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

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE 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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