

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

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

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

Basis for opinion

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

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

Key audit matters

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

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

1. Investments in subsidiaries and loans to subsidiaries

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>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.</p> <p>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</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ▶ 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
<p>in order to identify any indicators of possible impairment losses.</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> ▶ 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. <p>We have also verified the adequacy of the disclosures presented in the financial statements.</p>

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)
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