 3.7 million euros to support projects concerning education, literacy and culture (82%), social causes (11%) and for other kinds of support, including health, environment and citizenship (7%).

With the arrival in Portugal of refugees from various Middle Eastern countries, namely Syria, we entered into a partnership with Pão a Pão - Associação para Integração de Refugiados do Médio Oriente (Association for the Integration of Middle Eastern Refugees), with a view to addressing the integration and employability of Syrian refugees, by setting up a restaurant.
This restaurant is called Mezze (Meal) and it is located in the centre of Lisbon, a place where you can eat traditional meals from Syria. The Group's support is given in foodstuffs to an annual value of 18 thousand euros.

The Group also supported the "Despert'arte" project, which consists of creating cultural initiatives through a platform for artistic creation linking the contribution of artists from different areas - namely music, cinema, writing, dance, illustration and photography - to the participation of children, young people and adults from charities, thereby providing them with new experiences.

For the third year running, Jerónimo Martins maintained the support to Academia do Johnson (Johnson's Academy) whose mission is to combat social exclusion and the school drop-out of about 160 children and young people from vulnerable communities in the Lisbon metropolitan area. With a further 20 people compared to the previous year, Academia do Johnson (Johnson's Academy) offers educational, professional and cultural tools provided by trained personnel, who use sports activities and study support as a means of behavioural, social and technical development, which help prevent risk situations in their lives and that enhance their integration into schools and into society.

The Group also took in two young people in a real work context, who were hired to work in the Jerónimo Martins' Headquarters and in Pingo Doce.

Pingo Doce

Pingo Doce supported more than 400 institutions in Portugal that fulfil a social mission in the communities surrounding the chain's stores, providing foodstuffs and money.

In total, the donations amounted to more than 14.6 million euros. Over 96% of this value refers to food donations, which with an equivalent weight[26] of 9.6 thousand tonnes, which are distributed among 367 institutions spread across the entire country.

Within this context, Pingo Doce carried out a communication campaign to inform customers about the total weight of products donated by the stores to support the institutions in their communities.

Recheio

Recheio, João Gomes Camacho and Caterplus offered donations in foodstuffs and as well as money to 147 institutions, worth more than 550 thousand euros. 84% of this amount refers to offers of surplus food, equivalent to 318[27] tonnes.

Biedronka

In Poland, the amount of support was more than 2.5 million euros, reaching more than 400 institutions.

Biedronka continued to donate surplus food to local dioceses of Caritas and other institutions; such food, while fine for consumption and complying with food safety requirements, cannot be sold to consumers. Starting with 63 stores and seven Distribution Centres (DC) actively donating in 2016, the banner have now reached 437 stores and 12 DC, by the end of 2017.

As such, the food donations amounted to around 670 tonnes[28], an equivalent value of more than 1.4 million euros, and were estimated to have reached more than 11 thousand people.

Also within this context, Biedronka provided 77 thousand euros to support the purchase of two refrigerated goods transport vehicles. Together with this amount, the sales money from the Gang Świeżaków (fruit and vegetable plush toys) campaign, which was around 170 thousand euros, was used to purchase another five vehicles for Caritas, among other things.

As in previous years, as part of International Children's Day, Biedronka supported the "Let's Stay Together" campaign, developed along with Caritas, to foster the strengthening of ties between children and their families. The campaign took place in 22 cities in various regions in Poland. More than 200 thousand children and parents have enjoyed the various entertainment activities and foodstuffs offered by Biedronka, representing an investment of around 100 thousand euros.

[26] This value is calculated using the Portuguese Food Bank's estimate of 1.46 euros per kilogram donated by customers.
[27] This value is calculated using the Portuguese Food Bank's estimate of 1.46 euros per kilogram donated by customers.
[28] This value is calculated using the Polish Federation of Food Banks' estimate of 2.15 euros (9 PLN) for each kilogram donated by customers.

Ara

In Colombia, within the scope of its partnership with the ICBF - Instituto Colombiano de Bienestar Familiar (Colombian Institute of Family Well-Being), at the end of 2016, Ara stopped offering foodstuffs to community nannies who take care of children under the age of five from families and neighbourhoods with very few financial resources.

The *Madres Comunitarias* (Community Mothers) programme has fulfilled its purpose of addressing the nutritional deficiencies children had with regard to proteins, vitamins and minerals, a check being made through ICBF, on the routing of the foodstuffs, as well as the mental and physical well-being and an evaluation of the nutritional indicators of the children who benefited from it. In 2018, this support was redesigned to address the children's other needs, namely regarding their personal hygiene.

Between 2014 and 2016, the partnership between Ara and the ICBF reached a total of 3,668 children from 262 nurseries. More than 14,750 food baskets were offered during this period, to a value of more than 179 thousand euros, the equivalent of more than 220 tonnes of food donations.

Also in this country, support was maintained to Abaco - Asociación de Bancos de Alimentos de Colombia (Colombian Association of Food Banks) whose mission is to establish strategic alliances with public and private partners to fight hunger and food waste by directing surplus food to underprivileged people.

In 2017, within the scope of this programme, Ara was responsible for donating over 116 tonnes of foodstuffs, around 30% of the total managed by Abaco in the country, the equivalent of more than 238 thousand euros, corresponding to an increase of 170% due to store expansion. It is estimated that these foodstuffs reached a monthly average of over 590 people and simultaneously avoided the equivalent emission of 2,400 tonnes of CO_2, which would otherwise have been sent to landfill.

7.4. Internal Volunteering and Other Campaigns

The Group's employees continued to participate in the programmes of Associação Junior Achievement Portugal, with the objective of fostering entrepreneurship among children and young people, by teaching topics such as relations with family and the community, economics and on how to set up a business. 121 volunteers enrolled the 2016/2017 academic year and 109 applications were registered for the 2017/2018 academic year.

During the Christmas season, the Group organised an internal welfare campaign, to offer presents requested by 145 children, coming from dysfunctional families, who live throughout the year in foster homes supported by Jerónimo Martins.

In addition, during the Christmas Party, which brings together around 1,000 managers and the Group's senior executives, a photo exhibition of an urban environment was held, taken by children and young people from four institutions with which the Group has a cooperation agreement. Within the scope of the "Somos Imagem" (We are Image) initiative, employees had the opportunity to see these children and young people's creativity exhibited under the theme "Growth".

Jerónimo Martins offered the items produced to various employees, making them aware of the need to value the perspective of these children and young people of the world around them, as a means of promoting social inclusion. Within the scope of this initiative, the amount the Group offered to Casa Pia, Obra do Ardina, Aldeias SOS and SOL - Associação de Apoio às Crianças Infectadas pelo Vírus da Sida (Association Supporting Children Infected with AIDS), totalled 2,500 euros, which will be used to boost investment in the personal and educational development of the children and young people in their care.

7.5. Indirect Support

Raising the awareness of society about becoming involved in campaigns to collect foodstuffs and other articles, as well as initiatives to raise funds, may help to create a collective awareness about the fight against the hunger and malnutrition affecting more vulnerable people, namely by supporting the work carried out every day by charities.

In Portugal, Pingo Doce's customers donated around 1,000 tonnes of food[29] to the campaigns organized by the Food Bank. In addition, the cards sold to consumers, convertible into foodstuffs aimed at supporting these institutions, totalled more than 198 thousand euros.

In Poland, in partnership with the Polish Federation of Food Banks and Caritas, Biedronka's customers rallied round to offer food through various campaigns that ran throughout the year. The organisation's estimate indicates donations of over 1,000 tonnes of food.

In Colombia, Ara has also been raising the awareness of consumers to help the most needy by rounding up the value of their purchases. The value donated is delivered monthly to the Fundación Aldeas Infantiles SOS Colombia (SOS Colombia Child Villages Foundation) for their programme *Fortalecimiento Familiar* (Family Support), in the municipalities of Ríosucio, Bolívar and Bogotá. Customer donations increased by 73% to over 86 thousand euros, an amount which was used to support the work carried out by Aldeas SOS, which help children and young people from 1,544 families.

7.6. Other Support

Partnerships with members of civil society are key mechanisms for understanding and approaching the main social risks, and also for identifying and fulfilling opportunities for furthering social cohesion in the countries where the Group operates. Jerónimo Martins believes that only by joining forces and through collective action is it possible to have a positive and lasting impact on people's lives.

Within this context, Biedronka has cooperated with Danone, Lubella and Instytut Matki i Dziecka (Polish Institute of Mother and Child) within the scope of the *Partnerstwo dla Zdrowia* (Partnership for Health) to fight malnutrition in children by facilitating access to products with the right nutritional profile, and raising awareness about healthy eating.

The two projects supported by the Company are:

- the social products from the Mleczny Start (Milk Start) range, which are sold exclusively at Biedronka and were created with the intention of offering low-price food solutions, which provide up to 25% of the daily needs in vitamins and minerals recommended for a child's

Semear Project

In Portugal, Jerónimo Martins' cooperation towards the Semear project began in 2014 with the aim of supporting young adults, from the age of 18 to 45, with intellectual and developmental difficulties, through projects which enable them to overcome the barriers to their social and professional inclusion, taking into consideration the high unemployment rate affecting this vulnerable population.

The Quality and Commercial areas supported the implementation of the programme, which consists of producing fruit and vegetables, and giving advice about crops that are viable for selling in Pingo Doce stores. With the support of the vegetable supplier Estevão Luís Salvador, it was possible to offer technical training through internships and a solution for packing and selling the products.

This year, over 12 tonnes of butternut squash was produced and 5 tonnes of tri-colour sweet potato.

[29] Estimate of the said institutions.

healthy growth. Without any associated profit, a monthly average of 1.4 million units were sold in 2017, totalling, in more than 10 years, in excess of 200 million units.
- the Śniadanie Daje Moc (Breakfast Gives You Strength) programme, which, in a playful way and using learning materials, endeavours to raise the awareness of children up to the age of three, their parents and teachers from the primary schools that are part of the programme, about the importance of the first meal of the day for a balanced nutrition and healthy growth. An increase of 6.3% in the number of schools involved was recorded, to 8,318, compared to the previous school year, which represents more than half of the primary schools in the country. The programme encompassed 275,758 children, an increase of more than 80 thousand children.

Also on the subject of food, Biedronka maintained the cooperation with the vegetables supplier Green Factory, to continue with the Zielona Kraina (Green Earth) programme, in which Instytut Żywności i Żywienia (Polish Institute of Food and Nutrition) takes part. In the 2016/2017 academic year, and in line with the school programmes and eating habits recommended by specialists, 400 free workshops took place (which include preparing meals, games and talks), with nutritionists and cooks. In this academic year, until December, 189 workshops were conducted in 61 schools. During the 2015/2016 and 2016/2017 academic years, Biedronka engaged with more than 13 thousand 4th-year students.

In Portugal, in partnership with ABAE – Associação Bandeira Azul Europa, we cooperated on the Eco-Cooks project, within the scope of the Healthy and Sustainable Food, project, which aims to raise the awareness of students from participating schools on topics such as food, nutrition and sustainable agri-food production.

Within this project, an assessment was made of the preparation of complete menus with local and seasonal ingredients, which could be made in a school environment. The Group provided the financial support to buy the food, for the teams' travel and offered solar ovens to the winners in each school level. Over 200 students participated in the various contests that took place.

Pingo Doce and Biedronka Children's Literature Prizes

Promoting and publicising children's literature has been one of the Group's priorities within the scope of bringing greater democracy to the access to books as a source of knowledge, critical spirit and creativity among younger generations.

Along with the strategy for selling books at prices that are accessible to all household budgets, Pingo Doce and Biedronka have been fostering children's literature competitions, which help new writers and illustrators to gain prominence.

The 4th edition of the Pingo Doce Children's Literature Prize and the 3rd edition of the Piórko Prize, which reward the winners with 50,000 euros to be divided equally between the text and illustration categories and with the opportunity to publish and sell their works, resulted in more than 2,350 and 4,100 entries, respectively. Since their first editions, the cumulative value of the prizes attributed amounts to 350,000 euros and the total number of award-winning books sold amounts to around 69,000 and 115,000 respectively.

8. Being a Benchmark Employer

8.1. Introduction

There are more than 100 thousand people contributing every day towards the sustained growth of the Jerónimo Martins business. We know that the ongoing importance placed on the development of the teams, the focus on professional excellence and the investment in working conditions and on the performance compensation policies are indispensable to reinforce a solid and cohesive culture that puts the employees in first place.

In a context of expansion, continuously attracting talent to meet the Group's growth needs, investing in varying profiles and skills, is a strategic priority, along with creating opportunities for vulnerable people to join the job market.

In 2017, the Group's Companies created 7,970 jobs, which represents a net increase of 8.3% compared to 2016. More than 972 internships in on-the-job training were also provided in the Group's different Companies.

The indicators characterising the Jerónimo Martins team in 2017 were as follows:

- 104,203 people: 68,037 in Poland, 31,713 in Portugal and 4,453 in Colombia;
- 76% women;
- 66% of the management positions are held by women;
- 14% are under 25 years of age; 38% are aged between 25 and 34; 31% between 35 and 44; 13% between 45 and 54; 4% are aged 55 or over;
- 89% are hired on a full-time basis;
- 64% are permanent members of staff.

8.2. Principles and Values

Jerónimo Martins conducts its businesses in accordance with the values and ethical principles that govern its conduct, in a transparent relationship with the various stakeholders with whom it has relations: employees, customers, business partners and investors, among others.

The Code of Conduct embodies the standard of behaviour expected from the employees, regardless of the duties they carry out, and is handed out as part of their training content when they join. Application of the Code is reinforced through the different internal communication channels available.

The Group's Ethics Committee is the body responsible for impartially and independently monitoring the disclosure of and compliance with this document within the organization. It therefore provides an email contact for communicating any queries or incidents related to it, safeguarding the confidentiality of the contacts received. Further information on the Code of Conduct and the Ethics Committee can be found at www.jeronimomartins.com.

8.2.1. Respect for Human and Workers' Rights

The Group complies with national and international legislation of the countries where it operates and applies the guidelines of the United Nations Organization and the International Labour Organization.

The Group's activity is based on the principles of respect and decent treatment of each individual, both during the recruitment and selection processes and regarding professional development and performance appraisals, forbidding any direct or indirect discriminatory practice and fostering a culture of fairness and meritocracy.

Jerónimo Martins is guided by strict compliance with the national legislation of the countries where it does business, namely, with the prior notice periods established by law, regarding changes of an operational nature.

The Group's Companies do not hire under-age employees and the risks arising from child labour and forced labour are duly safeguarded. In the same way, in the countries where the Group operates, the rights of indigenous people are in no way put at risk by the activity of the Companies.

8.2.2 Freedom of Association and Collective Bargaining

The Group also respects freedom of association and collective bargaining, as well as union activity within the terms established in the applicable legislation in each country, as set out in the Code of Conduct.

The collective bargaining agreement negotiated between the parties, only existing in Portugal for the time being, covers more than 90% of the employees in that country.

8.3. Attracting Talent

Aiming to continue investing in its benchmark position as far as talent attraction is concerned, Jerónimo Martins maintained a process for aligning recruitment practices in each of the countries where it is present, investing in attraction programmes and profile diversity.

8.3.1 Recruitment

The Group remained focused on the consistency of the recruitment process in the different businesses, sharing best practices and setting a highly-demanding standard regarding talent acquisition.

The professional network, LinkedIn, continues to be a valuable tool for attracting talent and for the Group's positioning as a benchmark employer (Employment Branding), having launched a new showcase page dedicated to talent programmes for students and new graduates. There was a substantial increase in the number of applicants recruited from this network and in the number of followers of the Group's page, who at the end of the year were around 110,000.

8.3.2 Internal Mobility

Internal mobility is an employee development strategy, enabling new knowledge and/or processes to be shared and transmitted between the origin and destination areas. Following on from the trend in previous years, 43,776 employees changed their current position, workplace or Company within the Jerónimo Martins Group.

The Group also invests in international mobility, with the goal of further developing competencies and addressing the specific needs of the business in an expansion context. A total of 57 employees are in the situation of being expats.

8.3.3 Young Talent Programmes

The Management Trainee Programme, in existence for over 30 years, is the main programme for attracting young talent to the Group, offering a career in the Food Distribution business and the opportunity to acquire competencies and knowledge, through a unique combination of on-the-job experience and a dedicated training programme. 39 trainees were admitted to the Jerónimo Martins Group in 2017.

The Summer Internship Programme also offered 74 students from Portuguese and Polish universities a unique learning experience during the summer holidays. The programme has been enhancing the Group's employment branding, also helping to identify future candidates for the trainee programmes and other recruitment opportunities.

Pursuant to the applicable law, SENA – Servicio Nacional de Aprendizaje stipulated an internship quota aimed to promote the development of skills and employment opportunities for students. Since 2012, Ara has hired 343 interns.

To nurture young talent at the Jerónimo Matins Group and continuing on with the partnership with the University of Aveiro, in Portugal, two scholarship programmes were created for employees' children and for students doing a Master's in Commercial Management in that university. Together, these programmes will provide financial support to 19 students.

8.4. Development and Compensation

It is a strategic priority to identify and plan job succession for existing functions within the Organisation. That is why a partnership has been established with the consultants Korn Ferry International, with a view to create a global approach to mapping internal talent and identify development needs.

Regarding compensation, the Group seeks to follow a competitive policy, in line with the strategy defined in each country.

Given the focus on high standards of performance, Jerónimo Martins wants to acknowledge and compensate its employees for meeting objectives. That is why variable remuneration plays a crucial part in the Group's compensation policies and is the instrument that ensures that the reward policy and the defined meritocracy culture are aligned.

The total amount of bonuses attributed to our employees was 107 million euros and there were 8,774 promotions.

Aware that benefits play an extremely important role in protecting and safeguarding our employees, the Group provides a competitive benefits package in each country when compared to the best practices in the local markets.

In 2017, Jerónimo Martins reviewed and improved its short-term and long-term international mobility policies, thereby fostering the mobility of our internal talent.

8.5. Training

The training strategy remained mainly focused on developing competencies that are essential for the Organisation, through exclusive, tailor-made programmes, complemented by international executive education programmes in partnership with universities. In addition, specific short-term open registration learning solutions were set up.

Within this context, the 5th edition of the Strategic Management Programme took place at Universidade Católica Portuguesa and the Kellogg School of Management, with 38 participants from the three countries, exposing them to innovative management concepts and global trends, thereby also contributing towards consolidating internal networks, team spirit and organisational culture.

In Portugal, the Group implemented the 4th edition of the General Retail Management Programme, in partnership with Universidade Católica Portuguesa, focused on developing the employees' management skills, using development projects to promote a broader vision of the business and innovation to address the specific challenges of the business.

Maintaining the focus on leadership Jerónimo Martins created the “Be a Leader” programme, bringing together various training initiatives which will be implemented in all businesses.

Equally, the employees’ digital and innovation skills were developed through programmes such as the Digital Executive Programme, designed in cooperation with Universidade Nova de Lisboa, the Design Thinking Workshops, and internal knowledge-sharing sessions.

In Portugal, the Jerónimo Martins Training School remained focused on developing the employees’ management and leadership skills, where of particular note, among others, the General and Advanced Store Management programmes and the General and Advanced Section Management programmes in Pingo Doce and Recheio Companies.

Reflecting the Group’s investment in the excellent quality of its Perishables, the Group reinforced the training programmes in line with operational needs. In this context, Pingo Doce continued to invest in building training programmes on Perishables both directly through the Training School, and in partnership with the Portuguese Navy, at Escola de Tecnologias Navais do Alfeite (Alfeite School of Naval Technologies), in the area of Bakery and Meal Solutions.

In Poland, training continued to be given in the strategic area of Perishables, focusing on the categories of Fruit, Vegetables, Flowers, Bakery, Butchery and Fishery.

The Biedronka Management Academy continued with the training programmes for managers and deputy store managers, having revised its programme and seeking to develop skills related to leadership and leading teams, and focus on achieving goals.

The 3rd edition of the General Management Programme for managers and senior managers, in partnership with the Kozminsky University, aimed to further the knowledge in the areas of Leadership, Management, Finance, Logistics and Marketing.

The e-learning platform, “Biedronka Virtual School”, reached more than 2,700 employees, enabling them to have contact with training content in their own workplace.

In Colombia, it is worth highlighting the partnership with CESA – Colegio de Estudios Superiores de Administración to develop the Retail Management Programme, aiming to further the knowledge of the business and a greater awareness of Ara's future challenges. Of particular note also was the reinforcement of the internal trainers’ competencies through a training of trainer’s programme.

Ara developed a variety of training as well adapted to the needs of the business, such as marketing, employer branding, category management, quality, recruitment, legal and e-commerce, among others.

In 2017, the overall effort of investing in training resulted in an increase of 17% in the training volume compared to the previous year, which means a total of 63,478 training sessions held. A better management of the training initiatives resulted in a larger volume of training, even with less sessions held.

Training Indicators	2017	2016	Δ 2017/2016
Total No. of Sessions	63,478	67,063	-5%
Training Volume *	4,630,703	3,954,810	+17%

* Training volume = No. training hours x No. employees in training

8.6. Programmes for Inclusion in the Job Market

Portugal has been the pioneer country within the Group in terms of implementation of projects concerning social inclusion and employability established with different partners in three essential areas of intervention: disability, situation of particular social vulnerability, and migrants and refugees. In 2017, 70 people were trained in practical work context, some of which led to people being hired by Pingo Doce or Recheio Companies.

As an example, highlight goes to the partnerships with JRS – Serviço Jesuíta aos Refugiados (Jesuit Refugee Service), Arco Maior, Casa Pia de Lisboa, Vale de Acór, Academia do Johnson, Cercica (Cooperative for the Education and Rehabilitation of Maladjusted Citizens of Cascais), Focus CRL, APSA (Portuguese Association of Asperger Syndrome) or BIPP – Banco de Informação de Pais para Pais (Parent to Parent Information Bank).

8.7 Health and Safety in the Workplace

The Group is concerned for the welfare of its employees, providing safe infrastructures and equipment, and promotes safety campaigns based on reinforcing a culture of preventing behaviour associated with the risk of workplace accidents and occupational diseases.

In Portugal, under the motto "Safety or Consequence", the Health and Safety in the Workplace campaign was launched, linked to the topic of load handling. This campaign was based on three pillars: training, awareness-raising and promoting the topic among the teams. The Safety Delegates, employees who are entrusted with the special responsibilities of training their colleagues and raising their awareness on the importance of adopting best practices, were the Ambassadors of this campaign.

Other activities were also carried out in order to achieve improvements to the employees' health and safety, notably sessions for assessing psycho-social risks, ergonomic risks, as well as training sessions, emergency drills, and listening to the employees on the topics of safety.
Besides the health monitoring medical exams, we performed various kinds of check-ups, with the objective of warning about the importance of preventative care and for publicising healthy lifestyles.

Endeavouring to have an integrated and optimized system for health at work, the JM Care IT platform was launched, with a view to managing the medical exams, performing audits on the workstations and managing the programmes for promoting health at work.

In Poland, the Group reduced the frequency and severity of workplace accidents, which was a reflection of the programme that was implemented for preventing the most common causes of workplace accidents, called "3 Areas of Particular Hazard": moving within the store, operating a trolley and using a knife.

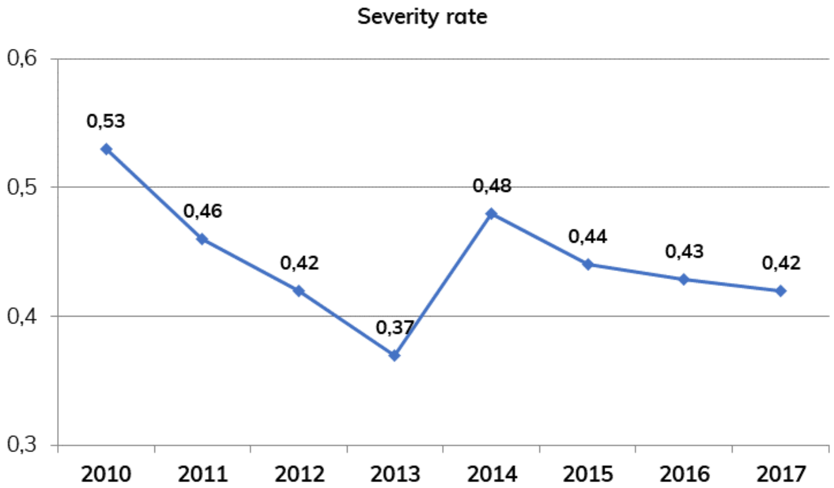
Biedronka's certification according to the OHSAS 18001 Standard for Occupational Health and Safety Management System, by Det Norske Veritas, making the banner the only retailer in the Polish market to have this distinction and confirming the Group's operations' high degree of safety through external audits.

In 2017, Jerónimo Martins decided to award the stores who showed a special interest in the topics related to a culture of safety and employee engagement.

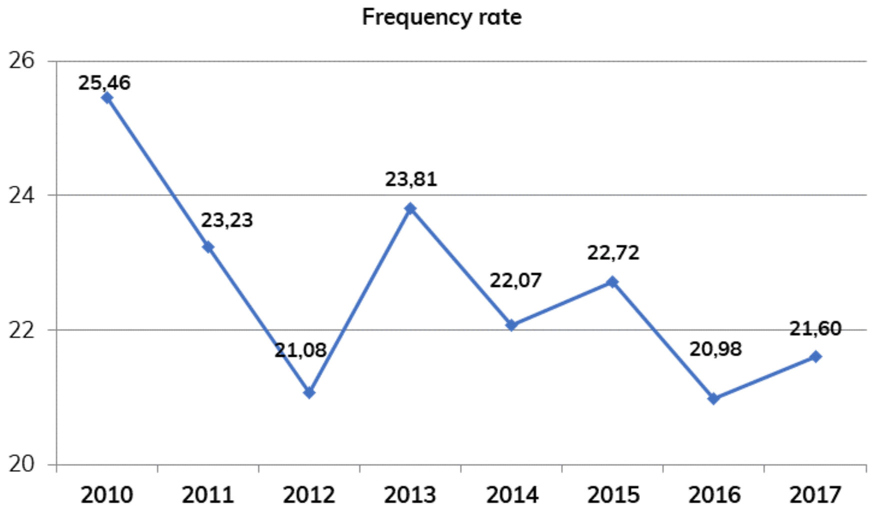
The Group organized the "Nationwide First Aid Competitions" for rescue teams in partnership with the State Fire Service, besides the regular training initiatives, information and documentation, among others.

In Colombia, training and information in the operational areas was reinforced, having recorded a decrease in the severity rate.

Aggregate Health and Safety Indicators



Severity Rate = (Total lost days as a result of accidents occurring in the workplace with lost and accepted days by the insurance company / Total Working Hours) x 10^3



Frequency Rate = (Total No. of Accidents occurring in the workplace with lost and accepted days by the insurance company + No. of Deaths occurring in the workplace) / Total Working Hours * 10^6

Scope	Training Hours	Emergency Drills	Audits
Portugal	16,230	227	687
Poland	33,940	1,972	837
Colombia	11,899	215	438

Additionally, in 2017, the Group carried out 27,666 health exams in Portugal, 78,548 in Poland and 4,592 in Colombia, within the scope of the legal provisions regarding health at work.

8.8. Internal Social Responsibility

Internal Social Responsibility, reflected in the support for our employees and their families, is an integral part of the Group's strategy. With activities in the specific areas of Health, Education and

Family Well-Being, the different programmes implemented in Portugal and Poland have enabled to reinforce the support for the Jerónimo Martins most important asset: people.

In Poland, a substantial part of the amount invested in these programs is supported by the Social Fund, in compliance with the legal provisions in force.

8.8.1 Health

Health continues to be one of the areas receiving the greatest investment, as programmes are developed that fill the gaps in the response from the National Health Services in Portugal and in Poland. In 2017, the Group invested over 1.8 million euros in this pillar.

In Portugal, the "SOS Dentista" (SOS Dentist) programme, has the objective to support employees with oral health problems and who do not have the financial capacity to bear the total costs of their dental treatment. Three editions have already been launched, encompassing more than 2,865 employees. In 2017, 818 employees completed their treatment. The "SOS Dentista Júnior" (SOS Junior Dentist) programme enabled 99 employees' children aged between 7 and 17, to conclude their treatment.

Through the "Famílias Especiais" (Special Families) programme, we supported 41 children. This programme aims to offer complementary therapies (hydrotherapy and riding therapy), home therapies (physiotherapy, speech therapy and occupational therapy) and support for the carer to families with children and young people with special needs.

The objective of the "Mais Vida" (More Life) programme, developed in partnership with the Champalimaud Foundation and the Portuguese Red Cross, is to guarantee a response to cases of cancer. In 2017, 41 people were included within the scope of this programme.

In Poland, with the "Razem Zadbajmy o Zdrowie" (Let's take care of health together) programme, employees were invited to carry out free medical exams, along with an educational programme and various activities related to health and fitness, such as running and cycling competitions. In 2017, 2,841 employees benefited from this programme.

The "Mali Bohaterowie" (Little Heroes) programme is for employees in Poland whose children suffer from health problems. It is possible to request subsidies that are for medical services, purchasing medicines, personal care products or rehabilitation equipment. This programme is aimed to support children with severe health problems and physical disabilities, allowing them also to participate in rehabilitation/integration camps. This year, 191 children took part in the programme.

The "Multisport Card" is an initiative that runs throughout the entire year. Through the offer of a prepaid card, employees have access to sports and leisure activities in a network of over 3,500 facilities across Poland. This is an initiative that promotes employees' health and fitness. In 2017, 9,116 employees benefited from this programme.

The "Wracaj do Zdrowia" (Get Well Soon) programme was launched in 2017, aiming to provide financial support to employees who are recovering from serious, chronic and life-threatening illnesses. In the programme's first year, 53 employees were supported.

8.8.2 Education

Education continues to be one of the Jerónimo Martins' strategic pillars. As such, investment in programmes that aim to make a difference in employees' lives has continued, with about 1.4 million euros allocated to this in 2017.

In Portugal, the "Bolsas de Estudo" (Scholarships) programme provides financial support in pursuing studies and completing an academic degree. The 100 scholarships granted every year are for employees' children, employees enrolling for the first time and those who are already attending a higher education course and have not received State support. Since its launch in 2012, the Group attributed 427 scholarships, 95 of which in 2017.

The "Regresso às Aulas" (Back-to-School) programme incorporates various initiatives. Besides offering a School Kit to children who are starting primary school, it includes discounts on the purchase of school books, free school books for large families with low incomes, special conditions for purchasing a computer and a 5-euro voucher to spend in school materials. This year, 827 children received their School Kit.

Over 1,500 children participated in the "Summer Camps", where the activities are adapted to the participants' age (and includes the participation of children with special needs), addressing topics such as sport, education, arts and culture. Besides the residential and non-residential schemes, there was also an "Adventure in England", an experience that includes an English course and touristic and cultural excursions in that country.

In Poland, the "Do Szkoły z Biedronką" (Back to School with Biedronka) programme helped employees' children in the first year of schooling, offering school materials. In 2017, 760 children benefited from the programme. This programme also supports low-income families through a pre-paid card, which the amount of funding is calculated based on the employee socio-economic situation. 4,826 families had access to this benefit in 2017.

The "Summer Camps" programme is designed to offer educational activities to help develop children's creativity and interests. It is intended for employees' children (between the ages of 8 and 12) with low household income. In 2017, 1,142 children participated. The "Hello Biedronka" programme, a Summer camp that lasts for two weeks, is aimed at adolescents (between 14 and 17 years old) allowing the attendance of English lessons. This year, 160 young people took part in this programme.

8.8.3 Family Well-Being

In Portugal, the "Fundo de Emergência Social" (Social Emergency Fund) aims to support employees who have proven economic needs or are at risk from a social or family point of view. The work carried out with the employees and their families is supported by social workers who ensure an effective, rapid and professional response.

This support is divided into five areas: food, health, education, legal advice and financial guidance. This year the Group supported 706 employees, representing an investment of over 570,000 euros.

Similarly, in Poland, the "Możesz liczyć na Biedronkę" (You can count on Biedronka) programme is for employees and their families who are in a vulnerable situation. In 2017, 5,446 employees received financial support.

The "Biedronka dla Seniora" (Biedronka for Pensioners) programme is for retired employees who are undergoing financial difficulties due to having no professional activity. In 2017, 37 ex-employees received support.

The initiatives carried out on Children's Day and at Christmas are implemented in Portugal and in Poland and are meant to celebrate special moments to employees. In both countries, 124,573 gifts were distributed. 5,373 Baby Kits were also offered to employees who became parents, seeking to alleviate some of the regular expenses in the first days of their children's lives.

In 2017, the Group invested around 15.5 million euros in the Family Well-Being pillar.

8.9. Retaining and Engaging Employees

The Group is committed to regularly consult its employees, as a way to leverage their participation, engagement and commitment to the Company. That will be the barometer for evaluating the success of the Group's policies and for identifying the topics that should be addressed.

Therefore, a global approach to this consultation was built, entailing, in each geography, two different moments: the Global Survey, applied every other year to all the Group's Companies, and the Pulse Survey, aimed at listening to a representative sample of employees annually.

In addition, the internal communication strategy is a valuable tool in aligning organizational culture, principles and values, as well as sharing initiatives, enhancing employees' pride of belonging to the Organisation.

The Omni-channel strategy and the reinforcement of the digital internal communication has enabled us to reach an increasing number of employees, regardless of their place of work or their position, ensuring that they are informed and engaged with the challenges of the business.

One year after the launch of the Intranet platform "Our JM", communication has been processed and consolidated so that the employees may gain greater knowledge of the different Group's Companies, their mission and pillars of action, as well as access to content of specific interest to each country.

In Portugal and Poland, and also in Colombia as from 2018, the Employee Assistance Services make it possible to clarify any work-related issues or to receive requests for social support, ensuring that such contacts are handled in accordance with the assurance of confidentiality. These services aim to reinforce the close relationship and trust with employees.

	Employee Assistance Service	
	No. of Contacts/Procedures Initiated	% of Procedures Concluded
Portugal	18,418	98%
Poland	5,087	94%

In Colombia, the Comité de Convivencia Laboral (Committee for Labour Coexistence) is in place, in accordance with the applicable legislation, aimed at receiving and resolving employees' complaints, including cases of alleged or possible discrimination.

The year will also be noted for the launch of the Workplace Going Digital, a strategic project whose objective is to begin transforming the Group's work processes, supplying the necessary digital tools for the change, which is aimed to promote greater cooperation and communication, resulting in gains in efficiency and productivity.

9. Commitments for 2015-2017

Action pillars	Commitments for 2015-2017	Progress
Promoting Good Health through Food	Further improve the nutritional profile of both the Private Brand products, through product innovation and reformulation, and in the Meal Solutions meals.	**Achieved.** Between 2015 and 2017, the Group avoided the following from entering the market: ▪ 988 tons of fat, including saturated fat; ▪ 525 tons of sugar; ▪ 164 tons of salt.
	Continue to develop programmes promoting the Mediterranean Diet and awareness for reading food labels amongst consumers.	**Achieved.** In Portugal, Pingo Doce maintained its commitment to the magazine "Sabe Bem" (Tastes Good) with an average print run of 150 thousand copies, highlighting healthier ways of preparing products and the offer of the Pingo Doce brand. In Poland, within the scope of promoting information about nutrition, in conjunction with Instytut Żywności i Żywienia (Polish Institute of Food and Nutrition), Biedronka developed the “Wiesz Co Jesz” (Know What You're Eating) and the “Codziennie Bądź w Formie” (In Shape Everyday) campaigns, whereby it provided a special telephone line to advise consumers on making healthier nutritional choices and reading products’ labels.
	Increase the number of references of the lactose-free and gluten-free range, in Private Brand products in Portugal and Poland.	**Achieved.** Between 2015-2017, 77 products without gluten or lactose-free were launched. In this period, another 48 products from Pingo Doce’ Pura Vida range were launched. This range is intended for consumers with special/nutritional preferences, having products such as sugar, gluten or lactose free.
	In Portugal, ensure that products intended for children have a higher nutritional profile than the market benchmark.	**Achieved.** In this period, products such as Farinha Láctea Pêra Pingo Doce was launched for babies from the age of four months, which is gluten-free and contains transition milk. It has a 9 p.p lower sugar content than the benchmark. As for the Pingo Doce Bolsas de Fruta, these products are made from fruit puree, standing out from the benchmark which uses concentrate. In turn, Bebidas de Soja Kids contain vitamins B1, E, D or iodine, differentiating from the benchmarks.
	In Portugal, develop and implement nutritional information in the Meal Solutions area.	**Achieved.** Within the scope of adapting to national and community regulations, the Meals Solutions’ meals were labelled with information on their nutritional profiles, and are available for consultation at the customer's request, and communication materials were also developed in the service areas in order to publicise the legally required aspects concerning allergens.
	In Portugal, in the Meal Solutions area, test meals for consumers with special dietary requirements or those who seek other dietary options.	**Achieved.** During 2016, the offer of meals for vegetarians or consumers seeking healthier options increased from seven references to 12. Every week three of these kinds of dishes were available in the Pingo Doce Restaurants and Take Away.
	In Portugal, continue to develop and implement nutritional information in the Bakery.	**Achieved.** Within the scope of adapting to national and community regulations on nutrition profiles and communication of allergens, Pingo Doce labelled its pre-packed Bakery and Pastry products and those packed on request by the customers, with the necessary information.
Respecting the Environment	Reduce the Group’s carbon footprint by 2% in the 2015- 2017 three-year period (per €1,000 of sales), compared to 2014.	**Achieved.** In 2017, the Group's carbon footprint reduced by 13.6% (per €1,000 of sales), compared to 2014.
	Make an annual reduction in the consumption of water and electricity of 2% per year (comparing the same store network in Portugal and Poland).	**Partially achieved.** LFL reductions for the three years were, on average, above 2%: 2017 – Water: -9.4%; Eletricity: -3.1%. 2016 – Water: -1.9%; Eletricity: -1.2%. 2015 – Water: -1.7%; Eletricity: -2.5%. 2015 and 2016 values were reviewed in order to also reflect sales evolution.
	Reduce the amount of waste sent to landfill by 5 p.p. in the 2015-2017 three-year period, compared to 2014 (objective measured using the ratio amount of waste recovered / total	**Not achieved.** In 2017, the recovery rate increased by 2.2 p.p., compared to 2014.

Action pillars	Commitments for 2015-2017	Progress
	amount of waste).	
	Increase the number of locations with environmental certification (at least 20).	**Not achieved.** At the end of 2017, 19 DC were environmentally certified according to ISO 14001. The number of DC in Portugal with this certification remained at four, given that the Guardeiras DC was closed. In Poland there are now 15 DC with the same environmental certification. The 16th Biedronka DC, inaugurated at the end of 2017, is now being prepared to be included in the scope of certification.
Sourcing Responsibly	In all brands, ensure continuity of the sourcing of at least 80% of food products from local suppliers.	**Partially achieved.** In 2017, all Food Distribution Companies, with the exception of Pingo Doce (77%), in Portugal, Poland and Colombia fulfilled this commitment, buying more than 80% of food products from local suppliers. As a whole, the food purchases of the Group's food distribution companies were over 89%.
	Continue to introduce sustainability certificates (UTZ certification, Fairtrade, MSC, EU-Ecolabel or others) for at least: • Private Brand (two products); • Perishables (four products).	**Achieved.** In 2017 the Group launched: ▪ 15 Marine Stewardship Council (MSC) certified references (Biedronka); ▪ 13 references with organic certification in Poland, 11 in the Fruit & Vegetables category and 2 Private Brand references (Biedronka); ▪ 13 references with Forest Stewardship Council (FSC) certification regarding primary product packaging (Pingo Doce); ▪ 13 references with UTZ certified cocoa as an ingredient; (Biedronka); ▪ 3 Dolphin Safe references in Portugal (Recheio); ▪ 2 beverage references containing coffee or tea with “Rainforest Alliance” certification (Biedronka); ▪ 1 PEFC certified reference for the paper fibres present in the product (Biedronka).
	Reduce by 5% the presence of palm oil in the total sales of Private Brand products.	**Achieved**. There was a 38% reduction of palm oil in Private Brand products and Perishables in 2017, compared to 2014. This reduction is essentially a result of a substitution of food oils with a better nutritional profile.
	Reduce by 5% soya, beef, wood and paper products from countries at risk of deforestation.	**Not achieved.** In 2017, there was a 41% reduction, compared to 2014, in paper and wood products from countries at risk of deforestation and an increase in soya and beef from countries at risk of deforestation. For more details on the Group's actions, including progress in 2017, information will be available at www.jeronimomartins.com and at www.cdp.net throughout 2018.
Supporting Surrounding Communities	Monitoring and disclosure of the social impacts resulting from the support offered, according to the LBG (London Benchmarking Group) model.	**Achieved.** The results for these years were disclosed by the Group at www.jeronimomartins.com and for 2017 they were also included at present Chapter.
	In Portugal, start at least one project of community investment per year, aimed at children, young people or older people from vulnerable environments.	**Partially achieved.** In 2016 and 2017, support to the community project Academia do Johnson (Johnson's Academy) was maintained, which commenced in 2015. The partnership with the Pão a Pão – Associação para a Integração de Refugiados do Médio Oriente (Association for the Integration of Middle East Refugees) was established aiming at giving opportunities for inclusion and employability to Syrian refugees.
	In Poland, strengthen the involvement in social projects, focused on children, young people and older people from vulnerable environments.	**Accomplished.** Various social projects were continued, including “Hope for the Euro", that aims to contribute towards the development of institutionalized children from families with economic difficulties. Biedronka continued to participate in two projects on the Partnership for Health platform: “Milk Start” and “Breakfast Gives You Strength”. Additionally, the Zielona Kraina (Green Land) project for fostering healthy eating in

Action pillars	Commitments for 2015-2017	Progress
		schools was launched.
	In Poland, further develop the programme to combat child malnutrition, under the project Partnerstwo dla Zdrowia (Partnership for Health): - increase the number of schools by at least 5% in each academic year.	**Achieved.** On this multi-stakeholder platform, the number of schools involved in 2017 increased by 6.3% compared to the previous academic year, reaching 8,318, which is the equivalent of more than half of the country's primary schools. The programme encompassed 275,758 children, an increase of over 80 thousand children since 2016.
	In Colombia, continue to support the programme Madres Comunitarias (Community Mothers), supporting two community nurseries, for each Ara store opened.	**Not accomplished.** Support through the regular provision of foodstuffs to 262 community nurseries was maintained, the same number as in 2015, despite the expansion of the Ara stores, due to the programme having been redefined at a government level. Between 2014 and 2016, the partnership between Ara and the ICBF enrolled 3,668 children. 14,750 food baskets were offered during this period amounting to over 179 thousand euros, the equivalent to over 220 tonnes of food offered.
	In Colombia, extend the involvement in social projects such as Aldeas Infantiles SOS Colombia (SOS Children's Villages) and Abaco - Asociación de Bancos de Alimentos de Colombia (Colombian Association of Food Banks) for the donation foodstuffs.	**Achieved.** The support to Aldeas Infantiles SOS Colombia programme has been widened to the regions where Ara is expanding. Being an indirect support by rounding up the value of customers' purchases for this cause, which has exceeded 169 thousand euros in this period, an important support to children and youngsters. The support to Abaco – Asociación de Bancos de Alimentos de Colombia resulted in the donation of over 352 thousand euros in food surplus during these three years, estimated to have reached a monthly average of 590 people in 2017.
Being a Benchmark Employer	Following the commitments made for the previous three year period and with the continued tough and very challenging economic environment for the employees' families, particularly in Portugal and in Poland, the strategic focus will remain on: i. continuously improving the employees' working conditions; ii. supporting the quality of life of our families in the different geographical areas in which we operate.	**Achieved.** In Portugal, the "SOS Dentist Junior" programme was launched in 2016, aiming at supporting worker's children with ages between 7 and 17. In 2017, 99 children conclude their dental treatment. The "Mais Vida" programme was also extended to the entire country of Portugal, focusing on giving support to families of people with cancer. In this period, other social programmes were maintained to aid workers in a vulnerability situation such as "Mali Bohaterowie" (Little Heroes), focusing at workers in Poland whose children suffer from health problems. Subsidies can be requested to support medical services, medicines, personal care products or rehab equipment, and 191 children were enrolled in 2017. In Portugal, the Social Emergency Fund has been available since 2011 and has supported 706 employees, in 2017.

10. Commitments for 2018-2020

Action pillars	Commitments for 2018-2020
Promoting Good Health through Food	Further improve the nutritional profile of the Private Brand products, through product innovation and reformulation, and in the Meal Solutions meals.
	Continue to develop programmes promoting the Mediterranean Diet and healthy nutritional habits based on recommendations by local experts, and those raising consumer awareness about reading food labels.
	Increase the number of references of the lactose-free and gluten-free range by 5% per year compared to 2017, in Private Brand products in Portugal and Poland.
	In Portugal and in Poland, develop food solutions without any animal protein, aimed at consumers with specific dietary needs/preferences.
	In Portugal and in Poland, ensure that products intended for children have a higher nutritional profile than the benchmark.
	In all the countries, continue analysing Private Brand products as to their raw materials, using external laboratories, ensuring their authenticity and fighting food fraud.
	In all the countries, ensure the use of voluntary "Non-GMO" labelling for all references that could contain genetically modified ingredients.
	In all countries, facilitate responsible consumption through voluntary labelling with regard to nutritional aspects and alcohol information.
	In all the countries, make it easier for consumers to manage food products' expiry dates and tackle food waste, by adopting only one expiry date on the product labels, whenever possible vis-à-vis legal requirements.
Respecting the Environment	Reduce the Group's carbon footprint by 5% in the 2018-2020 three-year period (per €1,000 of sales), compared to 2017.
	Reduce water consumption annually by 2% (per € 1,000 of sales).
	Reduce electricity consumption annually by 2% (per € 1,000 of sales).
	Reduce the quantity of waste sent to landfill by 5 p.p. during the 2018-2020 three-year period, compared to 2017.
	Complete at least 20 ecodesign projects for Private Brand product packaging every year.
	Reduce the Group's food waste by 10% during the 2018-2020 three-year period, compared to 2016.
	Increase the number of locations with environmental certification (at least 25).
Sourcing Responsibly	Guarantee that 80% of the Jerónimo Martins Group's purchases of food products, are sourced from local suppliers.
	Continue introducing sustainability certificates (e.g. UTZ, Fairtrade, MSC, ASC, RSPO, EU Ecolabel, EU Organic Label, etc.) for at least 10 Private Brand products and Perishables.
	Contribute towards achieving the Zero Net Deforestation goal by 2020, as defined by the Consumer Goods Forum, namely through active management of palm oil, soya, beef, and wood and paper.
	Carry out at least 50 environmental audits every year on suppliers of Private Brand and Perishables.
	Carry out at least 40 environmental audits every year on service providers.
Supporting Surrounding Communities	Monitoring and disclosure of the social impacts resulting from the support offered, according to the LBG (London Benchmarking Group) model.
	In Portugal, start at least one project of community investment per year, aimed at children, young people or older people from vulnerable environments.
	In Poland, strengthen the involvement in social projects, focused on children, young people and older people from vulnerable environments.
	In Poland, expand the programme for direct food donations from the stores to local non-governmental organizations. Reach 1,500 stores by 2020.
	In conjunction with Caritas Polska, launch a programme supporting vulnerable senior citizens, hoping to have an impact on at least 4,000 people every year.
	In Colombia, maintain the involvement in social projects such as Aldeas Infantiles SOS Colombia (SOS Children's Villages), and Abaco - Asociación de Bancos de Alimentos de Colombia (Colombian Association of Food Banks) for the donation foodstuffs.

Action pillars	Commitments for 2018-2020
Being a Benchmark Employer	Continuous improvement to the quality of life of our employees, through internal social responsibility programmes in all the countries where we are present.
	Continuous reinforcement of the training and information programmes concerning the Code of Conduct, aimed at all the Organization's employees, regardless of their place of work or position, promoting its full compliance.
	Foster diversity in talent attraction.

11. Table of Indicators

The following table of indicators is based on the methodology of the Global Reporting Initiative G4 Index.

No.	Description	Evidence	United Nations Global Compact Principles / Sustainable Development Goals
G4-1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	Refer to "Message from the Chairman".	---
G4-2	Description of key impacts, risks, and opportunities.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section C "Internal Organisation".	---
G4-3	Name of the organization.	Jerónimo Martins, SGPS, S.A.	---
G4-4	Primary brands, products, and services.	Refer to Chapter I. "The Jerónimo Martins Group".	---
G4-5	Location of the organization's headquarters.	Rua Actor António Silva n. º 7 1649-033 Lisboa	---
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Refer to Chapter I. "The Jerónimo Martins Group".	---
G4-7	Nature of ownership and legal form.		---
G4-8	Markets served.		---
G4-9	Scale of the organization.	Refer to Chapter I. "The Jerónimo Martins Group".	---
G4-10	Total workforce.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer".	---
G4-11	Employees covered by collective bargaining agreements.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer".	Principle 3 | 10
G4-12	Description of the organization's supply chain.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 1. "Our Approach".	---
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	Non-applicable.	---
G4-14	Precautionary approach or principle of the organization.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section C. "Internal Organisation", subsection III – Internal Control and Risk Management and Chapter V. "Corporate Responsibility in Value Creation".	---
G4-15	Initiatives to which the organization subscribes or which it endorses.	See channel "About Us", page "Organisations to Which We Belong" and channel "Responsibility", page "Our Responsibility Strategy", subpage "Stakeholder Engagement" on the website http://www.jeronimomartins.com/en.	---
G4-16	Memberships of associations and national or international advocacy organizations.		---
G4-17	Entities included in the organization's consolidated financial statements or equivalent documents.	Refer to Chapter I. "The Jerónimo Martins Group" and Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance.	---
G4-18	Process for defining the report content and the Aspect Boundaries.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 2. Stakeholders Engagement".	12
G4-19	Material Aspects identified in the process for defining report content.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 1. "Our Approach" and subchapter 2. "Stakeholders Engagement".	12
G4-20	Aspect Boundary within the organization for each material Aspect.	Chapter V. "Corporate Responsibility in Value Creation" demonstrates the Group's progress concerning the identified material aspects, representing more than 99% of the Group's turnover.	12
G4-21	Aspect Boundary outside the organization for each material Aspect.		
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Non-applicable.	---

No.	Description	Evidence	United Nations Global Compact Principles / Sustainable Development Goals
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	Non-applicable.	---
G4-24	List of stakeholder groups engaged by the organization.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 1. "Our Approach" and subchapter 2. Stakeholders Engagement". See channel "Responsibility", page "Our Responsibility Strategy", subpage "Stakeholder Engagement" on the website http://www.jeronimomartins.com/en.	16
G4-25	Basis for identification and selection of stakeholders with whom to engage.		
G4-26	Organization's approach to stakeholder engagement.		
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns.		
G4-28	Reporting period for information provided.	This Jerónimo Martins Group's Annual Report covers the activities carried out between January 1st and December 31st 2017.	12
G4-29	Date of most recent previous report.	The previous Jerónimo Martins Group's Annual Report referred to 2016.	12
G4-30	Reporting cycle (such as annual, biennial).	The Corporate Responsibility Report (included in the Annual Report) has an annually periodicity.	12
G4-31	Contact point for questions regarding the report or its contents.	comunicacao@jeronimo-martins.com	12
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report.	The information contained and marked in this table has been verified by an external third part – PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.	12
G4-34	Governance structure of the organization.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance.	16
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, sections A and B.	16
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, sections A and B.	16
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 2. "Stakeholders Engagement".	16
G4-38	Composition of the highest governance body and its committees.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, sections A and B.	16
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section A.	16
G4-40	Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, sections A and B.	16
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed.	See channel "Responsibility", page "Corporate Responsibility Publications" to consult the Code of Conduct and Code of Conduct for Suppliers on the website http://www.jeronimomartins.com/en. See channel "Investors", page "Corporate Governance", subpage "Specialised Committees" on the website http://www.jeronimomartins.com/en.	16
G4-42	Highest governance body's and senior executives' roles.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, sections	16

No.	Description		Evidence	United Nations Global Compact Principles / Sustainable Development Goals
			A, B and C.	
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.		The Group carries out activities (e.g. Sustainability Conference, internal newsletters and progress reports) that enable its management bodies to become more aware of sustainability topics. Refer to Chapter V. "Corporate Responsibility in Value Creation".	16
G4-44	Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics.		Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section D.	16
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.		Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section C.	16
G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.		Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section C.	16
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.		Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section C.	16
G4-48	Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.		The approval of the Corporate Responsibility Report, included in the Annual Report, is a responsibility of the Shareholders' General Meeting.	16
G4-49	Process for communicating critical concerns to the highest governance body.		Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance.	16
G4-51	Remuneration policies for the highest governance body and senior executives.		Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section D.	Principle 6 | 8
G4-52	Process for determining remuneration.		Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section D.	Principle 6 | 8
G4-53	How stakeholders' views are sought and taken into account regarding remuneration.		Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section D.	8
G4-56	Organization's values, principles, standards and norms of behavior.		See channel "Responsibility", page "Corporate Responsibility Publications" to consult the Code of Conduct and Code of Conduct for Suppliers on the website http://www.jeronimomartins.com/en. See channel "Investors", page "Corporate Governance", subpage "Specialised Committees" on the website http://www.jeronimomartins.com/en.	Principle 2
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity.			Principle 10| 16
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity.			
G4-EC1	Direct economic value generated and distributed.		Refer to Chapter III. "Consolidated Financial Statements" and indicator G4-EC7.	8
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.		Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section C. "Internal Organisation".	13
G4-EC3	Coverage of the organization's defined benefit plan obligations.		Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section D. Refer to Chapter III. "Consolidated Financial Statements".	---
G4-EC4	Financial assistance received from government.		The Jerónimo Martins Group didn't receive any financial assistance from the Portuguese, Polish or Colombian governments during 2017.	16
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	✔	82% of employees with senior positions are hired locally.	Principle 6 | 10
G4-EC7	Development and impact of infrastructure investments and services supported.	✔	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 7. "Supporting Surrounding Communities", section 7.2. "Managing the Policy". See channel "Responsibility", page "Supporting	2

No.	Description	Evidence	United Nations Global Compact Principles / Sustainable Development Goals
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	Surrounding Communities" on the website www.jeronimomartins.com/en.	
G4-EC9	Proportion of spending on local suppliers at significant locations of operation. ✓	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 6. "Sourcing Responsibly".	8 | 10
G4-EN1	Materials used by weight or volume.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.5. "Main Consumption of Materials".	Principle 7 | 12
G4-EN2	Percentage of materials used that are recycled input materials.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.5. "Main Consumption of Materials".	---
G4-EN3	Energy consumption within the organization. ✓	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change".	Principle 7 | 7
G4-EN4	Energy consumption outside of the organization.	This indicator is disclosed as CO_2e concerning the calculation of the Group's Carbon Footprint - scope 3 emissions. Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change". It includes flight travel fuel consumption, energy consumed by franchised stores and fuel consumed transporting goods between Distribution Centres and stores.	Principle 7 | 7
G4-EN5	Energy intensity.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change".	
G4-EN6	Reduction of energy consumption.		Principle 7 | 7
G4-EN7	Reductions in energy requirements of products and services.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change" and section 5.4 "Waste Management".	
G4-EN8	Total water withdrawal by source. ✓	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change".	Principle 7 | 6
G4-EN9	Water sources significantly affected by withdrawal of water.	Non-applicable. More than 93% of the total water consumed by the Group comes from the municipal network. Regarding less demanding operations in terms of water quality (e.g. irrigation and cooling systems), the Group holds the necessary licenses.	6
G4-EN10	Percentage and total volume of water recycled and reused.	Less than 1%.	Principle 7 | 6
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas.	The Jerónimo Martins Group infrastructures comply with legal requirements concerning environmental matters and are built within the urban network. Particularly regarding Agribusiness, the Group owns some properties close to the National Ecological Network, collaborating with governmental entities to ensure its conservation.	14 | 15
G4-EN12	Description of significant impacts of activities, products, and services on protected areas.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.2. "Biodiversity".	Principle 7 | 14 | 15
G4-EN13	Habitats protected or restored.	Non-applicable to the Group's activities in 2017. Nevertheless, the Group collaborates with a number of habitat and ecosystem conservation initiatives such as WWF, Green Heart of Cork and LPN Eco-Locais.	
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.2. "Biodiversity" and subchapter 6. "Sourcing Responsibly", section 6.4. "Commitment: Promotion of More Sustainable Production Practices".	
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1). ✓	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change".	Principle 7 | 13
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2). ✓		
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3). ✓		
G4-EN18	Greenhouse gas (GHG) emissions intensity. ✓		
G4-EN19	Reduction of greenhouse gas (GHG) emissions[30]. ✓		
G4-EN20	Emissions of ozone-depleting substances (ODS).	In 2017, an emission of 6.55 kg of CFC-11 eq., associated to the use of gases R22 and R141b, was verified in air conditioning equipment in Colombia, which is part of the fixed assets of the acquired stores. These	13

[30] Verification focused solely on the reduction of greenhouse gas emissions achieved.

No.	Description	Evidence	United Nations Global Compact Principles / Sustainable Development Goals
		represent about 0.8% of the total of this type of equipment used in the Group’s Companies.	
G4-EN21	NOx, SOx, and other significant air emissions.	This aspect is not material. Small quantities are emitted from fossil fuels combustion (use of on-site fuel for equipment operation, emergency and heating generators and light fleet vehicle companies).	
G4-EN22	Total water discharge by quality and destination.	Refer to Chapter V. “Corporate Responsibility in Value Creation”, subchapter 5. “Respecting the Environment”, section 5.4. "Waste Management".	
G4-EN23	Total weight of waste by type and disposal method.		Principle 7| 15
G4-EN24	Total number and volume of significant spills.	In 2017, there were no spills with significant environmental impacts.	15
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	This aspect is not material. None of the transactions referred are assured by the Jerónimo Martins Group's companies.	
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization’s discharges of water and runoff.	This aspect is not material. It has a residual expression in the Group’s activities (less than 3%). See Chapter V. "Corporate Responsibility in Creating Value"; subchapter 5. "Respect the environment", section 5.3. "Climate change".	14
G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	Refer to Chapter V. “Corporate Responsibility in Value Creation”, subchapter 6. “Sourcing Responsibly”, section 6.4. "Commitment: Promotion of More Sustainable Production Practices".	Principle 7 | 14
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category.	This aspect is not material. Nevertheless, the Group promotes the collection of customer waste in its stores for recovery. Refer to Chapter V. “Corporate Responsibility in Value Creation”, subchapter 5. “Respecting the Environment”, section 5.4. "Waste Management".	12
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization’s operations, and transporting members of the workforce.	Refer to Chapter V. “Corporate Responsibility in Value Creation”, subchapter 5. “Respecting the Environment”, section 5.3. "Climate Change".	---
G4-EN31	Total environmental protection expenditures and investments by type.	The Group has strongly invested in supporting and improving its environmental performance, including natural refrigeration systems, energy efficiency, renewable energy, collection of customer waste for recovery and projects to support biodiversity conservation.	Principle 7
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	In 2017, the Group audited 259 new suppliers. These were all environmentally evaluated also. Refer to Chapter V. “Corporate Responsibility in Value Creation”, subchapter 6. “Sourcing Responsibly”, section 6.5. "Supplier Audits".	Principle 8| 12
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	Refer to Chapter V. “Corporate Responsibility in Value Creation”, subchapter 5. “Respecting the Environment”, section 5.2. "Biodiversity" and subchapter 6. “Sourcing Responsibly”, section 6.5. "Supplier Audits".	7
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	The total number of environmental grievances is less than 1%.	---
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or PART-time employees, by significant locations of operation.	All benefits are applied to employees, regardless their contract.	8 | 10
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	Refer to Chapter V. “Corporate Responsibility in Value Creation”, subchapter 8. “Being a Benchmark Employer”, section 8.2. “Principles and Values”.	8 | 10
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	Aggregate occupational health and safety indicators for frequency and severity are available in Chapter V. “Corporate Responsibility in Value Creation”, subchapter 8. “Being a Benchmark Employer”, section 8.7. "Health and Safety at Work".	Principle 1 | 8 | 10
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	This aspect is not material.	---
G4-LA8	Health and safety topics covered in formal agreements with trade unions.	Non-applicable.	---
G4-	Average hours of training per year per	The number and volume of training sessions can be consulted in Chapter	Principle 6 | 8 |

No.	Description		Evidence	United Nations Global Compact Principles / Sustainable Development Goals
LA9	employee by gender, and by employee category.		V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.5. "Training".	10
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.		Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.5. "Training".	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.		All employees are covered by the performance assessment system according to internally defined criteria.	
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	✔	The Jerónimo Martins' team is described in Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.1. "Introduction".	8 | 10
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria.	✔	In 2017, the Group audited 259 new Private Label and Perishable suppliers. These were also evaluated concerning labor practices (e.g.: existence and/or use of appropriate clothing, hand washing equipment, conduct and personal hygiene rules, existence and conditions of social areas, locker rooms and sanitary facilities for employees and the control of training administration appropriate to the exercise of the function).	Principle 2 | 8 | 10
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken.	✔	In 2017, 1,356 Private and Perishable Brand suppliers were audited. Of these, 23 (1.7%) were identified as having labour practices with negative impacts (e.g. lack of and/or misuse of appropriate clothing, hand washing equipment, non-compliance with rules of conduct and personal hygiene, among others), in which 16 (70% of nonconformities) committed to implement corrective measures. Of the remaining 7 (30% of nonconformities), the Group terminated its business relationship due to non-compliance with several aspects, which also included those related to labour.	Principle 1
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.		The contracts signed with new suppliers imply knowledge and acceptance to the Jerónimo Martins Group's Code of Conduct for Suppliers. Refer to Chapter V. "Corporate Responsibility in Value Creation subchapter 6. "Sourcing Responsibly", section 6.3. "Commitment: Human and Workers' Rights".	Principle 2 | 8 | 10
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.		The Group conducts training sessions on its Code of Conduct in its Companies which includes Human Rights aspects. See channel "Responsibility", page "Corporate Responsibility Publications" to consult the Code of Conduct on the website http://www.jeronimomartins.com/en.	Principle 1 | 8 | 10
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.		Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values" and Creation subchapter 6. "Sourcing Responsibly", section 6.3. "Commitment: Human and Workers' Rights".	Principle 3 | 8 | 10
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labour.		Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values" and Creation subchapter 6. "Sourcing Responsibly", section 6.3. "Commitment: Human and Workers' Rights".	Principle 5 | 8 | 10
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labour.		Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values" and Creation subchapter 6. "Sourcing Responsibly", section 6.3. "Commitment: Human and Workers' Rights".	Principle 4 | 8 | 10
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	✔	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 7. "Supporting Surrounding Communities", section 7.2. "Managing the Policy".	10
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks		Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section C "Internal Organisation".	Principle 10 | 16

No.	Description		Evidence	United Nations Global Compact Principles / Sustainable Development Goals
	identified.			
G4-SO4	Communication and training on anti-corruption policies and procedures.		The Group conducts training sessions on its Code of Conduct in its Companies which includes anti-corruption policies and procedures aspects. See channel "Responsibility", page "Corporate Responsibility Publications" to para consult the Code of Conduct on the website http://www.jeronimomartins.com/en.	
G4-SO6	Total value of political contributions by country and recipient/beneficiary.		The companies of the Jerónimo Martins Group do not support any political parties or their representatives, nor do they contribute financially to groups that support party interests. See channel "Responsibility", page "Corporate Responsibility Publications" to para consult the Code of Conduct on the website http://www.jeronimomartins.com/en.	
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	✔	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 4. "Promoting Good Health through Food" and subchapter 6. "Sourcing Responsibly", section 6.5. "Supplier Audits".	12
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling.		Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 4. "Promoting Good Health through Food", section 4.2. "Quality and Diversity" and subchapter 6. "Sourcing Responsibly", section 6.4. "Commitment: Promotion of More Sustainable Production Practices".	12
G4-PR6	Sale of banned or disputed products.		Non-applicable. Jerónimo Martins does not sell any kind of disputed or banned products in any of the geographies where it operates.	12
---	Further improve the nutritional profile of both the Private Brand products, through product innovation and reformulation, and in the Meal Solutions meals.	✔	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 4. "Promoting Good Health through Food", section 4.2. "Quality and Diversity".	3 | 12
---	Calculation of the consumption of deforestation commodities in Private Brand products and Perishables in 2017.	✔	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 6. "Sourcing Responsibly", section 6.4. "Commitment: Promotion of More Sustainable Production Practices".	12 | 13 | 15
---	Reduce by 5% the presence of palm oil in the total sales of Private Brand products.	✔	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 6. "Sourcing Responsibly", section 6.4. "Commitment: Promotion of More Sustainable Production Practices".	12 | 13 | 15
---	Reduce by 5% soya, beef, wood and paper products from countries at risk of deforestation.	✔	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 6. "Sourcing Responsibly", section 6.4. "Commitment: Promotion of More Sustainable Production Practices".	12 | 13 | 15
---	Monitoring and disclosure of the social impacts resulting from the support offered, according to the LBG (London Benchmarking Group) model.	✔	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 7. "Supporting Surrounding Communities", section 7.2. "Managing the Policy". See channel "Responsibility", page "Supporting Surrounding Communities" on the website www.jeronimomartins.com/en.	2

Table caption:

✔ Indicator verified by an external third party.

United Nations Sustainable Development Goals

1 No Poverty
2 Zero Hunger
3 Good Health and Well-being
4 Quality Education
5 Gender Equality
6 Clean Water and Sanitation
7 Affordable and Clean Energy
8 Decent Work and Economic Growth
9 Industry, Innovation and Infrastructure
10 Reduced Inequalities
11 Sustainable Cities and Communities
12 Responsible Consumption and Production
13 Climate Action
14 Life Below Water
15 Life on Land
16 Peace, Justice and Strong Institutions
17 Partnerships for the Goals

United Nations Global Compact Principles

Human Rights
- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour
- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment
- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption
- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

INDIVIDUAL FINANCIAL STATEMENTS

6

Jerónimo Martins, SGPS, S.A.
Public Company

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

Share Capital EUR 629,293,220

Rua Actor António Silva, N.º 7

1649 - 033 LISBOA

6.

Individual Financial Statements

Index to the Notes to the Individual Financial Statements — Page

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

Euro thousand

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

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

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

Euro thousand

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

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

BALANCE SHEET AS AT 31 DECEMBER 2017 AND 2016

Euro thousand

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

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

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

Euro thousand

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

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

Jerónimo Martins

CASH FLOW STATEMENT

FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

Euro thousand

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

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

1. Activity

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

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

Share Capital: 629,293,220 euros

Registered at the Commercial Registry Office and Tax Number: 500100144

JMH has been listed on the Euronext Lisbon since 1989.

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

2. Accounting policies

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

2.1 Basis for preparation

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

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

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

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

Change in accounting policy and basis for presentation

2.1.1 New standards, amendments and interpretations adopted by JMH

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

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

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

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

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

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

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

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

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

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

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

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

2.1.4 Change of accounting policies

In addition to the above, JMH has not changed its accounting policies during 2017, nor were any errors identified regarding previous years, which would require the restatement of Financial Statements.

2.2 Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currency (euro) at the exchange rate prevailing on the transaction date.

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

2.3 Investments and loans to subsidiaries

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

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

2.4 Financial assets

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

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

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

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

Available-for-sale financial assets

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

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

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

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

2.5 Impairment

2.5.1 Impairment of non-financial assets

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

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

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

Determining the recoverable amount of assets

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

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

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

Reversal of impairment losses

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

2.5.2 Impairment of financial assets

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

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

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

Loans to subsidiaries

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

Available-for-sale financial assets

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

Clients, debtors and other financial assets

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

I. Analysis of breach;
II. Financial difficulties of the debtor;
III. Probability of the debtor's bankruptcy.

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

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

2.6 Revenue recognition

Services rendered

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

2.7 Segment information

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

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

Tangible and intangible assets and investment property

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

Fair value of financial instruments

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

Impairment in investments and loans to subsidiaries

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

Deferred taxes

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

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

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

A positive amount means a gain in JMH accounts.

Impairment losses of clients and debtors

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

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

Pensions and other long-term benefits granted to employees

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

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

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

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

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

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

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

		Impact on defined benefit obligations		
	Assumption used	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.30%	0.50%	(722)	772
Salary growth rate	3.00%	0.50%	36	(34)
Pension growth rate	3.00%	0.50%	735	(687)
Life expectancy	TV 88/90	1 year	1,190	(1,135)

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

Provisions

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

2.9 Fair value of financial instruments

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

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

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

Cash and cash equivalents, debtors and accruals

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

Available-for-sale financial assets

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

Borrowings

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

Creditors and accruals

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

2.10 Fair value hierarchy

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

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

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

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

2.11 Financial instruments by category

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

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

3. Operating costs

Costs of services rendered

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

Administrative costs

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

Other operational costs

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

Operational costs by nature

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

4. Employees

4.1 Staff costs

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

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

4.2 Employees benefit

Post-employment benefits (retirement)

Defined contribution plans

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

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

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

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

Defined benefit plans

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

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

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

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

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

Other benefits

Seniority awards

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

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

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

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

Amounts of employee benefits in the balance sheet:

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

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

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

The changes in each plan are detailed below:

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

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

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

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

Expected future payments

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

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

5. Net financial costs

Net financial costs represent the interest on borrowings, the interest on investments made, foreign exchange gains and losses in financial operations, gains and losses resulting from changes in the fair value of financial assets measured at fair value through profit and loss, and costs and income with financing operations. Net financial costs are accrued in the income statement in the period in which they are incurred.

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

Interest expenses includes the interest related with loans measured at amortised cost. The fair value of financial instruments that do not qualify to hedge accounting refers to a derivative instrument contracted to hedge the currency exchange risk of an intercompany loan provided to a subsidiary in foreign currency. Other financial costs include, namely, stamp tax and issuance costs related to non-current debt recognised in the income statement for the loan's term.

6. Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operational leases. Payments made for these contracts are recognised in the income statement on a straight-line basis over the period of the leases.

The costs recognised in the income statement as operating leases are as follows:

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

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

Vehicle and IT equipment lease contracts entered into by JMH are treated as operating leases. These contracts do not include renewal or purchase option at termination date, or any amount relating to contingent rents. All contracts may be cancelled by means of prior notice and do not provide any type of restrictions concerning dividends or debt.

The minimum lease payments related with vehicles and IT equipment lease are as follows:

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

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

7. Taxes

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

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

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

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

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

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

7.1 Income tax

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

7.2 Reconciliation of effective tax rate

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

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

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

7.3 Deferred tax assets and liabilities

Deferred taxes are presented in the balance sheet as follows:

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

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

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

7.4 Receivable or payable income tax

Income tax reflected on the balance sheet is as follows:

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

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

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

7.5 Unrecognised deferred taxes on tax losses

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

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

8. Gains (losses) in subsidiaries

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

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

9. Gains (losses) in other investments

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

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

10. Tangible assets

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

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

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

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

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

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

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

10.1 Changes occurred during the year

Gross assets

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

Accumulated depreciation and impairment

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

10.2 Changes occurred in the previous year

Gross assets

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

Accumulated depreciation and impairment

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

10.3 Equipment under financial lease

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

10.4 Guarantees

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

11. Intangible assets

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

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

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

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

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

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

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

	%
Development expenditure	20-33.33
Computer software	33.33

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

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

11.1 Changes occurred during the year

Gross assets

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

Accumulated amortisation and impairment

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

11.2 Changes occurred in the previous year

Gross assets

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

Accumulated amortisation and impairment

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

12. Investment property

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

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

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

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

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

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

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

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

13. Investments

13.1 Investments in subsidiaries

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

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

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

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

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

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

14. Loans

14.1 Loans to subsidiaries

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

Non-current loans are granted as supplementary capital contributions (which do not bear interest), and as medium and long-term shareholders loans (remunerated at normal market rates).

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

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

15. Available-for-sale financial assets

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

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

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

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

16. Trade debtors, accrued income and deferred costs

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

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

JMH has EUR 19,367 thousand of remunerated deposits in financial institutions, with limited availability according to specific conditions. These deposits are being used as a collateral guarantee for financial loans to its subsidiary Jeronimo Martins Colombia, SAS. These deposits will be released on loans repayment date.

Amounts recognised in subsidiaries refers mainly to invoices issued to Group Companies relating to various services provided, in the amount of EUR 3,708 thousand (2016: EUR 2,465 thousand), as well as the allocation of Corporate Income Tax (CIT) between JMH Group Companies, which is taxed by the Special Group Taxation Regime (RETGS), in the amount of EUR 7,180 thousand (2016: 6,505 thousand).

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

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

17. Cash and cash equivalents

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

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

18. Cash generated from operations

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

19. Capital and reserves

Share capital

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

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

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

Payable and receivable dividends

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

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

19.1 Share capital and share premium account

The authorised share capital is represented by 629,293,220 ordinary shares (2016: 629,293,220), each with a nominal value of one euro.

The owners of ordinary shares have the right to receive dividends in accordance with the deliberations of the General Shareholder's Meeting and have the right to one vote for each share owned. There are no preferential shares. Rights relating to own shares are suspended until they are placed on the market.

During the year 2017, no changes occurred in the amount of EUR 22,452 thousand showed in share premium in 2016.

19.2 Own shares

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

19.3 Other reserves

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

19.4 Retained earnings

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

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

19.5 Dividends

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

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

20. Earnings per share

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

20.1 Basic and diluted earnings per share

	2017	2016
Ordinary shares issued at the beginning of year	629,293,220	629,293,220
Own shares at the beginning of year	(859,000)	(859,000)
Own shares acquired during the year	-	-
Ordinary shares issued during the year	-	-
Weighted average outstanding shares (equal to diluted)	**628,434,220**	**628,434,220**
Net results of the year attributable to ordinary shares (equal to diluted)	**539,216**	**350,645**
Basic and diluted earnings per share – euros	**0.858**	**0.558**

21. Borrowings

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

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

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

21.1 Current and non-current loans

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

21.2 Loan terms and maturities

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

JMH uses, with other Group Companies, grouped credit lines, which means that the maximum amount approved by a financial entity can be used simultaneously by more than one Company. The amount of credit lines granted to JMH which are not being used amount to EUR 115,994 thousand (2016: EUR 116,000 thousand).

21.3 Bank loans: commercial paper

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

21.4 Financial debt

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

22. Provisions and adjustments to the net realisable value

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

Restructuring provision

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

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

Provision for other risks and contingencies (Legal claims)

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

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

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

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

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

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

23. Trade creditors, accrued costs and deferred income

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

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

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

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

24. Derivative financial instruments

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

Whenever available, fair values are estimated based on quoted instruments. In the absence of market prices, fair values are estimated through discounted cash flow methods and option valuation models, in accordance with generally accepted assumptions.

Derivative financial instruments are recognised on the date they are negotiated (trade date), at their fair value. Subsequently, the fair value of derivative financial instruments is valuated on a regular basis, and the gains or losses resulting from this valuation are recorded directly in the income statement, except in relation to cash flow hedge derivatives, whose changes in fair value are recorded in equity, in the cash flow hedge reserve. Recognition of changes in the fair value of hedge instruments depends on the nature of the hedged risk and the type of hedge used.

Hedge accounting

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

(i) At the starting date of the transaction, the hedge relationship is identified and formally documented, including identification of the item hedged, the hedge instrument, and evaluation of the effectiveness of the hedge;
(ii) There is the expectation that the hedge relationship will be highly effective on the initial transaction date and throughout the life of the operation;
(iii) The effectiveness of the hedge may be reliably measured on the initial transaction date and throughout the life of the operation;
(iv) For cash flow hedge operations, those cash flows must have a high probability of occurring.

Derivatives held for trading

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

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

Impacts on Financial Statements:

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

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

25. Guarantees

The bank guarantees are as follows:

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

26. Contingencies, contingent assets and contingent liabilities

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

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

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

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

Contigent liabilities

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

- The Portuguese Tax Authorities have informed JMH, to restate the dividends received, amounting to EUR 10,568 thousand, from its subsidiary in the Madeira Free Zone in 2004 and 2005, considering them as interest for tax purposes. According to the Portuguese Tax Authorities the said income should be subject to CIT as opposed to the dividends received that are exempt. Regarding this correction the tax amount in dispute is EUR 3,065 thousand;

- The Portuguese Tax Authorities have claimed EUR 989 thousand from JMH in relation to the CIT for an indemnity paid by the Company due to an agreement reached in arbitration court, and which the Tax Authorities considered as dealing with a payment to an entity subject to a more favourable tax regime, and therefore not accepted for tax purposes. The Board of Directors does not consider the report of the Tax Authorities to have a legal basis or validity, and has challenged it;

- The Portuguese Tax Authorities have informed JMH that they do not accept losses on capital gains associated with a liquidation of one Company and the sale of another, amounting to EUR 24,660 thousand, which generated a correction on the Company's tax losses regarding 2007, and an amount of tax estimated of EUR 6,800 thousand.

27. Subsidiaries and available-for-sale financial assets

The direct investments owned by JMH, as at 31 December 2017, are as follows:

Company	Notes	Head office	% Owned	Stake held directly	Total assets	Shareholder's equity	Net profit/loss
Investments in subsidiaries							
Desimo – Desenvolvimento e Gestão Imobiliária. Lda.	a)	Lisbon	100.00%	50	179	159	65
Jerónimo Martins Serviços. S.A.	a)	Lisbon	100.00%	50	6,834	450	(70)
Eva – Soc. Invest. Mobiliários e Imobiliários. Lda.	a)	Funchal	5.61%	28	3,331	2,047	1,061
Friedman – Soc. Invest. Mobiliários e Imobiliários. Lda.	a)	Funchal	100.00%	5	181	162	7
Warta – Retail & Services Investments B.V.	a)	Amsterdam	100.00%	18	548,303	545,747	343,607
Tagus – Retail & Services Investments B.V.	a)	Amsterdam	100.00%	18	1,536,316	1,536,261	251,965
New World Investments B.V.	a)	Amsterdam	100.00%	18	330,333	330,173	(29,617)
Origins – Agro Business Investments B.V.	a)	Amsterdam	100.00%	18	24,565	24,560	(21)

a) For the purposes of the article 486, paragraph 3, of the Portuguese Commercial Companies Code, we declare that we hold the control of the companies indicated.

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

28. Subsidiaries, joint ventures and associates – interests held directly and indirectly

The Companies held directly and indirectly by Jerónimo Martins, SGPS, S.A., as at 31 December 2017 are those mentioned in notes 28 and 30 of Chapter III of the Group Consolidated Annual Report.

29. Related parties

A related party is a person or entity that is related to JMH, including those that have, or are subject to, the influence or control of JMH.

Transactions with related parties are always carried out at market prices.

29.1 Transactions with related parties (shareholders)

JMH is owned 56.136% by Sociedade Francisco Manuel dos Santos B.V.. There were no direct transactions between this Company and JMH in 2017, nor are there any open amounts between them as at 31 December 2017.

29.2 Transactions with other related parties

29.2.1 Technical and administrative services provided

As the Group's Holding Company and Corporate Center, JMH co-ordinates and provides consultancy services to its subsidiaries. The functional areas of support to the Group range from Administration, Environment, Legal Affairs, Internal Audit, Commercial, Corporate Communications and Responsibility, Financial Control, Business Development, International Expansion and Strategy, Fiscal Affairs, Risk Management, Logistics and Supply Chain, Marketing and Consumer, Financial Operations, Quality and Private Brand Development, Operations Quality and Food Safety, Human Resources, Investor Relations, Security, Information Security and Information Technology. The turnover from these services, as well as management services for negotiations on behalf of the Group Companies, increased in 2017 to EUR 19,095 thousand (2016: EUR 18,740 thousand).

29.2.2 Financial services

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

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

This management includes also the centralised treasury operations, responsible for payments to suppliers, employees and other entities, as well as daily cash flow management. This management is also remunerated for this service, which amounted to EUR 505 thousand in 2017 (2016: EUR 522 thousand).

29.2.3 Lease of property

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

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

29.2.4 Loans (current and non-current loans)

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

29.2.5 Staff related costs

As a Group, Jerónimo Martins takes advantage of the synergies existing between various Companies, and frequently transfers staff from one Company to another according to the needs of the various businesses. In 2017, total costs incurred with services rendered by personnel from other companies amounted to EUR 8,079 thousand (2016: EUR 7,202 thousand).

29.2.6 Open balances as at 31st December 2017

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

29.2.7 Open balances as at 31st December 2016

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

29.2.8 Remuneration paid to Directors

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

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

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

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

30. Financial risks

JMH is exposed to various financial risks, namely market risk (which includes exchange rate risk, interest rate risk and price risk), liquidity risk and credit risk.

The management of these risks is focused on the unpredictable nature of the financial markets and aims to minimize its adverse effects on the Company's financial performance. Certain types of exposure are managed using financial derivative instruments.

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

30.1 Market risk (price risk)

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

30.2 Interest rate risk (cash flow and fair value)

All financial liabilities are directly or indirectly indexed to a reference interest rate which exposes JMH to cash flow risk. A given portion of this risk is hedged through fixed interest rate swaps, thus Jerónimo Martins is also exposed to fair value risk.

Exposure to interest rate risk is monitored continuously. In addition to evaluating future cash flows based on forward rates, sensitivity tests to variations in interest rate levels are performed.

30.3 Credit risk

Credit risk is managed centrally. The main sources of credit risk are bank deposits, short-term investments and derivatives contracted with financial institutions.

The financial institutions that JMH chooses to do business with are selected based on the ratings they receive from one of the independent benchmark rating agencies. Apart from the existence of a minimum accepted rating there is also a maximum exposure to each of these financial institutions.

The following table shows a summary of credit quality of bank deposits and short-term investments, as at 31 December 2017 and 2016:

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

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

30.4 Liquidity risk

Liquidity risk is managed by maintaining an adequate level of cash or equivalents, as well as by negotiating credit facilities that not only allow the regular development of JMH activities, but also ensuring some flexibility to be able to absorb shocks unrelated to its activities.

To manage this risk, JMH uses, for example, credit derivatives in order to mitigate the impact of credit spreads increase that are the result of impacts beyond the control of JMH. Treasury needs are managed based on short-term planning, executed on a daily basis, which it derives from the annual financial plans which are reviewed at least twice a year.

The following table shows JMH's liabilities by ranges of contractual residual maturity. The amounts shown in the table are the non-discounted contractual cash flow.

Exposure to Liquidity Risk

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

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

31. Additional information requested by law

In accordance with article 66-A of the Portuguese Commercial Companies Code, we hereby inform of the following:

a) In addition to all operations described in the notes above, as well as in the Management's Report, there are no other operations considered relevant which are not already contained either in the balance sheet or in these notes;

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

c) Note 29 of the Notes to the Financial Statements include all the related parties' disclosures, in accordance with the International Accounting Standards.

32. Events after the balance sheet date

Where events occur after the balance sheet date that provide evidence of conditions that existed at the end of the reporting period, the impact of these events is adjusted within the financial statements. Otherwise, events after the balance sheet date of a material size or nature are disclosed below.

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

Lisbon. 27 February 2018

The Certified Accountant **The Board of Directors**

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Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

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

Basis for opinion

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

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

Key audit matters

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

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

1. **Investments in subsidiaries and loans to subsidiaries**

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

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

Responsibilities of management and the Audit Committee for the financial statements

Management is responsible for:

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

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

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

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

On the Corporate Governance Report

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

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

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

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

Lisbon, 05 March 2018

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

(Signed)

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

Independent Limited Assurance Report

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

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

Introduction

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

Responsibilities

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

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

Scope

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

5 For this purpose the above mentioned work included:

(i) Inquiries to management and senior officials responsible for areas under analysis, with the purpose of understanding how the information system is structured and their awareness of issues included in the report;
(ii) Identification of the existence of internal management procedures leading to the implementation of economic, environmental and social policies;
(iii) Testing, on a sampling basis, the efficiency of processes and systems in place for collection, consolidation, validation and reporting of the performance information previously mentioned, through calculations and validation of reported data;
(iv) Confirmation that operational units follow the instructions on collection, consolidation, validation and reporting of performance information;

(v) Execution of substantive procedures, on a sampling basis, in order to collect evidence of the reported information;

(vi) Comparison of financial and economic data included in the sustainability information with the audited by the external auditor, in the scope of the legal review of Jerónimo Martins's financial statements for the year ended in December 31, 2017;

(vii) Verification that the indicators identified in the paragraph 4 above, included in Chapter 5. "Corporate Responsibility in Value Creation" of the Annual Report 2017, are based on the GRI guidelines, when applicable.

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

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

Quality and independence

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

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

Conclusion

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

Restriction on use

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

March 5, 2018

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

António Brochado Correia, R.O.C.

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

Jerónimo Martins 2017
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