Jerónimo Martins

ANNUAL REPORT 2018

Jerónimo Martins

Message from the Chairman

2018 was a year that was clearly marked, on the international scene, by a surge of political and commercial tensions, which heightened the uncertainty and unpredictability in the world.

Nine out of every 10 leaders who responded to the World Economic Forum survey expected 2019 to bring an exacerbation of the political and economic conflicts between the main powers. And within a 10-year horizon, they see extreme weather phenomena and the failure of climate change policies as being the most severe threats.

North American protective policies and the USA-China trade war, with the mutual imposition of tariffs on the import of thousands of goods and services, represent a radical change of paradigm in international economic relations and will inevitably have a negative impact on Europe.

In fact, what we are seeing today looks to be the end of the rule-based multilateral trading system, which was developed following World War II and was responsible for unprecedented worldwide economic growth.

The complexity of the supply chains in a globalised world and the numerous interdependencies that exist between the economies mean that no country is immune to the real dangers of economic growth slowdown and a rise in prices.

The International Monetary Fund has already warned about the impacts of the heightened commercial tensions in the growth of the major trading powers, including the USA and China themselves, as well as France, Germany and Great Britain, the latter also under threat from the uncertainty still surrounding Brexit, after more than two years has elapsed since the referendum that led to it.

In France, the rise in the prices of fuel and the cost of living in general, linked to a tax reform accused of further increasing social inequalities, were at the root of the “yellow vests” movement. They stand as defenders of greater economic justice in France, but the violence of the protests has already brought about almost 4,000 arrests, over 3,800 wounded - more than 1,000 of whom are police officers - and the death of 15 people.

As Jerónimo Martins’ two main markets are located in Europe, this scenario obviously worries us, just as we are disturbed, even though in a different way, by the situation in Venezuela, whose outcome and impact on its neighbour, Colombia, are still unknown.

At the time of writing this note, dozens of countries (including Portugal, Poland and Colombia) have recognised the legitimacy of Juan Guaidó, president of the National Assembly of Venezuela and self-proclaimed interim president, who wants to lead the country to a pacific transition through free, lawful and fair elections. But Russia, China, North Korea, Turkey and Iran, as well as the majority of the Venezuelan Armed Forces, continue to support Nicolás Maduro.

In Portugal, in the third year of the mandate of the current governing solution - which brings together parliamentary support composed of the Socialist Party, the Left Bloc and the Portuguese Communist Party - led by the socialist prime minister, António Costa, the political environment was marked by the end of so-called social peace.

After the first half of the mandate, in which the Government focused on reconstituting incomes and the working conditions that the Portuguese people had lost during the crisis years (2010-2014), some sectors of society believed they had been overlooked compared to others.

In anticipation of the three electoral acts to be held in Portugal in 2019 (the European elections, the general elections and the regional elections in Madeira), social protest became more heated in 2018.

As a result, the number of prior notices of strikes amounted to 733, the equivalent of two for every day of the year and the highest level since 2015, around 90% of those warnings having substantiated an actual strike. Among the most prominent sectors were the stevedores, nurses, doctors, teachers and auxiliary teaching staff, school canteen staff, workers from various kinds of public transport, registry and notary offices and call centres, judges, bailiffs and other judicial workers, to mention just a few.

Even within an unstable environment, in 2018, the Jerónimo Martins Group once again beat all sales records, by banner and as a Group, reinforcing its leadership positions in the markets where it is present.

With over 4.000 stores spread across Portugal, Poland and Colombia and a universe of more than 108 thousand employees, we once again achieved more than a billion euros higher total sales than the previous year and remained among the biggest retailers in the world, according to the "Global Powers of Retailing 2019" ranking, compiled annually by the consultants, Deloitte, and which is already in its 22nd edition.

The Group's consolidated turnover reached 17.3 billion euros in 2018, 6.5% higher than in 2017, driven by a like-for-like (LFL) growth of 3.1%, as well as the net opening of 277 new stores.

The net results attributable to Jerónimo Martins amounted to 401 million euros, representing a growth of 4.1% against 2017.

The Group continued to be an important investor in the countries where it operates, with capex reaching 658 million euros, of which 41% was allocated to the expansion and opening of new stores and Distribution Centres and the remainder being channelled into the normal maintenance of the operations and for improving the shopping experience.

Biedronka absorbed 372 million euros of investment (57% of the Group's total capex) for the opening of 122 stores (77 net additions) and refurbishment of a further 230, as well as for the improvement works on the operation's logistics infrastructure, having ended the year with a network of 2,900 locations.

The Company continued to see interesting opportunities for opening proximity stores and believes it has the right format, with the necessary layout flexibility to fulfil those opportunities.

As far as economics are concerned, in the year in which it celebrated the centenary of its regained independence, Poland continued to post strong growth, the respective Gross Domestic Product (GDP) achieving a solid 5.1% growth, driven by the dynamics of domestic consumption, which benefited from the salary increases and the drop in the unemployment rate to a historic low of 6.1%.

Along with the country, Biedronka celebrated this important historic anniversary, starting an era of social investment, which in this first year led to a national partnership with Caritas Polska for distributing more than 5,000 pre-paid cards for the more underprivileged elderly people in Poland to buy food.

In operational terms, 2018 was marked by legislation coming into force that limits retail stores from opening on Sundays. With 21 less sales days during the year, Biedronka concentrated on ensuring it transferred the maximum sales from Sundays when it was closed to other days of the week, simultaneously protecting the efficiency of both the store and warehouse operations.

The banner also adjusted its promotional activity so as to maintain its appeal to customers and increase the value of its average ticket the other days of the week. Proof of the resilience and suitability of the strategy implemented by the Company can be found in the 5.6% growth in turnover to 11.7 billion euros. In local currency, sales grew by 5.8%, driven by the LFL of 2.7% and by the store opening plan.

In Portugal, Food Retail remained extremely competitive and promotional, with consumers reacting positively to the campaigns carried out.

In line with previous years, Pingo Doce reinforced its market position, leveraging its promotional capacity in an innovative way in one of its strategic differentiation pillars - Perishables. This new dynamic introduced a monthly instead of weekly promotion scheme, encompassing a huge variety of products. The momentum of the theme-based initiatives was also maintained throughout the year.

As a result, total sales grew by 4.6% to 3.8 billion euros, showing a remarkable LFL growth performance of 3.5% (excluding fuel), together with the opening of 10 new stores, eight of which under the Pingo Doce & Go convenience concept.

The Wholesale market on the other hand was once again boosted by the tourism sector. In this context, the strength of Recheio's commercial proposition enabled it to also benefit from a favourable consumption environment, thereby helping the Hotel, Restaurant and Coffee Shop segment. Sales increased by 4% to 980 million euros, with a LFL of 4.4%. The Company closed the year with one less store, ending December with 42 locations.

The Food Service segment once again proved to be one of the Company's growth drivers, having posted a growth of more than 15%. The Amanhecer project achieved organic growth, reaching 329 partner stores, while the Export segment managed to broaden its scope of activity, by entering new markets.

With regard to the Group's not yet profitable businesses, despite the significant impact of the ban on sales on Sundays and stronger presence of the Health & Beauty categories in the supermarkets and discounters in Poland, Hebe saw a 25% rise in its sales in 2018. When converted into euros, sales increased by 24.7% to 207 million euros, a performance that confirms that it has the right value proposition for the Polish market and has the potential to deliver value in the near future.

So, Hebe once again managed to reinforce its market share, having opened 51 new stores (48 net additions) and ended the year with a total network of 230 locations, standing as the chain with the largest growth in the Polish Health & Beauty and Personal Care sector.

In Colombia, where presidential elections took place that elected Iván Duque as the successor to Juan Manuel Santos, there were continued signs of stability. The new Government aims to continue with receptiveness and encouragement vis-à-vis private investment and with a series of social programmes initiated by the previous Government.

Throughout the year, Ara focused on gaining dimension which enables it not only to maximise its effect of scale but also to win increasing relevance in the Colombian market.

These steps have proven to be essential for the growth in sales density, with the offer of better, higher added-value products, which also contribute to the development of a more interesting margin mix, which is fundamental for attaining profitability.

As such, our Colombian chain of proximity stores opened 143 stores in 2018, at a pace of one new location every 2 and a half days - with an investment totalling 118 million euros - having closed the year with 532 stores.

Ara inaugurated another Distribution Centre in the Greater Bogotá region, so that it now has four logistics units in Colombia. Its sales stood at 599 million euros, 47.9% up on 2017. At a constant exchange rate, sales grew by 53.9%.

In conjunction, Ara and Hebe recorded combined losses in EBITDA of 80 million euros, an amount that compares with the losses of 85 million euros the previous year. Ara was responsible for around 90% of the losses generated, having stabilised that amount, in local currency, compared to the previous year.

As expected, Hebe recorded a decrease in losses generated in EBITDA, although the performance was impacted in 2018 by the law restricting stores from opening on Sundays.

Consolidated EBITDA for the Group as a whole grew by 4.1% to 960 million euros, the respective margin standing at 5.5%, whilst the solidity of the Group's balance sheet remained undeniable, with net debt reaching 80 million euros, which is reflected in gearing of just 3.9%.

These results take on particular relevance if we consider that the Group continued to make an upward review of its employees' salary packages and compensation policies in the three countries.

Based on this financial position, at the General Shareholders' Meeting, the Board of Directors of Jerónimo Martins will propose the payment of a dividend of around 204 million euros related to the profits for the 2018 financial year. This proposal is the equivalent of a payout of 50%, which is in line with the dividends policy in force.

At the Jerónimo Martins Group, we continue to believe that our primary responsibility is to be profitable, as that alone enables us to create value on all fronts. We believe that profitability must go hand-in-hand with responsibility, and that is why we conduct our businesses so as to be a force for positive transformation in the societies and communities where we operate.

In 2018, in recognition of its performance in over 300 social, environmental and governance indicators, the Group not only remained part of the Euronext Vigeo-Eiris Eurozone 120 index, but for the first time, was also included in the Euronext Vigeo-Eiris Europe 120 index, being the only Portuguese company to do so.

Furthermore, it maintained its presence in the other international sustainability indices, such as the FTSE, the Ethibel, the MSCI or the Stoxx, and for the first time, entered at 181st place in the Equileap Top 200, which recognises listed companies with the most proven gender balance in the workplace and economic justice for women.

We are proud that our efforts to balance performance in the short term and sustainability in the long term continue to be worthy of the support and recognition of our shareholders, and in particular of our majority shareholder. On behalf of the Management, I should like to thank everyone for their trust and I hereby reaffirm our commitment and dedication to the mission of continuing, in these times of uncertainty and complexity, to lead the Jerónimo Martins Group on the path to profitable and sustainable growth.

Finally, an expression of my appreciation goes to my colleagues on the Board of Directors who contribute their vision, experience and trust to the strength of our performance and the will of our teams to always do more and better.

Pedro Soares dos Santos
Chairman and Chief Executive Officer

I

THE JERÓNIMO MARTINS GROUP

The Jerónimo Martins Group

This Annual Report of the Jerónimo Martins Group covers the period from January 1st to December 31st, 2018 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 and indirectly held by Jerónimo Martins, SGPS, S.A..

1. Profile and Structure

1.1. Identity and Responsibilities

Asset Portfolio

Jerónimo Martins is a Group that holds assets in the Food area, mostly in Distribution, with market leadership positions in Poland and Portugal. In 2018, it achieved sales of 17.3 billion euros (67% in Poland) and an EBITDA of 960 million euros (89% in Poland). The Group has a total of 108,560 employees and ended the year with a market capitalisation of 6.5 billion euros on 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 2,900 stores spread across the entire country. At the end of 2018, the Company reached 11.7 billion euros of sales, recording around 1.3 billion customer tickets.

Also in Poland, since May 2011, the Group has a chain in the drugstore sector, under the **Hebe** banner, which has 230 locations, 30 pharmacies and 200 drugstores (21 of which include a pharmacy). This business concept is based on the offer of a Health and Beauty assortment with high quality advice, at very competitive prices.

In Portugal, the Jerónimo Martins Group holds a leading position in Food Distribution, having reached a combined turnover of 4.8 billion euros in 2018. It operates with the banners **Pingo Doce** (432 supermarkets, including 12 Pingo Doce & Go) and **Recheio** (38 Cash & Carry and four platforms, three of them related to Food Service), which are leaders in the Supermarket and Cash & Carry segments, respectively.

Pingo Doce holds, in 32 of its stores, a restaurant area, named **Refeições no Sítio do Costume**, and operates three central kitchens that supply, not only these restaurants but also its Take Away. Complementary to the Food Retail business the banner has invested in drugstore sections **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.

In Colombia, **Ara** currently operates in three regions of the country: the Coffee Growing, 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 competitiveness with promotional opportunities in key categories for the Colombian consumer. At the end of the year, Ara was operating in 532 stores.

Jerónimo Martins Agro-Alimentar

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

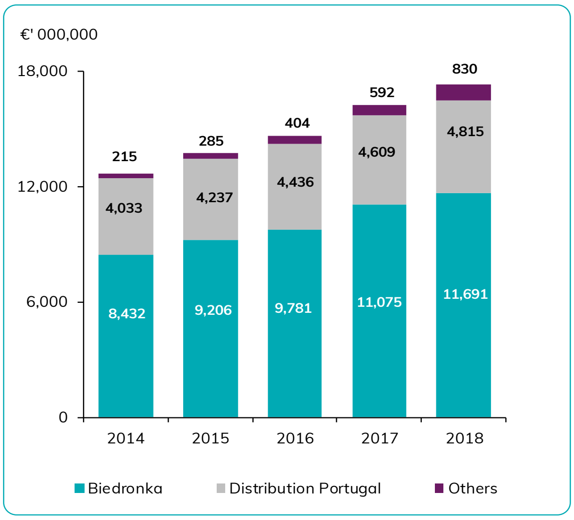
Jerónimo Martins Restauração e Serviços is engaged in developing projects in the Restaurants sector and, at the end of 2018, was operating the Jeronymo chain of kiosks and coffee shops with 22 points of sale.

Hussel, a Specialised Retail chain selling chocolates and confectionery, had 24 stores at the end of 2018.

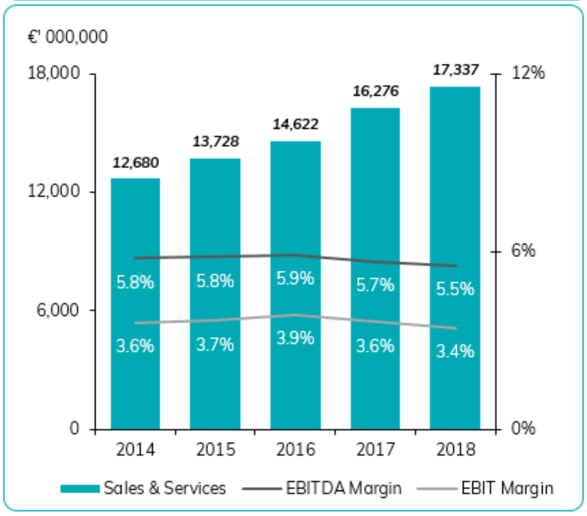
Jerónimo Martins

1.2. Operating and Financial Indicators

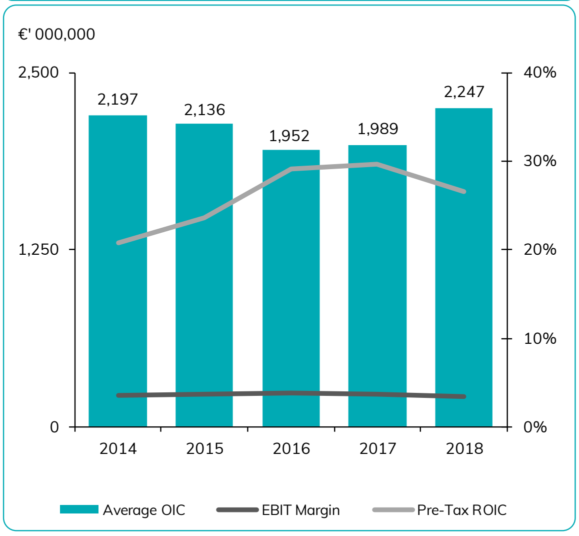
Sales & Services



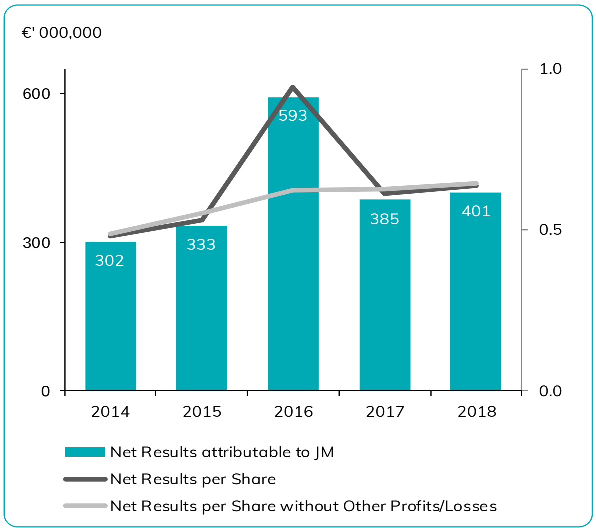
Sales, EBITDA Margin & EBIT Margin



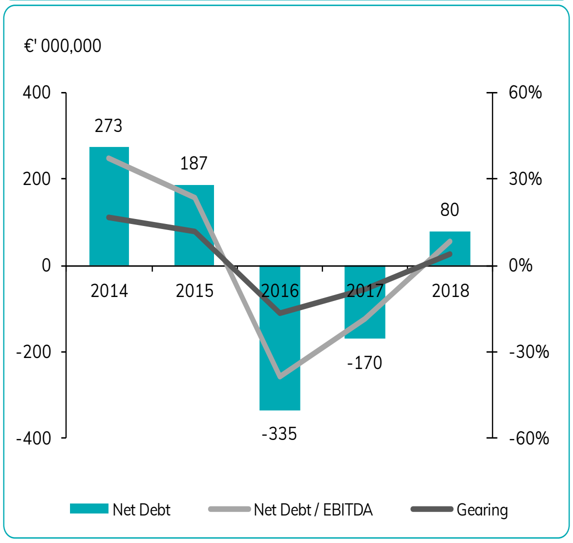
Pre-Tax ROIC



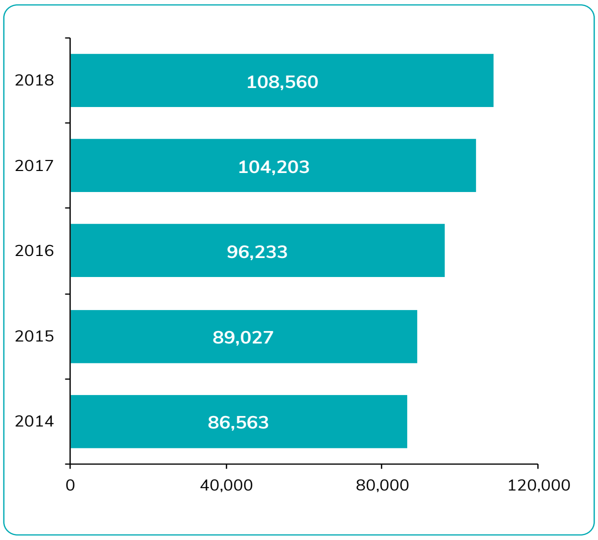
Net Results and Net Results per Share



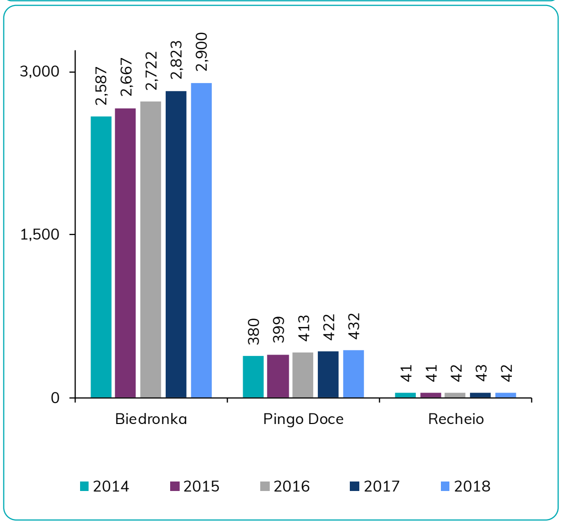
Net Debt



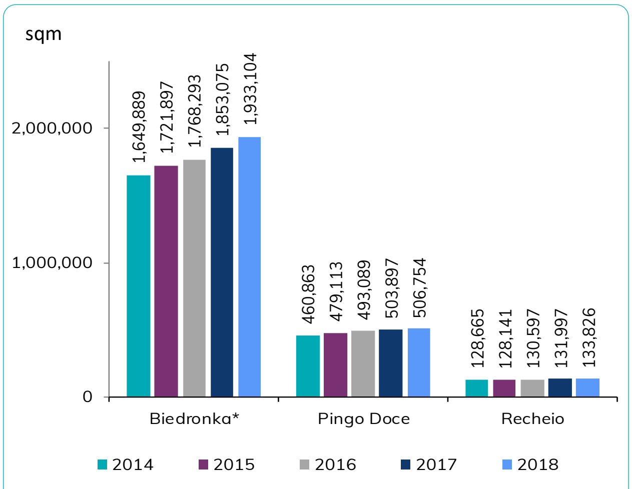
Employees



Number of Stores

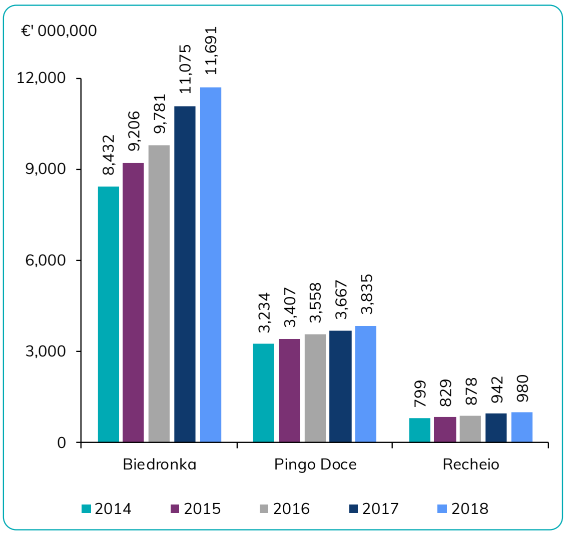


Sales Area

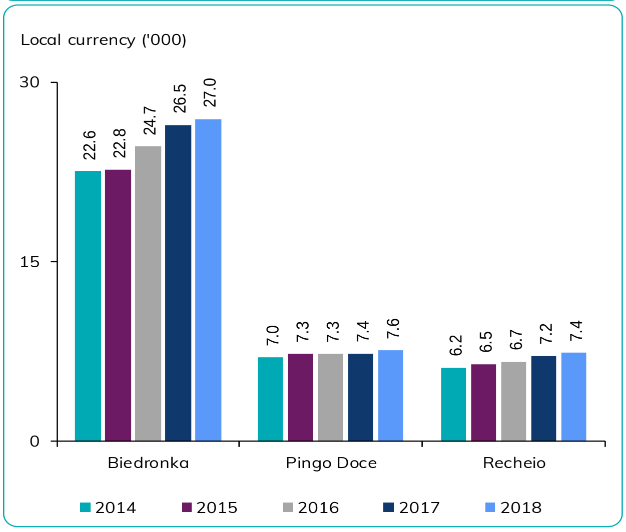


* Restated figure from 1,856,992 published in 2017 FY

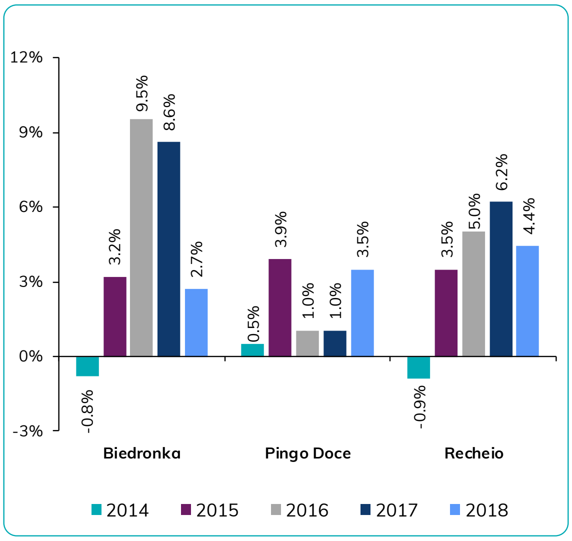
Sales



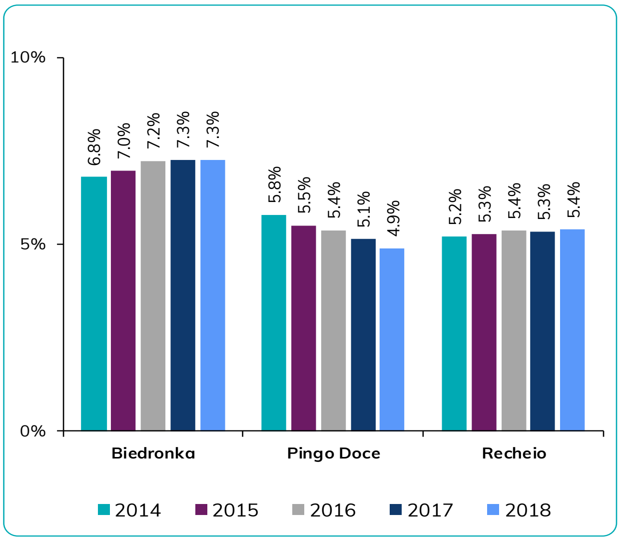
Sales / sqm



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. 1,119)

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

1.3.2. Business Structure

JERÓNIMO MARTINS

2018 Sales	2018 EBITDA
17,337 million euros	960 million euros

FOOD DISTRIBUTION

Poland	Portugal		Colombia
100%	51%	100%	100%
Biedronka Neighbourhood store	Pingo Doce Supermarket	Recheio Cash & Carry	Ara Neighbourhood store

100%
Jerónimo Martins Agro-Alimentar
Agribusiness

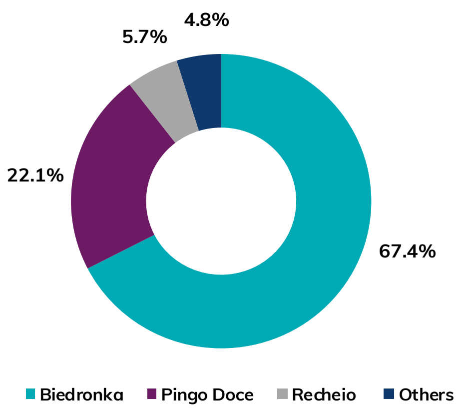
SPECIALISED RETAIL

100%
Hebe
Drugstore

100% Coffee Shops

51% Chocolates

Sales by Business Area 2018



EBITDA by Business Area 2018

Million euros	EBITDA	% Total
Biedronka	850	88.6%
Pingo Doce	188	19.6%
Recheio	53	5.5%
Others	-131	-13.6%
JM	**960**	**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 framework of responsible business management, Jerónimo Martins adopts continuous and sustainable value creation and growth.

Jerónimo Martins' Corporate Responsibility focuses on preserving the environment and natural resources in order to improve the quality of life in the communities where the Group does business, by providing healthy products and food solutions, incorporating environmental and social concerns in its purchases and sales, defending Human Rights and working conditions, and helping towards a more cohesive social structure.

2.2. Strategic Vision

The Group's strategic vision is based on promoting profitable and sustainable growth, through three key guiding principles:

1. **Leadership**: strong banners and brands that enable to achieve and consolidate leadership positions in the markets where it operates;
2. **Responsibility**: continuous assessment of the impact of the business on the environment and society, an active and significant contribution towards improving the quality of life in the communities and towards sustainability as a whole;
3. **Independence**: careful management of the balance sheet and supply sources to ensure the continuity of the operations and autonomy in strategic decision-making, bearing in mind the various stakeholders.

Within this context, when doing business, the Group's Companies have two core focuses:

- **Consumer**, whose characteristics, needs and preferences require a progressive adjustment and reinforcement of the value proposition a continuous and significant contribution towards the well-being of the communities surrounding the stores;
- **Employee**, providing him or her with skills, instruments and working conditions to be able to simultaneously be the agent for promoting profitable growth through satisfied consumers and also a decisive point of contact in the Company for the surrounding communities.

2.3. Operational Profile

Our operating positioning reflects a clear value food retail approach, strategically geared towards mass-market and developed specifically for the surrounding market and community.

The Group offers proximity and convenient food solutions that are appropriate for all consumers, at very competitive prices, which requires operating with maximum efficiency and linear cost structures. All our value propositions are marked by strong differentiation in three essential aspects: the variety and quality of fresh food products, benchmark Private Brands and store environment.

The success of our formats is leveraged on market leadership, which within a mass-market approach, is linked to size, and is essential for creating economies of scale that enable us to increase the efficiency of our 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 the consumers who prefer our stores.

3. Awards and Recognition

Corporate

- Jerónimo Martins Group has been recognised for promoting gender equality in the workplace, and is the only Portuguese company that is part of the Top 200 Global Companies in the **Global Equileap Gender Equality** ranking;

- Jerónimo Martins stands in 55th place in the **"Global Powers of Retailing 2019"** ranking, its best position ever in this annual survey by Deloitte, having risen 60 places in the last ten years;

- In recognition of its performance in over 300 social, environmental and governance indicators, the Group remained part of the **Euronext Vigeo-Eiris Eurozone 120** index, and for the first time, was also included in the **Euronext Vigeo-Eiris Europe 120** index;

- Jerónimo Martins obtained the best social and environmental score in the **ISS Ethix** index, attributed by ISS - Institutional Shareholder Services. The Group recorded the lowest environmental and social risk level in this index;

- **ISS-Oekom**, one of the global sustainable investment rating agencies, once again gave Jerónimo Martins the "Prime" score, a level that distinguishes companies that are leaders in their sectors;

- The Group was once again included in the **FTSE4Good Europe** and **FTSE4Good Development** indices and for the first time, on the **FTSE4Good Developed Minimum Variance**;

- The Group remained on the **ECPI** Global Developed ESG Best in Class, Euro ESG Equity and World ESG Equity indices, and became part of four new indices: Global Livestock GD, Global Climate Change Liquid, Global Megatrend 100 and Global Megatrend 100 Volatility Control;

- The Group was included on the **Ethibel Sustainability Index** (ESI) Excellence Europe and on the Ethibel Investment Register Excellence, by the independent association Forum Ethibel, specialists in rating, independent audits and certification of products and services which comply with ethical and social and environmental governance best practices;

- Jerónimo Martins was once again rated as an Outperformer, at the Leader level, in the **Sustainalytics** analysis, due to the Group's robust sustainability strategy, policies and programmes;

- Jerónimo Martins became part of the **MSCI ACWI ESG Leaders** and **MSCI ACWI SRI** indices, which represent high-performing companies in social, environmental and governance areas. In 2018, the Group achieved an AA rating, reaching the leadership level;

- The Group was once again confirmed on the **STOXX ESG Leaders** indices and included on various indices, such as the **Global ESG Environmental Leaders** and the **Global ESG Impact**, which represent leading companies worldwide in social, environmental and governance aspects;

Jerónimo Martins Polska / Biedronka

- Jerónimo Martins Polska achieved the 4th place in the **"Employer of the Year 2017"** ranking, an initiative from Nielsen and AIESEC Poland;

- Jerónimo Martins Polska was also considered to be the best payer and the retailer with the best offer of fresh produce, within the scope of the "Market of the Year - Retail Chains 2017" initiative, organised by the publication "Wydawnictwo Gospodarcze";

- For the third year running, Jerónimo Martins Polska achieved 2nd place on the list of the "500 Biggest Companies", by the "Rzeczpospolita" newspaper;

- Jerónimo Martins Polska stood in 2nd place in the Most Patriotic Companies in Poland index, also attributed by the "Rzeczpospolita" newspaper;

- Jerónimo Martins Polska was recognised by the publication "Polityka Weekly", with the "**CRS White Leaf 2018**", for the projects developed to effectively manage the company's environmental impact;

- Jerónimo Martins Polska achieved the 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 the "**Golden Effie**" in the Retail/Sales Channels category, with its "Sweeties Gang 2" campaign;

- Jerónimo Martins Polska stood in 2nd place in the list of the 2,000 Biggest Companies in Poland, by the "Rzeczpospolita" newspaper;

- Jerónimo Martins Polska received the title "**ECOJANOSIK 2018**", for recycling and handling operational waste, reducing the consumption of electricity, actions for protecting biodiversity and for fighting climate changes;

- Jerónimo Martins Polska won the award "**EAGLES of Wprost 2018**" in the Greater Poland area, an accolade for companies who obtained the greatest average net profit over the last three years, as well as the biggest average percentage increase in net profit;

- Biedronka became part of the most powerful group of Polish brands, winning the category "Shopping - convenience store", from Superbrands;

- Biedronka won 2nd place in the ranking of the most valuable brands in Poland 2017, by the "Rzeczpospolita" newspaper;

- The Marine Stewardship Council (MSC) recognised Biedronka's commitment to promote sustainable fishing, awarding it with "**MSC 2018**";

- Biedronka was a Top Brand leader, in the ranking of the most popular retail brands, based on its media presence.

Hebe

- The professional cosmetics magazine "Wiadomości Kosmetyczne" considered Hebe to be the "Drugstore of the Year 2018", in the "Assortment" and "Store Organisation" categories;

- Hebe won an "Extra Highlight" in Service Quality, attributed by "Polski Instytut Badań Jakosci";

- The Polish Service Quality Programme (Polski Program Jakości Obsługi) awarded Hebe a "Client Service Star" in the "Drugstore" category;

- Hebe won the "Drugstore" category in the "Superbrands".

Pingo Doce

- Pingo Doce was considered "Partner of Merit" by the Federação Portuguesa de Associações de Suinicultores (Portuguese Federation of Pig Farmers), for representing over 50% of the sales of pork;

- For the second year running, Pingo Doce was awarded the "Biggest and Best Job Creator" in Portugal, attributed by the magazine "Exame" in partnership with Informa D&B and Deloitte, aiming to acknowledge big companies in Portugal that make a positive contribution to the domestic economy;

- Pingo Doce's Customer Service was awarded by Associação Portuguesa de Contact Centers as the best contact centre in the Commerce and Retail sector in Portugal;

- Pingo Doce won the prize "Master Retalho Alimentar 2018", in the Masters da Distribuição, an initiative from the magazine "Distribuição Hoje" and IFE by Abilways;

- 11 Pingo Doce Private Brand wines received 16 medals in two international wine contests:
    - Decanter World Wines Event contest - seven medals received, with a special note for the Vinho Verde Alvarinho Branco Pingo Doce 75cl, which earned a Platinum Medal;
    - International Wine Challenge Contest - nine medals received, where we would highlight the Vinho do Porto 10 Anos Tinto Pingo Doce 75cl, which was awarded the Gold Medal.

Recheio

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

2

MANAGEMENT REPORT

Management Report – Creating Value and Growth

1. Key Facts of the Year

Biedronka

- Opening of 122 stores, 35 of which to replace closed stores, ending the year with 2,900 locations
- Refurbishing of 230 stores
- Launch, together with Pingo Doce, of the Be Beauty and Go Bio brands. The first in the personal care and beauty category and the second in the organic product segment

Hebe

- Opening of 51 stores, ending the year with a total of 230 locations (200 Drugstores and 30 Pharmacies)
- Hebe's loyalty programme achieved around three million members
- Reinforced digital presence, which at the end of the year encompassed around 483 thousand followers on Facebook, 67 thousand on Instagram and 806 thousand visitors to its website

Pingo Doce

- Opening of 10 stores, eight of which in the Pingo Doce & Go convenience format, closing the year with 432 locations
- Full refurbishing of 29 stores and 21 liftings
- Change to the promotional mechanics of the Meat and Fish categories from weekly to monthly: "Promotion throughout the month"

Recheio

- Relocation of the Fogueteiro store to Corroios, with a reinforced customer service level and an increase in the Perishables area as strategic, differentiating elements
- Refurbishing of the Óbidos store, with the Perishables area being substantially enlarged
- Inclusion of 15 stores in the Amanhecer concept, ending 2018 with a total of 329 stores in the network

Ara

- Opening of 143 stores, ending the year with 532 stores operating in three regions of Colombia
- Opening of the 4th Distribution Centre, reinforcing the logistics capacity in the Bogota region

Jerónimo Martins Agro-Alimentar (JMA)

- Opening of a new Dairy factory in Portalegre
- Start of regular supply of sea bass and gilt-head bream to Group stores in Portugal

Jeronymo and Hussel

- Opening of three Jeronymo stores and one Hussel store
- Start of the partnership with Davvero artisanal ice creams at Jeronymo
- Launch of Hussel's Private Brand ice creams

2. Environment in 2018

2.1. Poland

Macroeconomic Environment

As in the previous year, the Polish economy had a solid growth of 5.1% (4.8% in 2017). Domestic consumption was the main economic growth driver, supported by salary increases and the decrease in the unemployment rate to a historic low level. Investments also made a positive contribution, especially public investment, and benefited from the use of funds from the European Union (EU). This year, the “Family 500 plus” programme, which was extremely important for the growth of private consumption in 2016 and 2017, showed a certain slowdown, as households received less funds than the previous year (more children reached adulthood and there were some adjustments for attributing this incentive).

Companies had increased difficulty in hiring, even when considering the significant number of immigrants who entered the country. The unemployment rate dropped to 6.1% (7.3% in 2017).

In 2018, the zloty recorded an average annual exchange rate(1) of 4.2614 against the euro, a devaluation of 0.2% compared to the 4.2539 in 2017, partly caused by the uncertainty around world economic growth. The year-end exchange rate position also devalued by 2.9%, closing with a rate of 4.3014 (4.1770 in 2017).

The growth of the Consumer Price Index in 2018 was 1.6%, fairly low, taking into account the increasing pressure of internal demand and the increase in the prices of fuel. However, the slowdown in food inflation from 4.2% in 2017 to 2.6% this year contributed towards the reduction in inflation. Adverse weather conditions in 2017 imposed high inflation especially in the Fruit category, which throughout the year was close to zero (from 8.0% to -0.1%). Also, of particular note was the strong deflation of sugar (-29%), which was key for the reduction in food inflation. On the other hand, Meat and Fish had moderate inflation.

2019 is expected to have lower, although still robust economic growth. The difficulties in hiring staff and the predicted general growth slowdown in the Euro zone will be the main challenges for the Polish economy. Even so, private consumption and both public and private investment should continue to support the good performance of the economy.

With regard to inflation, an increase can be expected, partly explained by companies’ costs with salaries and the increasing pressure in demand.

Modern Food Retail

2018 was a very positive year for the Polish economy, with GDP reaching the best performance since 2007. Private consumption was the main reason for this growth, followed by investments, the use of EU funds enabling a significant increase in public investment.

The Ministry of Finance communicated a record budget surplus and the continued decrease in unemployment levels. This decrease in unemployment and the rise in salaries led to positive levels of consumer confidence and consumption. The Food Retail market posted an increase of 3.3% in 2018.

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(1) Average annual exchange rate determined by weighting the turnover of the Group’s Companies operating in this currency.

The introduction of the Sunday trading ban was the greatest challenge that the sector faced during 2018. As from March, and as a rule, stores were only allowed to open on the first and last Sunday of the month. The different operators were focused in adapting to the new market reality. The Discount format kept growing, increasing its market share by around 2p.p..

Adapting to these alterations implied changes in the Polish consumer's routine. Turnover from the Sundays when the stores were closed was not fully transferred to the other days of the week, causing some pressure on retail banners to attempt to compensate the days they were closed.

According to the law in force, in 2019 it will only be permitted to open on the last Sunday of each month, and in 2020, the ban will be extended to every Sunday, with some exceptions foreseen as before Christmas and Easter.

The Government has been working to address some loopholes in the law approved in March 2018, such as exemption from the recommended closure for stores with postal services, which is intended to be applicable only when such services are their core activity. A new trend has been the growth in convenience stores in petrol stations, as these benefit from exemption from the Sunday ban.

Another challenge for the Retail sector concerns the tax on commercial spaces, which will affect the owners of shopping centres. In addition to this, a new legislation was approved, which gives local entities the right to limit the hours for selling alcohol at night, which is a further challenge for the sector.

The growing popularity of the convenience format was reinforced by changes in consumption habits, and the value customers place on the shopping experience, efficient store environment and shopping time. Examples of this evolution are the use of self-checkouts, which is gaining popularity, followed by Scan & Go type smartphone shopping apps and home deliveries.

Health and Beauty Retail

According to PMR Research's projections, the Polish Health and Beauty market grew by 6.7% in 2018 (6.2% in 2017), reaching 25 billion zlotys, benefiting from the country's favourable macroeconomic environment.

The introduction of the compulsory closure on some Sundays had an impact both on market growth and on consumer habits. In this context, in order to attract the consumer on other days of the week, all operators reinforced their investment in promotions. Whilst Pharmacies and Drugstores only partially recovered their turnover due to the Sunday closures, the Discount store networks managed to gradually expand their cosmetics offer, becoming an increasingly important channel in the Hygiene and Personal Care product categories. The online market posted a sharper growth than the rest of the market (a growth of 14.9% compared with the 6.7% in the Health & Beauty market).

On the other hand, a change in consumer behaviour can also be seen, with consumers being increasingly aware and demanding in terms of quality and shopping experience, looking for more natural and premium quality products and going after new trends or new brands.

Equally, customer relations are changing, with an increasing presence of influencers and social media, especially amongst the younger generations, with a personalised concept of beauty and the growth in the online and multi-channel market. This trend means that there are some exclusively online operators that are starting to build their presence in physical stores.

Over the next few years, the Health and Beauty market should continue growing. PMR Research is forecasting a growth rate of more than 4%, with an increasingly discerning consumer when it comes to choosing a product but also regarding the store experience and convenient shopping.

2.2. Portugal

Macroeconomic Environment

In 2018, the economic activity continued on its growth trend, albeit at a slower pace, which corresponds to a more mature phase in the economic cycle, GDP having increased by 2.1% compared with a growth of 2.8% in 2017. This growth slowdown mainly reflects the lower growth in exports and investments, when compared with the previous year.

Exports, which were the component that made the greatest contribution towards the recovery of the Portuguese economy which began in 2013, should post a growth of c.3.6%, although this was a slower growth compared to the previous year (7.8%), influenced by a lower growth in the export of services and in tourism. The slowdown in the tourist business throughout the year is due to the recovery of some competing destinations.

The increase in private consumption should remain at the levels of the previous year, around 2%, with a fairly stable growth in the first half of the year, and a growth slowdown in the second half of 2018. On the other hand, the level of consumer confidence decreased, especially in the last two months of the year.

With regard to the labour market, the trend continued to be one of improvement, with the unemployment rate dropping to 7.0% (+8.9% in 2017), although at a progressively slower rate than in previous years.

Inflation stood at 1.0%, below the 1.4% in 2017, influenced by a more moderate evolution of non-processed food products (0.6% in 2018 vs. 1.8% in 2017). The increase in the price of energy products (+4.7%) was not enough to prevent from the lower inflation in 2018.

The deficit must have been at around 0.7% of GDP (3.0% in 2017), in line with that defined in the stability programme.

For 2019, the Portuguese economy will continue to face growth constraints, namely lower growth in exports and consumption, despite the various sectors of the economy having a reduction in indebtedness and the progress achieved in recent years with regard to market behaviour.

Modern Food Retail

In 2018, the Food Retail Sales grew 5.0% which compares with a 3.9% growth in the previous year, with Non-Specialised Establishments showing an increase of 5.6% and Specialised Establishments a decrease of 1.5%.

Inflation was low (+0.7% in food products and non-alcoholic beverages), and there continued to be a particularly high level of promotional activity which, according to Nielsen, proves the existence of a "promo-lover" consumer profile.

Store expansion and refurbishing continued at a similar pace to previous years, especially focused on the proximity formats.

In 2019, the trends in consumer behaviour should stay similar to recent years. Health and well-being, shopping experience, innovation, convenience, simplicity, fast shopping, environment and price/promotion are some of the looked for features worth highlighting.

Wholesale Market

In 2018, the turnover of the Cash & Carry operators in Portugal recorded a positive trend (+3.8%, according to Nielsen TSR Cash & Carry), which was helped by the dynamics in the HoReCa channel.

Growth in this channel was once again boosted by the performance in the tourism sector (from January to October 2018, the number of guests increased by 1.3% according to INE - Portuguese Statistics Institute), mostly benefiting from domestic demand.

Of note is the relevant focus of Garcias (specialised in selling wines and spirits) which, in 2018, had 10 establishments.

In Traditional Retail, the continued opening of Amanhecer and Meu Super stores should be highlighted, resulting from the investment in integrated commerce, thereby increasing the number of proximity stores.

The outlook for 2019 is a satisfactory performance in the HoReCa channel and the continuous revitalisation of Traditional Retail.

2.3 Colombia

Macroeconomic Environment

In 2018, the economic growth in Colombia should be above the previous year, with a GDP around 2.7% (+1.8% in 2017). This evolution was within the context of recovery in domestic demand, namely private consumption, but also of exports. That growth, however, was lower than forecasted at the beginning of the year.

Economic activity in Colombia was supported by the manufacturing, commerce, transports, public administration, defence and other sectors linked to services. By contrast, the extractive mining industry and construction sectors posted sharp contractions.

An improvement in consumer confidence was seen in Colombia during the first half of the year. Although there was some subsequent deterioration, the context improved compared to the previous year.

The unemployment rate reflected a slowdown in GDP growth, reaching 9.7% in 2018, 0.3p.p. higher than in 2017 (+9.4%).

Inflation in 2018 stood at 3.2%, in line with the Colombian Central Bank's objective (+3.0%; ±1.0p.p.), below the 4.3% in 2017, the decrease being essentially explained by the lower growth in the price of food products and services. Lower inflation meant that the reference interest rate could be decreased by 50 basis points during the year (from 4.75% to 4.25%).

In 2018, the Colombian peso registered an average annual exchange rate[1] of 3,489.6 against the euro, a devaluation of 3.9% compared to the 3,352.1 in 2017.

Elections took place in Colombia during the year, with a new president being elected. The new Government aims to continue with the liberal view on private investment and minimal State, but also with a series of social programmes initiated by the previous Government.

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[1] Average annual exchange rate determined by weighting the turnover of the Group's Companies operating in this currency.

It is expected an improvement in the Colombian economy in 2019, supported by an increase in consumer confidence, as there should be a recovery in purchasing power, through controlled inflation and a relatively low interest rate.

Modern Food Retail

The Retail market in Colombia posted an increase of 2.8% (0.9% in volume). Despite the favourable macroeconomic environment, household consumption did not achieve the growth forecasted at the beginning of the year.

The difference against the initial estimates resulted from changes in Colombian consumers' habits, who wanted to do more efficient and more convenient shopping with more information, which triggered a definitive change in the perception of the cost-benefit of the products.

The Discount format was the one with the highest growth whilst the rest of organised retail and independent retailers posted a decline during the year.

The number of openings in 2018 was led by the Discount format, with more than 500 new locations.

The weight of the Discount stores in Modern Food Retail increased[(2)] to 7.9% (+1.6p.p. against 2017), benefiting from a more price-focused consumer, in an environment of weak economic growth and very low levels of confidence, partly explained by the uncertainty related to the electoral period, as well as the discussion on legislative change with the increase of VAT rates.

It is estimated that in 2019 there will be a growth in GDP and an increase in consumer confidence, which could benefit retail.

Also, for the coming year, Nielsen estimates that the market will grow by 4.6% (2.3% in volume), where retailers will probably focus their strategy on two essential aspects: driving consumer demand and confidence. These strategies should be adapted and develop at the pace of an increasingly informed, multi-channel and more demanding consumer as far as the value of the product and the shopping experience is concerned.

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.

[(2)] Source: Nielsen Home Panel.
We highlight that in 2018 Nielsen developed a new methodology, including numbers for the whole market as a basis for their calculation. This implied a restatement of the previous years' market share figures which were based just on Organized Retail. The information disclosed in 2017 Annual Report is therefore not comparable with the one currently reported.

3. Group Performance

2018 was a year full of challenges, especially in Jerónimo Martins' main market - Poland - in which the Group was able to strengthen its operations, grow sales and increase market shares in all the countries.

3.1. Strategic priorities for 2018

In line with the defined strategic vision, profitable growth remained Jerónimo Martins' main priority in 2018, with each business area having carried out its plans, aware of the different realities in each market and for each format.

The Group's focus targeted: i. continuing to grow above the respective markets in Poland and in Portugal ii. mitigating the impact on sales and on the efficiency of the operations due to the regulation introduced in Poland regarding store closure on Sundays iii. leveraging the scale under construction in Colombia to work the mix and sales density, carving the way to profitability and iv. reinforcing investment in people and in operation infrastructures.

In general, the strategies drawn up and the objectives defined 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.

3.1.1. Growing above the respective sectors in Poland and in Portugal

In Poland, Biedronka continued operating in a favourable consumption environment, which offered opportunities for continuous improvement to the assortment.

The banner successfully dealt with these opportunities through its permanent assortment, Private Brand offer and in&out campaigns, which enabled it to respond to the Polish consumer's aspirations.

In the Private Brand assortment, around 72 products were improved or replaced, while 109 new products were launched, which were included in the regular assortment, beyond the products developed to in&out campaigns.

During the year, around 40 campaigns were carried out to reinforce the offer's appeal.

These good commercial dynamics always entailed the reinforcement of the banner's positioning and price perception, which is a core capital of the value proposition, created over the years.

Both Recheio as Pingo Doce operated within a healthy consumption environment in Portugal.

The supermarket banner found an innovative way of leveraging its promotional capacity in one of its competitive advantages - Perishables. This new dynamic introduced a monthly instead of weekly promotion scheme, encompassing a huge variety of products. The momentum of the theme-based initiatives was also maintained throughout the year.

Supported by the quality of its value proposition and commercial aggressiveness, Recheio continued growing above the market, in what continued to be a benign environment, fuelled by the performance of consumption in general and by tourist activity.

The continuous search to enrich the assortment, while simultaneously maintaining an intense price and promotions activity, led the three banners (Biedronka, Pingo Doce and Recheio) to increase their market shares.

3.1.2. Mitigating the impact of the regulation introduced in Poland regarding store closure on Sundays

In March 2018, the new regulation was adopted making it compulsory to close the stores on Sundays. As the implementation is progressive, this first year, the stores were able to remain open on the first and last Sunday of each month. In 2019 they will only be able to open on the last Sunday of each month and in 2020 they will have to close every Sunday, with a few exceptions contemplated, namely leading up to Christmas and Easter.

Biedronka anticipated the change in consumer behaviour, preparing its stores and logistics to respond to the expected transfer of Sunday sales mainly to Fridays, Saturdays and Mondays.

Along with this demanding work to make the operation flexible, sales initiatives were drawn up that would ensure that consumers had every reason to visit Biedronka before Sunday.

In close coordination, the various teams in the Company successfully managed not only to mitigate the loss of sales, which was essentially reflected in the loss of impulse sales, but also to protect the profitability of the operations at the stores and logistics' level.

As far as sales are concerned, the closure on 21 Sundays had an estimated impact of around 1.3p.p. on LFL sales growth in the year.

3.1.3. Leveraging the scale under construction in Colombia to work the mix and sales density

In 2018, Ara leveraged the capacity to expand its store network, recording increased relevance in the Colombian market.

This was the starting point to begin more detailed work on the sales mix with positive consequences on the margin mix.

This work was developed with Private Brand suppliers who more directly share with the Company the benefits of the growth in the scale of sales and the impact that it has on the efficiency of the operations - both Ara's and those of these suppliers. In this context, 196 new Private Brand products were launched, aiming to reinforce the offer, which is already quite comprehensive, of articles which form the basic basket.

With these developments, Ara strengthened its offer in the market, presenting a more comprehensive, more appealing assortment, which goes over and above the basic food basket. These steps are essential for the growth in sales density, with the offer of better, higher value-added products, which also contribute to the development of a more interesting margin mix, which plays a fundamental role in the path to profitability.

Simultaneously, the Company continued opening stores at a good pace and reinforced its logistics operation by opening another Distribution Centre in Bogota (the second in this region) in September.

As a result of the work carried out, the Company posted a very positive margin evolution in 2018 and is in line with the development plan drawn up for that market.

3.1.4. Execution of the Investment Programme

The investment plan set for each year is always a key part of the defined strategy as it embodies the realization of the growth potential, both organic and regarding LFL, identified for each banner, but also because it includes the projects needed to continuously improve the shopping experience and protect the efficiency of the entire operation.

In 2018, the Group's investment plan stood at 658 million euros, of which 41% was allocated to expansion (new stores and Distribution Centres). The remaining went to stores and Distribution Centres refurbishing projects, as well as to normal maintenance of the operations.

(million euros)	2018			2017		
Business Area	Expansion[1]	Others[2]	Total	Expansion[1]	Others[2]	Total
Biedronka	**91**	**281**	**372**	**113**	**241**	**354**
Stores	87	255	342	88	222	310
Logistics & Head Office	4	26	30	25	19	44
Pingo Doce	**13**	**78**	**90**	**32**	**70**	**102**
Stores	12	72	85	17	66	83
Logistics & Head Office	0	5	6	16	3	19
Recheio	**6**	**21**	**27**	**13**	**15**	**28**
Ara	**117**	**1**	**118**	**169**	**0**	**169**
Stores	70	1	70	129	0	129
Logistics & Head Office	47	0	47	40	0	40
Total Food Distribution	**227**	**380**	**607**	**327**	**326**	**653**
Hebe	8	3	12	5	1	7
Services & Others	35	4	39	39	25	65
Total JM	**270**	**388**	**658**	**372**	**352**	**724**
% of EBITDA	28.2%	40.4%	68.6%	40.3%	38.2%	78.6%

[1] New Stores and Distribution Centres.

[2] Revampings, Maintenance and Others.

At Biedronka, the investment plan for the year involved 372 million euros (57% of the Group's total capex), and was concentrated on the store opening programme, on the 230 refurbishings and the improvement works to the operation's logistics infrastructure.

In line with its expansion plan, Biedronka opened 122 stores, closing the year with a network of 2,900 locations (77 net additions). The Company continued to see interesting opportunities for opening proximity stores and believes it has the right format, with the necessary layout flexibility to fulfil those opportunities.

Hebe accelerated the store opening pace, inaugurating 51 new locations during the year.

Pingo Doce invested 90 million euros, including in 10 new stores, eight of which under the Pingo Doce & Go convenience concept.

The refurbishing programme kept being relevant within the Company's strategy, with a positive impact on consumer relations and on LFL growth. 29 comprehensive refurbishing and 21 liftings were carried out, with an obvious contribution towards continuously improving the store network, whose shopping experience is renowned within the market.

Recheio invested 27 million euros in total, essentially in the inauguration of one new store, which was to replace another location that had closed, and in the refurbishment of one store.

Also, in Portugal, for the Agribusiness the year was marked by the conclusion of the construction and start to the operation of the new dairy factory.

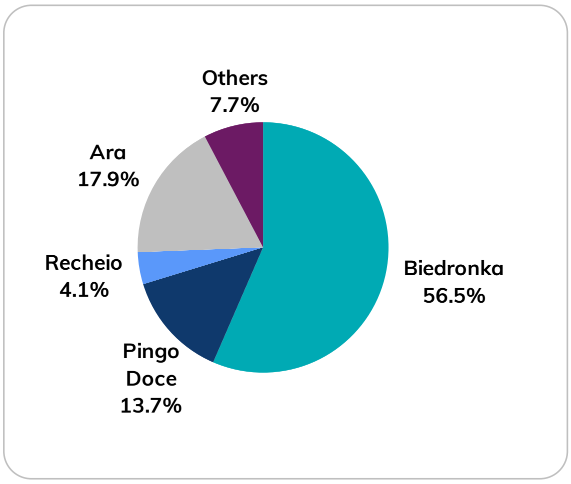
In Colombia, Ara invested a total of 118 million euros, mainly on the opening of 143 stores that were inaugurated over the course of the year. It should be mentioned that the efforts in making efficient investments led to a lower cost per location, proof of the Company's better experience and knowledge of the expansion processes.

	New Stores		Revampings [1]		Closed Stores	
	2018	2017	2018	2017	2018	2017
Biedronka	122	121	230	226	45	20
Pingo Doce	10	10	29	23	0	1
Recheio	1	1	1	1	2	0
Ara	143	169	0	0	0	1
Hebe	51	30	4	0	3	1
Other Businesses [2]	4	9	0	4	4	3

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

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

Investment by Business Area



3.2. Consolidated Activity in 2018

3.2.1. Consolidated Sales

(million euros)	2018	% total	2017	% total	Δ % excl. F/X	Δ % Euro	LFL
Sales & Services							
Biedronka	11,691	67.4%	11,075	68.0%	5.8%	5.6%	2.7%
Pingo Doce*	3,835	22.1%	3,667	22.5%		4.6%	3.5%
Recheio	980	5.7%	942	5.8%		4.0%	4.4%
Ara	599	3.5%	405	2.5%	53.9%	47.9%	n.a
Hebe	207	1.2%	166	1.0%	25.0%	24.7%	n.a
Others & Cons. Adjustments	24	0.1%	20	0.1%		15.4%	n.a
Total JM	**17,337**	**100%**	**16,276**	**100%**	**6.8%**	**6.5%**	**3.1%**

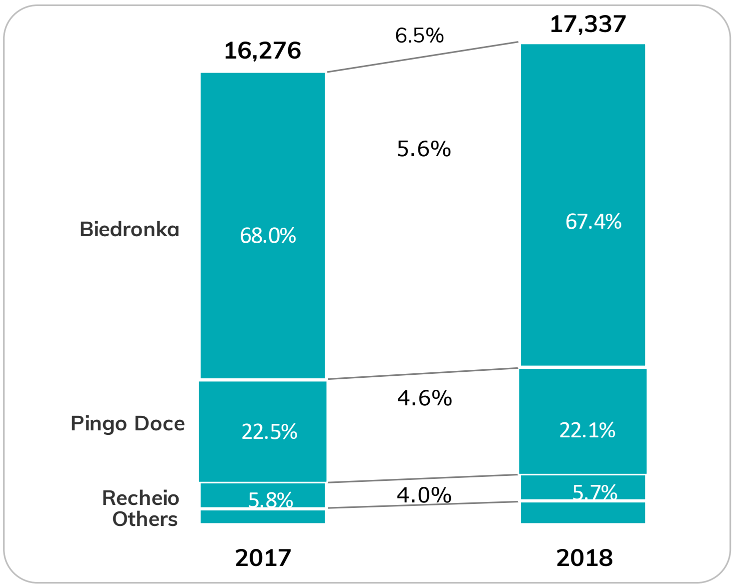
* includes stores sales and fuel

The Group's net sales increased by 6.5% to 17.3 billion euros (+6.8% at constant exchange rates), despite 21 less trading days in Poland.

Biedronka, Pingo Doce and Recheio reinforced their value propositions and continued to gain market share, while Ara went ahead with its expansion plan and with improving its growth drivers.

Despite the challenges in the main market, there was a very good sales growth and all the banners increased their market shares.

Consolidated Sales (million euros)



In Poland, the positive consumption environment provided opportunities for continuously improving the offer.

Food inflation in the country remained low throughout the year, influenced both by the deflation of relevant raw materials and fresh produce, and by the highly competitive environment, heightened by the Sunday trading regulation. Food inflation during the year stood at 2.6%.

Within a demanding environment, Biedronka remained focused on the consumer and reinforced its market share. The banner managed to mitigate the impact of 21 less trading days during the year, simultaneously protecting the efficiency of the operation and its profitability.

Besides the banner's price leadership and intense promotions, which increased compared to the previous year, the strategy for improving the assortment and the in&out campaigns contributed towards the above-market performance.

Sales increased by 5.6% during the year to 11.7 billion euros and, in local currency, the growth was 5.8%.

On an LFL basis, sales increased by 2.7%. The level of prices in the basket remained relatively stable, with growth being driven by volumes and trading up.

It is estimated that the regulation regarding closure on Sundays, which has been in force since March, had an impact of around 1.3p.p. on LFL.

Despite the impact of the Sunday trading ban, Hebe's sales were up 25.0% in the year. In euros, sales increased by 24.7% to 207 million euros. This performance confirms that the current value proposition is the right one for the Polish market and has the potential to deliver more in the near future.

Hebe opened 51 new stores (48 net additions) having ended the year with a total network of 230 locations: 30 pharmacies and 200 drugstores (21 of which include a pharmacy).

In Portugal, the consumption environment remained positive throughout the year. Food inflation in the country stood at 0.7%.

Pingo Doce innovated its commercial activity and proved to be in good competitive shape. Total sales grew by 4.6% to 3.8 billion euros. LFL growth (excluding fuel) had a remarkable performance, reaching 3.5%.

The Company opened 10 new locations during the year, eight of which under the Pingo Doce & Go convenience concept.

Recheio had another strong year and achieved sales of 980 million euros, a growth of 4.0% compared to the previous year. On an LFL basis, sales increased by 4.4% in the year.

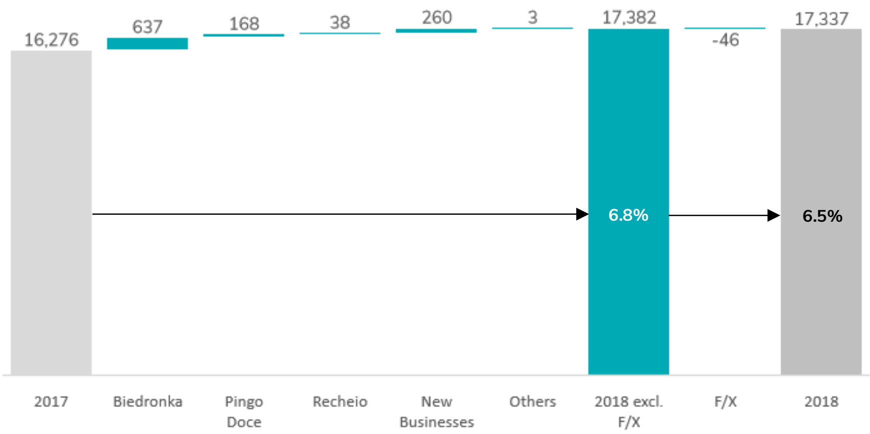
The Company's commercial assertiveness enabled it to also benefit from a favourable consumption environment and a positive trend in tourist activity.

In Colombia, there was an improvement in consumer confidence levels in the first half of the year, and although there was some subsequent deterioration, the climate improved compared to the previous year.

Ara posted sales of 599 million euros, up 47.9% against 2017. At a constant exchange rate, sales grew by 53.9%. Expansion was the Company's first priority, and it was focused on reinforcing its presence and on the relevance of the offer in the different regions.

The banner opened 143 stores in 2018, ending the year with a network of 532 locations.

Contribution to Consolidated Sales Growth (million euros)



3.2.2. Consolidated Operating Results

(million euros)	2018	%	2017	%	Δ%
Net Sales & Services	**17,337**		**16,276**		**6.5%**
Gross Margin	3,760	21.7%	3,458	21.2%	8.7%
Operating Costs	-2,800	-16.2%	-2,536	-15.6%	10.4%
EBITDA	**960**	**5.5%**	**922**	**5.7%**	**4.1%**
Depreciation	-364	-2.1%	-331	-2.0%	9.9%
EBIT	596	3.4%	591	3.6%	0.8%

In a year of significant operational challenges in the Group's main operating market, there was stronger focus on profitable growth.

Consolidated EBITDA stood at 960 million euros, a growth of 4.1% compared to the previous year (+3.9% at constant exchange rates).

(million euros)	2018	% total	2017	% total	Δ %
Biedronka	850	88.6%	805	87.3%	5.6%
Pingo Doce	188	19.6%	188	20.4%	-0.3%
Recheio	53	5.5%	50	5.5%	5.1%
Others & Cons. Adjustments	-131	-13.6%	-122	-13.2%	7.5%
Consolidated EBITDA	**960**	**100%**	**922**	**100%**	**4.1%**

The Group's EBITDA margin was 5.5% (5.7% in 2017).

When excluding the dilution caused by the losses at Ara and Hebe, EBITDA grew by 3.2% and achieved a margin of 6.3%.

In Poland, also regarding the efficiency of the operation, Biedronka successfully managed the impact of the Sunday closures, preserving the banner's profitability. Careful management of the sales mix played a key part in the year's performance.

Biedronka posted an EBITDA of 850 million euros, a growth of 5.6% (5.8% at a constant exchange rate). This performance reflected the sales growth and the stability of the EBITDA margin, in a year in which the Company focused on maximising the transfer of sales from Sundays when it was closed to other days of the week, whilst it prepared the operation in the stores and Distribution Centres to efficiently deal with these new dynamics.

Biedronka's EBITDA margin stood at 7.3%, in line with the previous year.

Pingo Doce posted an EBITDA of 188 million euros, in line with the previous year. The respective margin was 4.9%, slightly below the 5.1% recorded in 2017, reflecting the impact of the remuneration package reviews carried out in October and December 2017. It should be mentioned that the good sales performance mitigated the impact of the annualization of these measures.

Recheio achieved an EBITDA of 53 million euros, 5.1% higher than 2017, posting an EBITDA margin of 5.4% (5.3% in 2017). The robust EBITDA growth matches another year of strong sales performance resulting from a fierce commercial strategy in a market marked by busy tourism activity.

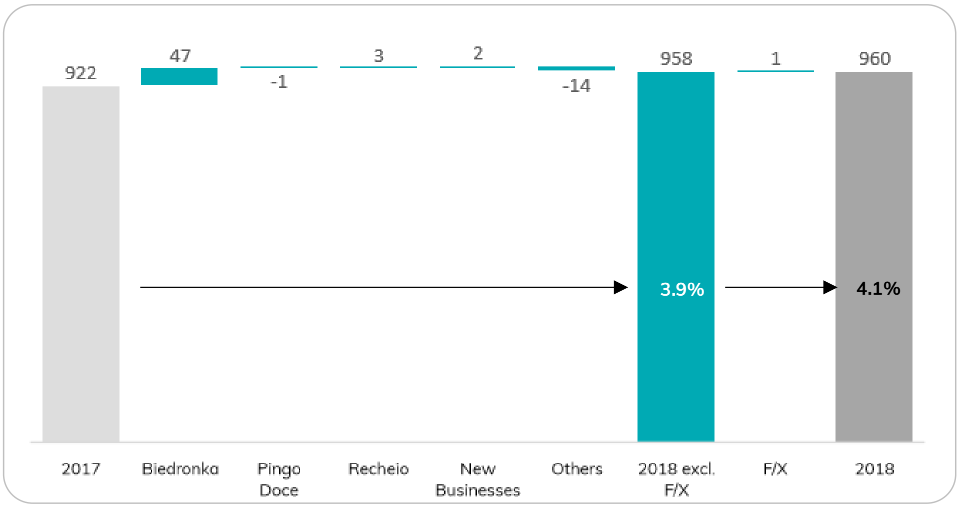
Ara and Hebe recorded combined losses in EBITDA of 80 million euros (85 million euros in 2017).

Ara was responsible for around 90% of the losses generated, having stabilised that amount, in local currency, compared to the previous year. Despite the significant impact of the expansion plan on the store base, which is still relatively small, the work carried out on the sales per store and the margin mix allowed the banner to achieve a favourable evolution on profitability, as planned.

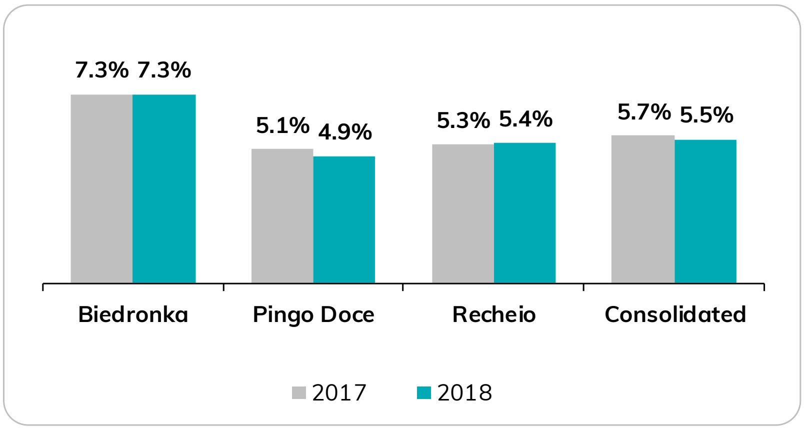
As expected, Hebe recorded a decrease in losses generated in EBITDA, although this performance was impacted in 2018 by the law restricting stores from opening on Sundays.

The quality of the sales performance at all the banners enabled the Group to increase its EBITDA, despite the low food inflation recorded in the three countries where it operates.

Contribution to Consolidated EBITDA Growth (million euros)



EBITDA Margin



3.2.3. Net Consolidated Results

(million euros)	2018	%	2017	%	Δ%
EBIT	**596**	**3.4%**	**591**	**3.6%**	**0.8%**
Net Financial Results	-25	-0.1%	-12	-0.1%	106.4%
Profit in Associated Companies	0	0.0%	0	0.0%	n.a.
Other Profits/Losses	-9	-0.1%	-14	-0.1%	n.a.
EBT	**562**	**3.2%**	**565**	**3.5%**	**-0.5%**
Taxes	-132	-0.8%	-152	-0.9%	-13.3%
Net Profit	**430**	**2.5%**	**413**	**2.5%**	**4.2%**
Non Controlling Interest	-29	-0.2%	-27	-0.2%	5.8%
Net Profit attr. to JM	**401**	**2.3%**	**385**	**2.4%**	**4.1%**
EPS (€)	0.64		0.61		4.1%
EPS without Other Profits/Losses (€)	0.65		0.63		3.2%

Net results attributable to Jerónimo Martins were 401 million euros, up 4.1% against 2017.

Other Profits/Losses amounted to nine million euros, essentially reflecting restructuring costs.

Net financial costs were 25 million euros. Among these, net interests stood at 20 million euros, recording an increase compared to the previous year, in view of higher debt in Colombian pesos. This item also includes exchange rate differences resulting from currency depreciation which, in 2017, had shown a positive value.

The effective tax rate, lower than in 2017, is affected, in both years, by movements of opposite nature. In 2017, the tax amount was higher as a result of the regularization of previous years values and the need to reinforce provisions on litigation processes with unfavourable decisions to the Group's interests. In 2018, all the tax litigation lawsuits were reassessed in detail, namely those cases pending a decision and, in light of decisions pronounced in the meantime by the Courts in similar cases or in relation to the same facts, provisions for tax contingencies were reduced.

3.2.4. Cash Flow

(million euros)	2018	2017
EBITDA	960	922
Interest Payment	-24	-15
Other Financial Items	0	0
Income Tax	-148	-160
Funds From Operations	**788**	**747**
Capex Payment	-717	-662
Δ Working Capital	70	168
Others	-5	-4
Free Cash Flow	**135**	**249**

Cash flow generated in the year reached 135 million euros. When compared to the value generated in 2017, there was a decrease of 115 million euros due to higher capex payment than in 2017 and lower funds release from working capital, which in 2017, recorded a particularly favourable position regarding suppliers on the last day of the year, which makes it a tough comparison base.

The funds generated from operations grew by 5.4% and reached 788 million euros in 2018.

3.2.5. Consolidated Balance Sheet

(million euros)	2018	2017
Net Goodwill	637	647
Net Fixed Assets	3,842	3,639
Total Working Capital	-2,454	-2,496
Others	70	54
Invested Capital	**2,096**	**1,843**
Total Borrowings	624	529
Leasings	15	8
Accrued Interest & Hedging	2	4
Marketable Sec. & Bank Deposits	-562	-712
Net Debt	**80**	**-170**
Non Controlling Interests	238	225
Share Capital	629	629
Retained Earnings	1,149	1,159
Shareholders Funds	**2,016**	**2,013**
Gearing	3.9%	-8.5%

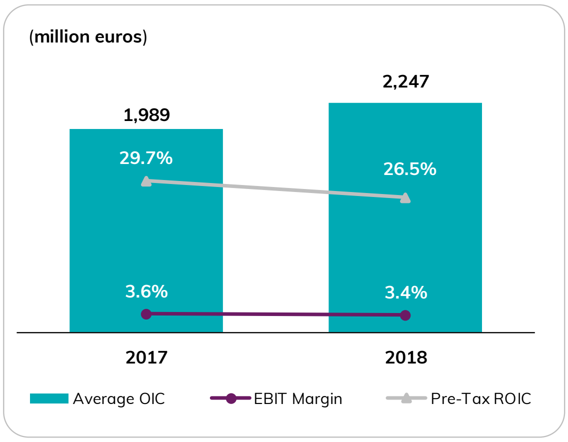
The robustness of the Group's balance sheet remains unquestionable, with net debt reaching 80 million euros, evolving from a positive net cash position in 2017.

It should also be pointed out that, in May 2018, dividends in the amount of around 385 million euros were paid, which was an exceptional payout of 100%, around double of what would have resulted from applying the Group's dividend policy.

3.2.6. Return on Invested Capital

Return on invested capital, calculated on a Pre-Tax ROIC basis, continued to be very solid, standing at 26.5%.

The reduction compared to the 29.7% posted in 2017 reflects the decrease in EBIT margin and the slight decrease in capital turnover, which remained high in all the business areas.



3.2.7. Debt Breakdown

(million euros)	2018	2017
Long Term Debt	**278**	**232**
as % of Total Borrowings	44.5%	43.8%
Average Maturity (years)	2.9	2.4
Other LT Debt	278	232
Short Term Debt	**347**	**298**
as % of Total Borrowings	55.5%	56.2%
Total Borrowings	**624**	**529**
Average Maturity (years)	*1.5*	*1.4*
Leasings	15	8
Accrued Interest & Hedging	2	4
Marketable Securities & Bank Deposits	-562	-712
Net Debt	**80**	**-170**
% Debt in Euros (Financial Debt + Leasings)	7.8%	24.3%
% Debt in Zlotys (Financial Debt + Leasings)	47.4%	44.8%
% Debt in Colombian Pesos (Financial Debt + Leasings)	44.8%	30.9%

The Group's debt composition continued to show a growth in the value of the debt in Colombian pesos, as foreseen in the financing strategy, which favours natural hedging investments in each geography using debt in the same currency.

The restructuring of the debt in Poland, aiming to increase its maturity, was reflected at a Group level, with a slight increase in the maturity of the consolidated debt.

3.2.8. 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, please see point 9. Management Report Annex, in this chapter.

PSI20 Performance

The reference index in the Portuguese market - PSI20 - comprises 18 shares and was reviewed in March 2018, after which Novabase was withdrawn from the index and replaced by F. Ramada.

After increasing 15.2% in value in 2017, and having a positive first 6 months, the PSI20 closed 2018 with a depreciation of 12.2%, to 4,731.47 points, due to December being a particularly negative month, in line with peer European indices. Among the 18 listed companies, only three recorded a positive trend in 2018.

The index's poor performance went hand-in-hand with the evolution of the European economy, with the risk arising from Brexit, the Italian budget and more recently, the instability in France having a negative impact on the capital markets.

The performance of the Portuguese stock market index was in line with the average for the main European indices.

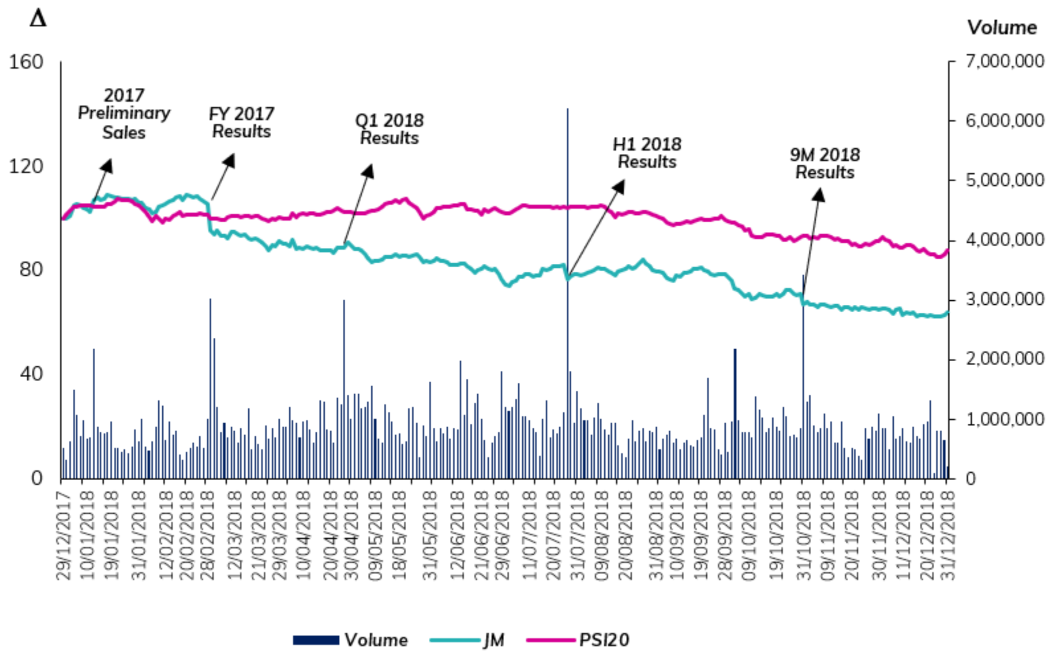
Jerónimo Martins Share Price Performance

In 2018, the Jerónimo Martins share depreciated by 36.2%, after having posted a 9.9% increase in the previous year.

According to the Euronext Lisbon, in 2018, Jerónimo Martins recorded the fourth biggest market capitalisation, a drop from its third position in 2017. The Company closed the year with a market capitalisation of 6.5 billion euros and a relative weight within the PSI20 of 9.9%. Jerónimo Martins is one of the three Portuguese companies to be part of the Euronext100, having maintained its weight of 0.28% in that index.

Jerónimo Martins' shares were among the most traded on the Euronext Lisbon, with around 235 million shares, meaning a daily average transaction of around 921 thousand shares (28.9% above 2017), at an average price of 13.46 euros (18.2% lower than that recorded in 2017). In terms of turnover, these shares represented the equivalent of 14.0% (3.2 billion euros) of the overall volume of shares traded on the PSI20 index in 2018 (22.6 billion euros).

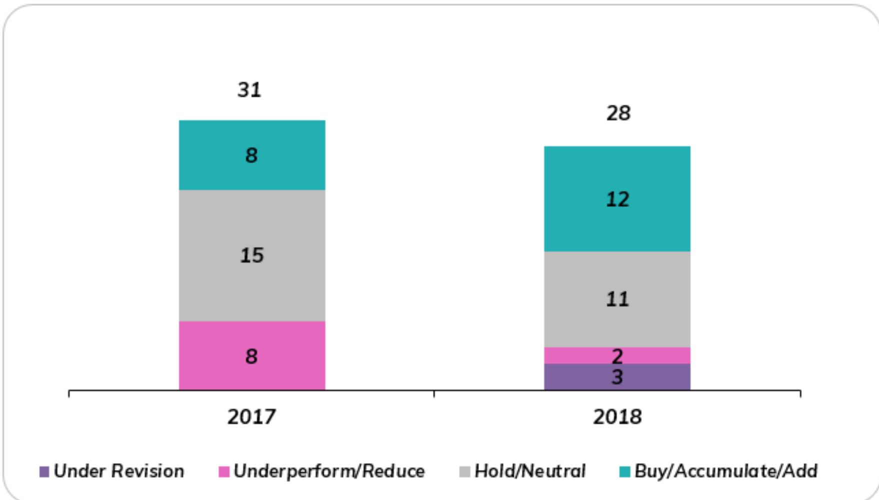
The Jerónimo Martins share had a sharper downturn during the second half of the year, when the uncertainty linked to the impact of regulations foreseeing the closure of stores on some Sundays in Poland, plus greater pressure on shares of companies operating in emerging markets. In price terms, the shares had a low of 10.105 euros twice, on 20 and 24 December and reached a high of 17.65 euros on 18 January, ending 2018 at a price of 10.34 euros.



Analysts

In 2018, one investment house began covering Jerónimo Martins (JB Capital) and another four ended the share coverage (Bryan Garnier & Co, Natixis, Raymond James and Redburn) due to changes in these institutions' research areas.

At the end of the year, 28 analysts were covering Jerónimo Martins: 12 analysts issued a positive recommendation on the stock, 11 issued a neutral recommendation and 2 issued a negative recommendation. Three investment houses (Caixa BI, Erste and Fidentiis) placed the stock "Under Revision". At the end of 2018, the average price target of the analysts was 13.82 euros, which means a potential upside of 33.6% compared with the closing price on 31 December.



Jerónimo Martins Financial Performance 2014-2018

(million euros)

	2018	2017	2016	2015	2014
Balance Sheet					
Net Goodwill	637	647	630	640	640
Net Fixed Assets	3,842	3,639	3,180	3,060	2,940
Total Working Capital	-2,454	-2,496	-2,201	-2,001	-1,778
Others	70	54	46	82	111
Invested Capital	**2,096**	**1,843**	**1,656**	**1,780**	**1,912**
Net Debt	80	-170	-335	187	273
Total Borrowings	624	529	335	658	714
Leasings	15	8	4	0	1
Accrued Interest	2	4	0	0	4
Marketable Securities and Bank Deposits	-562	-712	-674	-471	-446
Non Controlling Interests	238	225	253	252	243
Equity	1,778	1,788	1,738	1,342	1,396
Income Statement					
Net Sales & Services	**17,337**	**16,276**	**14,622**	**13,728**	**12,680**
EBITDA	**960**	**922**	**862**	**800**	**733**
EBITDA margin	5.5%	5.7%	5.9%	5.8%	5.8%
Depreciation	-364	-331	-294	-294	-277
EBIT	**596**	**591**	**568**	**505**	**457**
EBIT margin	3.4%	3.6%	3.9%	3.7%	3.6%
Financial Results	-25	-12	-17	-26	-34
Profit in Associated Companies	0	0	10	17	15
Other Profits/Losses	-9	-14	184	-20	-9
EBT	**562**	**565**	**744**	**475**	**429**
Taxes	-132	-152	-130	-117	-104
Net Income	**430**	**413**	**614**	**358**	**325**
Non Controlling Interests	-29	-27	-21	-25	-23
Net Income attributable to JM	**401**	**385**	**593**	**333**	**302**
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	28.7%	28.4%	29.7%	31.7%	26.9%
EPS (€)	0.64	0.61	0.94	0.53	0.48
Dividend per share (€)	0.61	0.61	0.27	0.62 *	0.31
Stock Market Performance					
High (€)	17.65	18.07	16.35	13.81	14.25
Low (€)	10.11	14.88	10.92	7.70	6.98
Average (€)	13.46	16.46	14.24	11.84	10.94
Closing (End of year) (€)	10.34	16.20	14.74	12.00	8.34
Market Capitalisation (31 Dec) (€ 000,000)	6,507	10,191	9,276	7,548	5,245
Transactions (volume) (1,000 shares)	234,824	182,115	251,292	344,797	274,146
Annual Growth	-36.2%	9.9%	22.9%	43.9%	-41.4%
Annual Growth - PSI20	-12.2%	15.2%	-11.9%	10.7%	-26.8%

* 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.

Jerónimo Martins

4. Performance of the Business Areas

4.1. Food Distribution

4.1.1. Biedronka

Message from the Managing Director

In a market that continued to benefit from a positive consumption environment, for Biedronka 2018 was a year for continuing with the strategy and reinforcing its focus on the consumer. The quality of the assortment and the store network remained key priorities, with the Private Brand assortment showing a very positive evolution in categories of increasing importance in the Polish market. The refurbishing programme, which came to 230 locations during the year, was also a very significant contribution to the Company's competitive position and its efficiency.

In operational terms, 2018 was marked by legislation coming into force that limits retail stores from opening on Sundays. With 21 fewer trading days during the year, Biedronka concentrated on ensuring it transferred the maximum sales from Sundays when it was closed to other days of the week, simultaneously protecting the efficiency of the store and warehouse operations.

This adaptation was successfully achieved, having limited the impact of the loss of sales days and with the remarkable commitment of our teams, Biedronka maintained its efficiency levels while significantly increasing market share. These were tough objectives and it was only possible to achieve them with the engagement and commitment of all those at Biedronka who worked every day to meet the preferences and wishes of our consumers.

Besides the solid performance which led to reinforcing market leadership, Biedronka also invested in and adjusted its operation, which strengthen it to continue growing above the sector.

2018 Performance

In Poland, the consumption environment remained positive throughout the year, continuing to benefit from the increase in household disposable income.

In the food retail sector, the competitive environment remained fierce and highly promotional, especially due to adapting the market to the partial ban on stores opening on Sundays.

So, the year was marked by the law that came into force in March 2018, restricting stores from opening on Sundays. Under this new legislation, in 2018, stores could only open on the first and last Sunday of each month, which was reflected in 21 fewer trading days during the year.

Special attention was given to the changes seen in consumer behaviour as a result of the new regulation, with Biedronka adjusting the operation to address the greater sales flow recorded on certain days of the week, as customers swapped Sunday shopping for other days. The Banner also adjusted its promotional activity so as to maintain its appeal to customers and increase its ticket value in the other days of the week.

Against this background of adaptation, Biedronka remained particularly focused on reinforcing its market position, without affecting the effectiveness and efficiency of its business model.

The major part of the Sunday sales was transferred to Fridays, Saturdays and Mondays, with an impact on impulse sales, while the consumer is still adjusting to the new market reality.

Priority continued to be given to reinforcing the quality of the assortment and during 2018, the Company continued to invest in developing its Private Brand, having launched 109 new products to its regular assortment, beyond the products developed to in&out campaigns, and improved the packaging of 72 articles, to make them more attractive and appealing to its consumers. Several products from the Group's two Exclusive Brands - Be Beauty and Go Bio were also launched.

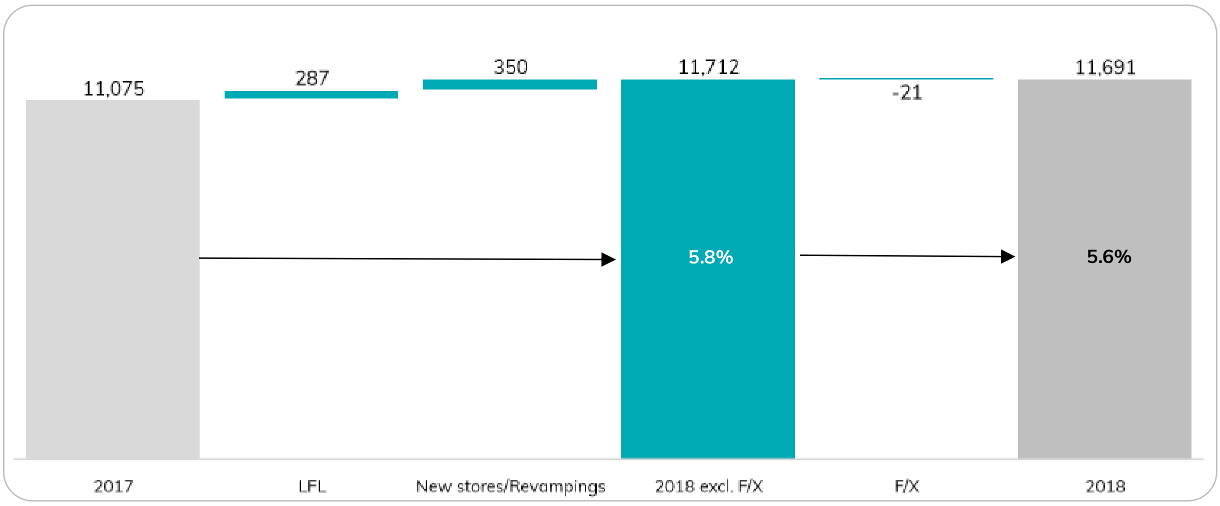
The Be Beauty brand has 69 personal care and beauty products, with the communication "the new beauty is you", whilst the Go Bio brand has 78 organic products, this being clearly a trend in consumer concern, both included on its regular assortment and used in in&out campaigns.

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

The loyalty card has now more than seven million active users and has been progressively used by the Company as a way of increasing the notoriety of its commercial initiatives.

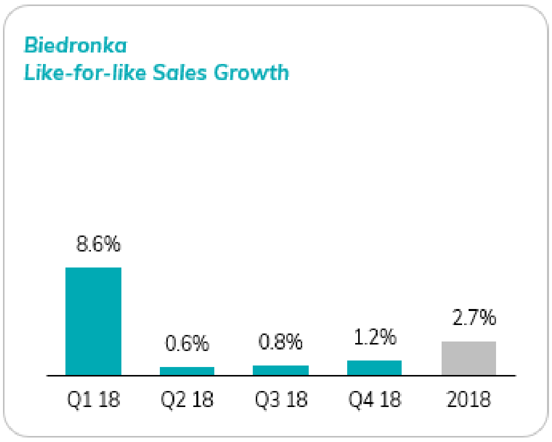
Biedronka's sales increased by 5.6% reaching 11.7 billion euros. In local currency, sales grew by 5.8%, driven by the LFL of 2.7% and by the store opening plan.

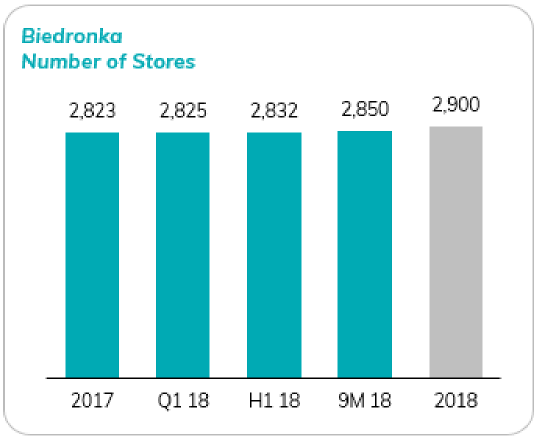
Biedronka - Net Sales (million euros)



Regarding the execution of the investment plan for the year, besides the opening of 122 new locations (including 35 replacements), it is essential to highlight the store refurbishing plan, which included 230 locations in 2018.

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





The combination of a more favourable sales mix, the management of in&out promotions, operational discipline and of safeguarding efficiency made possible to keep the EBITDA margin stable at 7.3%, despite the already expected cost evolution, namely related to staff, and the greater pressure resulting from the new legislation on Sunday ban coming into force.

The EBITDA generated by the Company increased by 5.6% (+5.8% in local currency) to 850 million euros.

4.1.2. Pingo Doce

Message from the Managing Director

In a fiercely competitive market, for the seventh year running, Pingo Doce managed to increase its market share and once again won consumer preference.

The results achieved were driven from the investment in improving the shopping experience, with the full refurbishing of 29 stores and the opening of 10 new stores, as well as from the reinforcement of our key offer strategic pillars: Perishables, Private Brand and Meal Solutions.

In the Perishables area, an innovative commercial strategy was adopted for the Meat and Fish Counters, with promotions throughout the entire month, which was well accepted by the customers and enabled us to reinforce our market leadership.

2018 was also a year for deepening our Environmental Responsibility policy, especially regarding the important areas of packaging and the sustainability of transportation solutions.

We believe that we have a solid value proposition and know the route to take to continue being the Portuguese people's choice. We have strategy, infrastructures and above all we have a strong, competent team that is extremely well prepared to surpass the challenges in the coming years, to continue surprising consumers and make Pingo Doce grow.

2018 Performance

Throughout 2018, the food retail market in Portugal remained extremely competitive and promotional, with consumers reacting positively to the campaigns.

In line with previous years, Pingo Doce remained focused on meeting consumer needs, which led to the strong sales performance and an increase in market share, with the respective strengthening of its competitive position.

The Company began the year with a new approach and a change in pricing paradigm linked to Pingo Doce's two greatest strengths in its value proposition: Perishables and Promotions.

In the Meat and Fish categories, the Company changed the promotional mechanics from weekly to monthly, applied to a huge variety of articles: "The best promotions on meat and fish last the whole month".

This change placed Pingo Doce once again in the lead on pricing strategy in Portugal - improving the customer's shopping experience in these crucial areas, generating stable consumption throughout the month, ensuring greater product availability in store and maintaining the low prices to which the customers are used to.

A strong commercial dynamic was also maintained, with over 170 promotional and theme-related campaigns.

In the middle of the year, the Company started a new institutional campaign - "At Pingo Doce low price worth more"- reinforcing its entire Private Brand strategy on a differentiation and innovation level.

Besides low price, Pingo Doce stood out for having the Portuguese people's favourite Private Brand; almost 40 years' experience in Perishables and a Take Away operation that is unique in the market. This multi-channel campaign gained even more importance and relevance with Pingo Doce being back on television.

During the year, the exclusive Jerónimo Martins brands - Be Beauty and Go Bio were launched, for the first time ever simultaneously, at Pingo Doce and Biedronka.

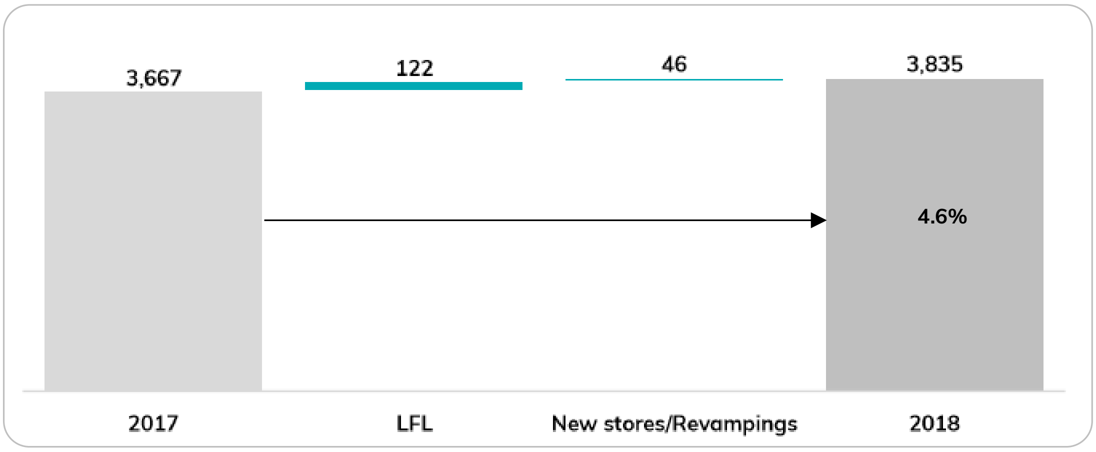
At Pingo Doce, the Be Beauty brand has already 29 personal care and beauty products, with the communication "the new beauty is you", whilst the Go Bio brand encompasses 36 organic products, both included on its regular assortment and used in in&out campaigns.

In line with its Private Brand main strategic objectives, throughout the year Pingo Doce further innovated the assortment with the launch of 250 new articles and reformulated other products, in order to reduce the incorporated levels of salt, sugar and fat.

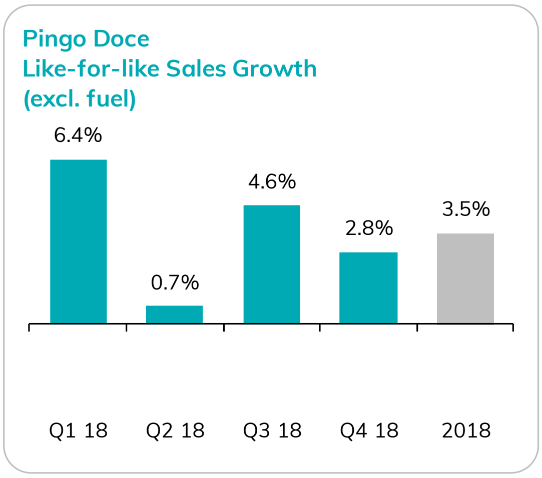
The store environment and the quality of the shopping experience were also given due attention once again, as the full refurbishing plan covered a total of 29 locations, besides the 21 liftings that were also carried out during the year.

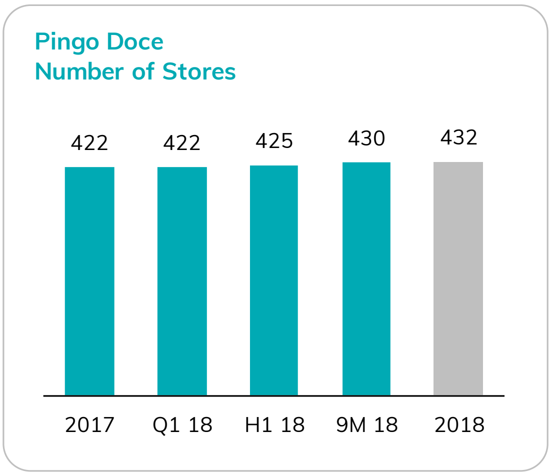
This consistent investment strategy in multiple fronts, has led to a 3.5% growth in LFL sales, which together with the contribution from the new stores, resulted in a 4.6% growth of total sales to 3.8 billion euros, leading to a market share increase.

Pingo Doce - Net Sales (million euros)



Pingo Doce opened 10 new stores during the year, six of which with an agency contract, the store management and ownership of the locations where it operates being undertaken by third-parties with proven experience in the proximity food retail sector.





Finally, a word about the consolidation of the Company's Environmental Responsibility policy in 2018, where three projects linked to the Environment preservation are of particular note: ECO project - an innovative solution for refilling water bottles, which in just a few months, led to saving 220 thousand plastic bottles from circulating in Portugal; the reinforcement of Ecodesign programme, which was already launched many years ago, but in 2018 was the star of a television campaign showing the benefits achieved to date - 15 thousand tonnes of packaging materials removed from our private brand products - and also the development of a new check-out plastic bag to transport the shopping, made of at least 80% post-consumption recycled plastic, fostering the principles of the circular economy.

Despite the significant impact resulting from the revision of the remuneration packages, for store and distribution centres teams, with special emphasis on salary increases made during the last quarter of 2017, Pingo Doce achieved an EBITDA of 188 million euros, broadly in line with the value recorded the previous year, as a result of the effectiveness of its commercial actions and the improvement of operational efficiency. The EBITDA margin went from 5.1% in 2017 to 4.9% in 2018.

4.1.3. Recheio

Message from the Managing Director

Within an extremely competitive environment, Recheio was able to rise to the challenges and in a year in which it decreased its store network, boosted its sales to record levels, posting a value of approximately one billion euros, with a growth of 4.0% (+4.4% in the same store sales). This performance was achieved by clearly focusing on the customer, which enabled us to identify areas for development.

During the year, we closed the Regedor store, relocated the Fogueteiro store to Corroios and refurbished the Óbidos store. The main objectives of the refurbishing process were to provide our customers with an easier shopping experience, to modernise communication and to invest in more sustainable projects.

As far as the value proposition is concerned, Recheio reinforced its positioning in Perishables and Private Brand, both by launching a new assortment and through clearer communication.

With regard to prices, Recheio made a point of maintaining its competitiveness and promotional offer, while also investing in distribution, adapting the fleet to market trends.

Food Service once again proved to be our growth driver, understanding how to address our customer's needs, having posted a growth of more than 15%. The Amanhecer project grew organically, reaching 329 partner stores, and in Exports we managed to enter new markets.

We are confident that the key characteristics of our success will continue to be remaining focused on the customer and ensuring that the operation is flexible and able to adapt.

2018 Performance

During 2018, Recheio posted a sales increase of 4.0% (4.4% LFL), driven by the good performance of all the segments in which the banner operates, over an already strong base created in previous years.

Cash & Carry had a healthy growth of 4.1%, despite closing its Regedor store and the strong competitive pressure felt in Traditional Retail, as well as a certain slowing in tourism, in particular in the second half of the year, resulting in a lower growth rate in the HoReCa channel compared to the same period the previous year.

The efforts and dedication of the teams and the customer relations which characterises Recheio contributed towards this performance, ensuring that a relevant and consistent value proposition is developed for each segment.

During 2018, Recheio reinforced its positioning both in Perishables, clearly investing in the assortment, innovation and communication, and in its Private Brands with the launch of 182 new products, the weight of Private Brand in sales having reached 21.6%.

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.

In 2018, the Company opened a new store in Corroios, to replace the Fogueteiro store, and refurbished the Óbidos store, aiming to boost sales growth, improve customer solutions and reinforce the efficiency of the operation, by increasing the sales area and confirming Perishables as a strategic pillar.

Food Service had the capacity to keep up with the market in terms of tourism, and to consolidate and attract new customers, benefiting from the relocation of the Porto platform in 2017, posting a growth of 15.4% at the end of 2018. Development of a specialised assortment, commercial follow-up and support to customers and efficient distribution have been key elements to the success of this business segment.

With regard to Exports, there was a decrease in sales, contrary to the strong growth trend seen in previous years, explained mainly by the decrease in sales to Angola, due to the country's economic situation and the sharp devaluation of the local currency.

The stores under the Amanhecer project had, at the end of 2018, a network of 329 partner units, 15 more than the previous year.

Despite the investment in our teams and in prices and the increase in the costs of distribution (fuel and improvements to logistics operations), the good same store sales performance enabled the Company to achieve a 5.1% growth to its EBITDA, reaching 53 million euros, with the respective margin standing at 5.4% of sales.

4.1.4. Ara

Message from the Managing Director

The neighbourhood store model that we have been developing in Colombia has proven to be very well accepted by the Colombian consumer - we already have over 10 million customer visits per month to our stores.

Our focus on an increasingly discerning consumer, who has ever more options, is based on the continuous development of a unique and differentiated offer, supported by the innovation of our brands, our price leadership and by developing an emotional tie through our concept of "tienda de barrio", a specificity to this country.

To better locally meet and address the needs of the consumer and the regional competitiveness, we implemented a new organisational structure which gave the regions greater autonomy with regard to managing the assortment, pricing and promotional activity.

The quality of our staff recruitment, selection and training processes was absolutely critical for the organic growth achieved and for developing a sense of engagement in our more than 5,600 employees who work every day to ensure a quality and warm service to our customers, because they are the ones critical to our success.

In 2019, Ara will continue to focus on consumers, on the dynamics of their preferences, on innovating its offer and expanding its store network, to reach more and more Colombian households.

2018 Performance

During 2018, Ara opened 143 stores in the regions where it operates and ended the year with a total of 532 locations. The year was also marked by the opening of the Gachancipá Distribution Centre, in the Bogota region, which took place in September, and will make it possible to increase logistics efficiency and support our expansion to more "neighbours" in this important region.

Currently, Ara has 124 stores in the Coffee Growing region, 185 stores on the Caribbean Coast and 223 stores in the Bogota region.

To achieve price leadership, it has been essential to guarantee efficiencies in the store and logistics processes, where the use of technology has proven to be crucial. However, we realise that our standards will have to continue improving, not forgetting the "youth" of our operation.

Sales reached 599 million euros, a growth of 47.9% compared to the previous year (+53.9% at a constant exchange rate), Ara having consolidated its leadership in modern retail in the Coffee Growing region and increased its market share in all the geographic areas where it is present.

With a view to satisfying the Colombian consumer, priority continued to be given to developing the Private Brand assortment, where 196 new products were launched. Private Brand already represents around 44% of Ara's sales, and has a total of 156 suppliers, the large majority of which are local operators.

The communication strategy remained focus on reinforcing the positioning and price leadership, combining nationwide campaigns with regional leaflets, in permanent dialogue with local consumers, giving the offer visibility but also enhancing the chain's notoriety.

The work done in sales mix and scale allowed for the stabilization of EBITDA losses despite the still relevant weight of expansion costs related to store and logistic expansion.

4.2. Agribusiness

4.2.1. Jerónimo Martins Agro-Alimentar (JMA)

Jerónimo Martins Agro-Alimentar

Message from the Managing Director

2018 was JMA's fourth year in activity, during which the various businesses achieved growth and the structures and activities in the several operating units were consolidated.

In the Dairy area, a new factory is now a reality so that in 2019 it can be an innovation hub and go beyond producing milk, cream and butter for the Pingo Doce and Recheio Private Brands.

In the Livestock Farming area, 2018 was a year with multiples challenges, having started from the Monte de Trigo farm the milk supply for the factory in Portalegre. The Cartaxo unit obtained its environmental certification, enabling to end the year with double the number of Angus cattle in its facilities. At the same time, in this unit, the production of organic Angus beef was also set up.

In Aquaculture, sales of gilt-head bream from Madeira began, and it was confirmed the success of the Alentejo Coast sea bass from the Sines unit, as it was extremely well accepted in the stores. Through the sea bass and gilt-head bream production agreement, signed with an operator in Spain, we hope to increase the installed capacity and prepare the future in a sustainable way.

Today, we are better prepared to respond to the Group companies' challenges, in Portugal, and to continue developing the projects under way.

2018 Performance

In 2018, JMA continued to reinforce its presence in the three operating areas in which it is investing: Dairy Products, Angus beef Production and Fattening and Aquaculture, maintaining its mission to protect and secure sustainable access to sources of differentiating products, ensuring that the Group's internal needs, in Portugal, are met with competitive costs, efficiency and quality.

In the Dairy business, 2018 was a transitional year, marked both by the completion of the construction of the new factory and installation of the processing equipment, and by the start-up of its production (namely milk and cream in cardboard packaging), reinforcing efficiency and the ability to innovate and produce in this area.

In the Livestock Farming business, where the Angus Beef Fattening operation is carried out, in 2018 the licensing processes began for the expansion of the Cartaxo unit's capacity, where works are in progress to reconvert the unit already set up. In addition, improvement works also began at Monte de Trigo farm in Alentejo, where a dairy farm operates, supplying the milk factory and farming food for the entire operation.

As far as Aquaculture is concerned, Seaculture's production of sea bass continued in the concession located in the port of Sines, where it recorded a significant increase in the installed and used capacity. Over the course of the year, Seaculture began supplying sea bass to Group stores in Portugal. The project on the island of Madeira, which is a partnership, began regularly fishing gilt-head bream and supplying it weekly to the stores. At the end of the year, the expansion of this area was assured with the conclusion and signing of a sea bass and gilt-head bream production contract with an operator in Spain. The first batches were already placed in the sea.

4.3. Specialised Retail

4.3.1. Hebe

Message from the Managing Director

In 2018, Hebe continued reinforcing its position in the Polish market recording solid sales growth despite a very challenging competitive environment. The Sunday trading ban had a negative impact on the market, but we kept winning by growing much faster than any competitor – significantly reinforcing our market shares. This is very encouraging as we still need to gain scale and awareness.

Hebe accelerated its expansion with 51 new openings, reaching 230 locations at the end of the year, always with a strong focus on the quality of the locations to ensure good productivity.

We also completed a significant assortment optimisation, which already started to bring not only substantial sales and margin benefits, but also an enhanced experience for the consumers, as well as more differentiation against competitors.

It is also worth mentioning two important milestones for the Company's development in 2018: Hebe was on air with its first TV commercial and launched its channel on Youtube. Moreover, we kept investing in our core assets, continuing to build capacity to reach our long-term ambition, while maintaining a strong cost discipline throughout the year.

2018 Performance

In a highly competitive environment, Hebe posted 25.0% sales growth in 2018, reaching 883 million zlotys by the year-end and continuing to increase its customer base and average basket. This solid result was achieved despite the significant impact of the Sunday trading ban on sales and a stronger presence of Health and Beauty categories in the supermarkets and discounters.

In 2018, Hebe reinforced its market share by once again being the chain with the highest growth in the Polish Health and Beauty and Personal Care markets. The Company increased its position in almost all categories, especially in fragrances, make-up and skin care.

Hebe opened 51 stores in 2018, focusing on high traffic locations like shopping centres and precincts, ending the year with a total of 230 stores.

The Company continued to increase the sales of both the Exclusive and Private Brands portfolio which already represent close to 20% of sales. Differentiation has been enhanced with the implementation of a new assortment and store layout, as well as numerous innovations at store level aimed at improving the customer experience. Private Brands have been strengthened with the launch of *Hebe Cosmetics* (soaps and shower gels) and *By hebe* (accessories) while *Hebe Professional* (make-up, hand and foot accessories) has been extended to hair accessories.

Hebe achieved an enhanced sales performance by managing strong seasonal campaigns related to Valentine's Day, Women's Day, Easter, Black Week, Christmas and New Year. Hebe also aired its first TV commercial during the Christmas period to support sales and brand awareness.

The loyalty programme kept increasing and reached more than 3 million members at the end of the year (up by 22% against the previous year), 95% of whom are women. More than 63% of the

Company's total sales were made to customers who are loyalty card holders, proving the relevance of the programme.

Hebe kept reinforcing its digital presence and finished the year with over 483 thousand fans on Facebook and more than 67 thousand on Instagram. In the meantime, the Hebe.pl website has been visited by an average of 540 thousand unique visitors every month. The Company’s digital footprint has also been extended with the launch of the Hebe Youtube channel. These activities are crucial for increasing awareness of the brand.

The Company kept reducing its EBITDA operating losses with a strong focus on top line growth and an enhanced margin mix, while improving operating efficiencies.

4.3.2. Jeronymo and Hussel

Message from the Managing Director

2018 was a year of change for Jeronymo and Hussel. The changes to the operation were the result of both technical matters, with the introduction of a new information system and its respective adaptation, and of the business itself, with the creation of a partnership between Jeronymo and Recheio's Food Service company, aiming to improve efficiency in the supply chain.

On the other hand, Jeronymo continued to invest in new recipes and healthier products to satisfy an increasingly demanding customer. In this context, and in order to meet the expectations of our consumers, recipes were created by a chef exclusively for our coffee shops.

In 2019, we will remain focused on expanding the two banners in street stores, while extending the new assortments to all the stores of the network.

2018 Performance

In 2018, the Company's sales in both banners - Jeronymo and Hussel - increased compared to the previous year, despite the start of the summer being penalised by low temperatures for the season.

Jeronymo opened three new locations, two in Lisbon and one in Almada, continuing to invest in new recipes and healthier products, which are presented as alternatives for customers with diet restrictions.

In 2018, and in order to improve customer service, various partnerships were set up with strategic suppliers, both for training the store teams and for product innovation. One example is the partnership with Davvero, the artisanal brand of ice cream, with the respective assortment having been extended to around one third of the stores. In addition, in terms of operational efficiency, the logistics and supply process through the Group's Food Service platform - operated by Recheio - was restructured and optimised.

As far as Hussel is concerned, a new store was inaugurated in Lisbon in 2018 which, being the largest in the chain, gives continuity to the new store concept launched in the previous year.

In order to tackle seasonality, and after setting up a partnership with Artisani, Hussel launched its Private Brand artisanal ice creams in 2018.

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.

The banner reinforced its presence on digital channels, namely on Facebook and Instagram, by posting news and theme-based campaigns.

5. Outlook for the Jerónimo Martins Businesses

Biedronka

Biedronka is well prepared to continue adapting to the progressive implementation of the Sunday ban regulation. The 2019 LFL will nonetheless reflect the effects of 13 fewer trading days and of the expected subdued basket inflation.

Biedronka's strategic priorities will continue to be sales growth and increasing market share. Price positioning and perception will continue to be key parts of the banner's strategy, as well as constant focus on the needs and aspirations of the consumer, by permanently improving the proximity offer.

Despite expecting the pressure on the cost structure in the sector to remain, namely staff and energy costs, given the current environment, Biedronka will remain focused on protecting the efficiency of the business model.

The Company is continuously improving the quality, the mix and the penetration of its store network. In this context and based on the successful performance of its smaller stores, Biedronka will add around 50 openings of these slightly smaller units to around 100 openings (c.60 net additions) planned in its most common format.

Hebe

In 2019, Hebe will also have to address the additional closure on 13 Sundays. The Company will continue to be focused on growth, benefiting from a unique value proposition, which includes the distinctive variety of its offer, competitive prices and both its service and shopping experience.

Hebe will maintain its expansion plan (around 50 new stores) and continue to improve profitability. The banner will also reinforce the convenience of the offer with the kick-off of its omnichannel approach to the Health & Beauty Polish market.

The banner will invest in improving the assortment, namely its Exclusive Brands and Private Brand.

Pingo Doce

The Company's priority for 2019 will be to continue to focus on the defined strategic pillars, which it is expected to continue to lead to an increased market share. These are: Price, Perishables, Private Brand, Meal Solutions and enhancing shopping experience.

At the same time, it will continue to improve its infrastructure, by opening around 10 new stores and refurbishing existing ones.

It is expected that there will continue to be a competitive environment and the Company will continue to reinforce its offer to provide a unique value proposition, supported by the competitiveness of its pricing policy and continued innovation in the assortment, which have been characteristic of the Company, in order to better serve the consumer.

The Social Responsibility policy will be reinforced, namely regarding the following pillars: Respecting the Environment, Promoting Health Through Food and Supporting Local Communities.

Recheio

In 2019, the Company will continue to refurbish its network, in order to improve the shopping experience and customer service, as well as to develop the Perishables category, its area of expertise, and the Private Brand assortment where it aims to differentiate. Customers delivery will continue to be targeted in order to better, and in the most efficient way, serve our customers.

Recheio will continue to strongly invest in Food Service for the future, and as far as exports are concerned, it aims to consolidate its current partnerships and develop new ones. With regard to the Amanhecer project, 2019 is expected to be a year of consolidation.

Ara

Ara will continue to prioritise the scale-up of its physical infrastructure, maintaining its store expansion pace. It will also continue working on its sales and main profitability drivers to initiate its downward trend of EBITDA losses.

During the year, the aim will be to continue developing the Company's logistics capacity with the preparation of two Distribution Centres which will enable the store network to continue expanding on the one hand, and to improve efficiency and service to the operation, on the other.

Jerónimo Martins Agro-Alimentar (JMA)

It is expected that expansion in all the areas of Agribusiness in which JM operates to be consolidated in 2019: i. start-up of new production lines and development of higher value-added products in the dairy business; ii. increased domestic Angus beef production and fattening, by operating new units; and iii. increased production and supply of sea bass and gilt-head bream and an extension of Aquaculture to other locations, including production internationalisation.

Jeronymo and Hussel

In 2019, both banners will continue to be focused on promoting dynamics in the respective stores and the efficiency of the operations as a means of reinforcing their liaison with consumers.

Jeronymo will remain focused on identifying locations for opening potential new stores, investing in its renewed, young and eclectic image, whilst Hussel will stay focused on refurbishing some of its stores, adapting them to the new concept and on developing and leveraging its processes, both through new partnerships and by improving the existing processes.

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 12 April 2018 AGM, considering the financial situation of the Group at the end of 2017, as well as its cash generation capacity, and because it would not affect the strength of its balance sheet or its future expansion opportunities, following the Board of Directors' proposal, it was resolved to distribute dividends in a total amount of 385.2 million euros.

This translated in a gross dividend of 0.613 euros per share, paid in May 2018, equivalent to approximately 100% of the 2017' consolidated net earnings, which exceptionally corresponded to the double of what would result from the Group's dividend policy.

Considering the consolidated net earnings amount in 2018 and in line with the dividend policy in place, the Board of Directors will propose, at the Annual General Shareholder's Meeting, the distribution of €204.2 mn in dividends.

This proposal corresponds to a gross dividend of €0.325 per share, excluding the 859,000 own shares in the portfolio, representing a payout of c.50% of ordinary consolidated net earnings.

The proposed dividend distribution leaves the Group with full flexibility to accelerate its expansion plans and to take advantage of any potential non-organic growth opportunities while maintaining a low level of net debt exposure.

8. Results Appropriation Proposal

In the financial year 2018, Jerónimo Martins, SGPS, S.A. declared consolidated profits of 401,043,571.60 euros and a profit in individual accounts of 759,485,273.07 euros.

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

- Free Reserves .... 555,244,151.57 euros
- Dividends .... 204,241,121.50 euros

The proposed distribution of profits for the year represents a **gross dividend payment of 0.325 euros** per share, excluding own shares in the portfolio.

Lisbon, 26 February 2019

The Board of Directors

Jerónimo Martins

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 31.12.17		Increases during the year		Decreases during the year		Held on 31.12.18	
	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 CSC (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 2018, 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 Qualifying Holdings as at 31 December 2018

(Pursuant to 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.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%
BlackRock, Inc. Through Investment Funds Managed by BlackRock, Inc.	13,871,405	2.204%	13,871,405	2.204%
BNP Paribas Asset Management Holding S.A. Through Investment Funds Managed by BNP Paribas	21,775,581	3.460%	17,893,668	2.843%
Of which, through ***BNP Paribas Asset Management France S.A.S.***	6,526,465	1.037%	12,610,360	2.004%
Genesis Asset Managers, LLP	15,359,533	2.441%	12,613,387	2.004%
T. Rowe Price Group, Inc. Through T. Rowe Price International Ltd	12,821,174	2.037%	12,694,305	2.017%

Source: Last communications made by the shareholders with qualifying holdings to Jerónimo Martins, SGPS, S.A. up to the said date.

* Based on the total number of shares under the terms of section b), paragraph 3 of article 16 of the Portuguese Securities Code.

10. Reconciliation Notes

(Following ESMA guidelines on Alternative Performance Measures from October 2015)

Income Statement

Income Statement (in Management Report)	**Consolidated Income Statement by Functions** (in Consolidated Financial Statements)
Net Sales and Services	Net sales and services
Gross Profit	Gross profit
Operating Costs	Includes headings of Distribution costs; Administrative costs; Other operating costs and excludes Depreciations of €-363.7 mn
EBITDA	
Depreciation	Value reflected in the Other operating costs by nature note
EBIT	
Net Financial Costs	Net financial costs
Gains in Joint Ventures and Associates	Gains (losses) in joint ventures and associates
Other Profits/Losses	Includes headings of Other operating profits/losses; Gains in disposal of business (when applicable) and Gains (losses) in other investments
EBT	
Income Tax	Income tax
Net Profit	
Non-Controlling Interests	Non-Controlling interests
Net Profit Attributable to JM	

Balance Sheet

Balance Sheet (in Management Report)	Consolidated Balance Sheet (in Consolidated Financial Statements)
Net Goodwill	Value reflected in Intangible assets note
Net Fixed Assets	Includes the headings Tangible and Intangible assets excluding the Net goodwill value (€637.5 mn)
Total Working Capital	Includes the headings Current trade debtors, accrued income and deferred costs; Inventories; Biological assets; Trade creditors, accrued costs and deferred income; Employee benefits; the value of €3.8 mn Cash and cash equivalents (note - Cash and cash equivalents) and the value of €-12.7 mn related to 'Others' due to its operational nature. Excludes the value of €-1.8 mn related to Interest accruals and deferrals (note - Financial debt)
Others	Includes the headings Investment property; Investments in joint ventures and associates; Other financial investments; Non-Current trade debtors, accrued income and deferred costs; Deferred tax assets and liabilities; Income tax receivable and payable; and Provisions for risks and contingencies. Excludes the value of €19.4 mn related to collateral deposits associated to Financial debt (note - Trade debtors, accrued income and deferred costs); and also the value of €-12.7 mn related to Others due to its operational nature
Invested Capital	
Total Borrowings	Includes the heading Borrowings excluding Leasings
Leasings	Value reflected in Borrowings note
Accrued Interest & Hedging	Includes the heading Derivative financial instruments and the value of €-1.8 mn related to Interest accruals and deferrals (value reflected in note - Financial debt)
Marketable Sec. & Bank Deposits	Includes the heading Cash and cash equivalents and the value of €19.4 mn related to collateral deposits associated to Financial debt (reflected in Trade debtors note) and excludes the value of €3.8 mn in Cash and cash equivalents (reflected in note - Cash and cash equivalents)
Net Debt	
Non-Controlling Interests	Non-Controlling interests
Share Capital	Share capital
Reserves and Retained Earnings	Includes the heading Share premium, Own shares, Other reserves and Retained earnings
Shareholders' Funds	

Cash Flow

Cash Flow (in Management Report)	Consolidated Cash Flow Statement (in Consolidated Financial Statements)
EBITDA	Included in the heading of Cash generated from operations
Interest Payment	Includes the headings of Interest paid and Interest received
Other Financial Items	Dividends received
Income Tax	Income tax paid
Funds from Operations	
Capex Payment	Includes the headings Disposal of tangible assets; Disposal of intangible assets; Disposal of other financial and investment property; Acquisition of tangible fixed assets; Acquisition of intangible assets; Acquisition of other financial investments and investment property
Change in Working Capital	Included in the heading of Cash generated from operations
Others	Includes the headings disposal of business (when applicable), being the remaining amount included in the heading Cash generated from operations
Free Cash Flow	

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements

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CONSOLIDATED INCOME STATEMENT BY FUNCTIONS
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

Euro thousand

	Notes	2018	2017	4th Quarter 2018	4th Quarter 2017
Sales and services rendered	3	17,336,708	16,276,150	4,536,775	4,350,003
Cost of sales	4	(13,576,829)	(12,817,884)	(3,545,993)	(3,418,896)
Gross profit		**3,759,879**	**3,458,266**	**990,782**	**931,107**
Distribution costs	4	(2,874,490)	(2,605,993)	(747,266)	(694,678)
Administrative costs	4	(289,299)	(261,139)	(87,353)	(72,989)
Other operating profits/losses	4	(9,376)	(13,940)	(2,300)	(2,654)
Operating profit		**586,714**	**577,194**	**153,863**	**160,786**
Net financial costs	6	(25,112)	(12,166)	(5,660)	(3,221)
Gains (losses) in joint ventures and associates		188	(13)	55	(10)
Gains (losses) in other investments		-	(198)	-	(200)
Profit before taxes		**561,790**	**564,817**	**148,258**	**157,355**
Income tax	7	(131,930)	(152,236)	(29,672)	(51,008)
Profit before non-controlling interests		**429,860**	**412,581**	**118,586**	**106,347**
Attributable to:					
Non-controlling interests		28,816	27,225	9,642	6,250
Jerónimo Martins Shareholders		**401,044**	**385,356**	**108,944**	**100,097**
Basic and diluted earnings per share - Euros	17	0.6382	0.6132	0.1734	0.1593

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 2018 AND 2017

Euro thousand

	Notes	2018	2017	4th Quarter 2018	4th Quarter 2017
Net profit		**429,860**	**412,581**	**118,586**	**106,347**
Other comprehensive income:					
Remeasurements of post-employment benefit obligations	5.2	224	(1,385)	224	(1,385)
Related tax	7.3	(50)	312	(50)	312
Items that will not be reclassified to profit or loss		**174**	**(1,073)**	**174**	**(1,073)**
Currency translation differences		(29,436)	62,154	(7,482)	28,218
Change in fair value of cash flow hedges		(285)	527	(86)	26
Change in fair value of hedging instruments on foreign operations		3,589	(16,550)	(102)	(2,602)
Related tax		195	(375)	(43)	(128)
Items that may be reclassified to profit or loss		**(25,937)**	**45,756**	**(7,713)**	**25,514**
Other comprehensive income, net of income tax		**(25,763)**	**44,683**	**(7,539)**	**24,441**
Total comprehensive income		**404,097**	**457,264**	**111,047**	**130,788**
Attributable to:					
Non-controlling interests		28,864	27,177	9,690	6,202
Jerónimo Martins Shareholders		375,233	430,087	101,357	124,586
Total comprehensive income		**404,097**	**457,264**	**111,047**	**130,788**

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017

Euro thousand

	Notes	2018	2017
Assets			
Tangible assets	8	3,687,053	3,474,835
Intangible assets	9	792,514	811,040
Investment property	10	11,676	13,714
Biological assets		3,398	-
Investments in joint ventures and associates		3,245	1,557
Other financial investments		1,321	1,417
Trade debtors, accrued income and deferred costs	13	84,713	111,383
Derivative financial instruments	11	-	227
Deferred tax assets	7.3	114,840	106,025
Total non-current assets		**4,698,760**	**4,520,198**
Inventories	12	970,653	841,565
Biological assets		3,790	5,498
Income tax receivable		5,035	5,094
Trade debtors, accrued income and deferred costs	13	435,642	387,833
Derivative financial instruments	11	59	294
Cash and cash equivalents	14	545,988	681,333
Total current assets		**1,961,167**	**1,921,617**
Total assets		**6,659,927**	**6,441,815**
Shareholders' equity and liabilities			
Share capital		629,293	629,293
Share premium		22,452	22,452
Own shares		(6,060)	(6,060)
Other reserves		(77,046)	(51,109)
Retained earnings	16	1,209,259	1,193,319
		1,777,898	**1,787,895**
Non-controlling interests		**238,356**	**225,298**
Total Shareholders' equity		**2,016,254**	**2,013,193**
Borrowings	18	288,390	237,762
Trade creditors, accrued costs and deferred income	20	774	779
Derivative financial instruments	11	62	-
Employee benefits	5.2	65,069	66,482
Provisions for risks and contingencies	19	26,565	29,308
Deferred tax liabilities	7.3	75,627	71,579
Total non-current liabilities		**456,487**	**405,910**
Borrowings	18	350,814	299,505
Trade creditors, accrued costs and deferred income	20	3,794,411	3,662,293
Derivative financial instruments	11	159	2,805
Income tax payable		41,802	58,109
Total current liabilities		**4,187,186**	**4,022,712**
Total Shareholders' equity and liabilities		**6,659,927**	**6,441,815**

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 2018 AND 2017

Euro thousand

	Shareholders' equity attributable to Shareholders of Jerónimo Martins, SGPS, S.A.							Non-controlling interests	Shareholders' equity
				Other reserves					
	Share capital	Share premium	Own shares	Cash flow hedge	Currency translation reserves	Retained earnings	Total		
Balance Sheet as at 1 January 2017	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						(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
Balance Sheet as at 1 January 2018	**629,293**	**22,452**	**(6,060)**	**184**	**(51,293)**	**1,193,319**	**1,787,895**	**225,298**	**2,013,193**
Equity changes in 2018									
Currency translation differences				(3)	(29,292)		(29,295)		(29,295)
Change in fair value of cash flow hedging				(231)			(231)		(231)
Change in fair value of hedging instruments on foreign operations					3,589		3,589		3,589
Remeasurements of post-employment benefit obligations						126	126	48	174
Other comprehensive income	-	-	-	(234)	(25,703)	126	(25,811)	48	(25,763)
Net profit						401,044	401,044	28,816	429,860
Total comprehensive income	-	-	-	(234)	(25,703)	401,170	375,233	28,864	404,097
Dividends (note 16.3)						(385,230)	(385,230)	(15,806)	(401,036)
Balance Sheet as at 31 December 2018	**629,293**	**22,452**	**(6,060)**	**(50)**	**(76,996)**	**1,209,259**	**1,777,898**	**238,356**	**2,016,254**

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

Euro thousand

	Notes	2018	2017
Operating Activities			
Cash received from customers		19,549,814	18,346,499
Cash paid to suppliers		(17,092,462)	(15,980,545)
Cash paid to employees		(1,434,545)	(1,277,994)
Cash generated from operations	15	**1,022,807**	**1,087,960**
Interest paid		(26,446)	(18,456)
Income taxes paid		(147,772)	(160,050)
Cash flow from operating activities		**848,589**	**909,454**
Investment activities			
Disposals of tangible fixed assets		1,919	1,723
Disposals of intangible assets		12	-
Disposals of other financial investments and investment property		2,096	187
Interest received		2,101	3,488
Dividends received		46	79
Acquisition of tangible fixed assets		(710,056)	(648,619)
Acquisition of intangible assets		(9,703)	(13,067)
Acquisition of other financial investments and investment property		-	(602)
Acquisition of joint ventures and associates		(1,500)	(1,570)
Collateral deposits associated to financial debt		15,000	-
Cash flow from investment activities		**(700,085)**	**(658,381)**
Financing activities			
Net change in loans	18	128,322	205,908
Dividends paid	16.3	(401,036)	(434,582)
Cash flow from financing activities		**(272,714)**	**(228,674)**
Net changes in cash and cash equivalents		**(124,210)**	**22,399**
Cash and cash equivalents changes			
Cash and cash equivalents at the beginning of the year		681,333	643,512
Net changes in cash and cash equivalents		(124,210)	22,399
Effect of currency translation differences		(11,135)	15,422
Cash and cash equivalents at the end of December	14	**545,988**	**681,333**

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE INTERIM PERIOD

Euro thousand

	2018	2017	4th Quarter 2018	4th Quarter 2017
Cash Flow from operating activities	848,589	909,454	339,523	360,223
Cash Flow from investment activities	(700,085)	(658,381)	(173,706)	(192,876)
Cash Flow from financing activities	(272,714)	(228,674)	43,338	(4,274)
Cash and cash equivalents changes	(124,210)	22,399	209,155	163,073

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 26 and 28. The activities of the Group and its performance during the year 2018 are detailed in Chapter II of this Annual Report.

Head Office: Rua Actor António Silva, n.° 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 26 February 2019.

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 endorsed by the European Union (EU), as at 31 December 2018.

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

Between October 2016 and March 2018, the EU issued the following Regulations, which were adopted by the Group from 1 January 2018:

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. 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
Regulation no. 289/2018	IFRS 2 Share-based Payment: Classification and Measurement of Transactions (amendment)	June 2016	1 January 2018
Regulation no. 400/2018	IAS 40 Investment Property: Transfers (amendment)	December 2016	1 January 2018
Regulation no. 519/2018	IFRIC 22 Foreign Currency Transactions and Advance Consideration (new)	December 2016	1 January 2018

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

The Group also adopted for the first time the new standards IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments, with no restatement of the comparative Financial Statements. As required by the standards, the nature and effect of these changes are the following:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. According with the standard, revenue is recognized in the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted this new standard from 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. No impact was registered in the Group's Retained Earnings from its adoption.

The comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

According with the modified retrospective method, IFRS 15 was applied only to contracts that were not completed at the date of initial adoption, the practical expedient related with contract modifications was not used.

In the adoption of IFRS 15, the Group considered the following relevant aspects:

i. Sale of goods

In most of Group's 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.

A performance obligation is a promise to transfer to the customer goods or services that are distinct.

When there are promotional campaigns that offer, to the customers, performance obligations to be satisfied in future moments, the Group defers 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. The Group estimates, for sales using 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.

The deferred revenue related with future performance obligations, is shown in the Balance Sheet in the line "Trade creditors, accrued costs and deferred income", and is detailed in the Notes to the Consolidated Financial Statements in an autonomous line designated "Contract liabilities with customers". This line also includes the consideration received regarding the sale of gift cards to customers and the revenue recognised when the gift cards are redeemed or expires.

Some sales to customers include commercial discounts based on quantity purchased. 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 responsibility with commercial volume discounts expected to be delivered to customers in a future moment is also shown in the line "Trade creditors, accrued costs and deferred income", and is detailed in the Notes to the Consolidated Financial Statements in an autonomous line designated "Refund liabilities to customers".

The application of IFRS 15 did not had a significant impact on how the Group 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 refund liability, 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 from the customer.

The returns of assets whose responsibility is assumed directly by the Group, does not have relevant materiality and did not impacted 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 does not sell extensions of warranties that should be recognized as a separate performance obligation. These assurance-type warranties continues to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

In this sense, the adoption of IFRS 15 did not had 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 did not changed the Group's designation as principal, so it continues 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 focused on the following aspects: i. Classification and measurement; ii. Impairment; and iii. Hedge accounting.

The Group adopted this new standard using the retrospective method from 1 January 2018, date when the standard become effective, without restatement of comparative information, nor any effect being recognized in the Group Retained Earnings at that date. The comparative information continues to be reported under IAS 39.

i. Classification and measurement

The application of the classification and measurement requirements of IFRS 9, did not have any significant impact on the Group Consolidated Financial Statements.

ii. Impairment

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

Considering that most of the Group's sales are made on a cash basis, the application of this new impairment recognition model did not have any material impact on its Consolidated Financial Statements.

iii. Hedge accounting

The Group determined that all hedging relationships that were designated as hedge under IAS 39 will continue to qualify for hedge accounting under IFRS 9, hence, the application of IFRS 9 hedge requirements did not have any significant impact on the Group's Consolidated Financial Statements.

2.1.2 New standards, amendments and interpretations endorsed by EU but not effective for the financial year beginning 1 January 2018 and not early adopted

The EU endorsed, between November 2017 and October 2018, a new standard, interpretation 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. 1986/2017	IFRS 16 Leases (new)	January 2016	1 January 2019
Regulation no. 498/2018	IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation (amendments)	October 2017	1 January 2019
Regulation no. 1595/2018	IFRIC 23 Uncertainty over Income Tax Treatments (new)	June 2017	1 January 2019

These new standard, interpretation and amendments are effective for annual periods beginning on or after January 1, 2019, and have not been applied in preparing these Consolidated Financial Statements. None of these changes 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 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 in the Balance Sheet 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 Group will apply the standard from 1 January 2019, having decided to apply the modified retrospective approach in its consolidated accounts and will not restate comparative amounts for the year of first adoption. Right-of-use assets will be measured at the same amount of the lease liabilities on adoption.

The Group will elect to use the exemptions proposed by the standard for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The option to separate lease and non-lease components (service) and consider only the lease component when applying this standard was chosen.

During 2018, analysed the efects of its adoption, and expects that it will have a significant impact on the Group's Consolidated Financial Statements, as a result of the incorporation of the assets which are currently held under operating leases and their respective responsibilities.

The Group's operating leases relate mostly to store and warehouse rent contracts. In respect to its current commitments regarding operating leases, Jerónimo Martins expects to recognise right-of-use assets and lease liabilities of approximately EUR 2,400,000 thousand on 1 January 2019 in its Consolidated Balance Sheet.

In respect to its current commitments regarding finance leases, the carrying amount recognised in lease assets and lease liabilities as at 31 December 2018 (EUR 14,211 thousand and EUR 15,149 thousand, respectively) will be the carrying amount of the right-of-use assets and lease liabilities under IFRS 16 on 1 January 2019.

When comparing with the same items of the Consolidated Income Statement if these standard were not adopted, it is estimated that EBITDA (Earnings Before Interests, Taxes, Depreciations and Amortizations) will be higher, since operating costs of leases are not recognised. In other hand, the net results should be lower, as they incorporate the amortizations of rights of use and interest on the total liabilities booked on 1st January 2019.

No difference is expected in the cash flows for the Group.

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

IASB issued between May 2017 and October 2018 the following standard and amendments 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 17 Insurance Contracts (new)	May 2017	1 January 2021
IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures (amendments)	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 (amendments)	December 2017	1 January 2019
IAS 19: Plan Amendment, Curtailment or Settlement (amendments)	February 2018	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards (amendments)	March 2018	1 January 2020
IFRS 3 Business Combinations: Definition of a Business (amendments)	October 2018	1 January 2020
IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material (amendments)	October 2018	1 January 2020

The Management is currently evaluating the impact of adopting these new standard and amendments 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 2018, 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 2018, 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 26 and 28, 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 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 recognised directly in equity net of the effect generated by the respective hedging instrument (see accounting policy described in note 11).

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 other financial investments, 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 2018	4.3014	1.1269	3,751.2000
Average rate for the year	4.2614	-	3,489.6000
Rate at 31 December 2017	4.1770	1.1702	3,546.3400
Average rate for the year	4.2539	-	3,352.1100

2.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are offset and the net amount is reported in the Consolidated Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.4.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), fair value through profit or loss (FVTPL), or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's model adopted for managing them. With the exception of trade receivables, the Group initially measures a financial asset at its fair value plus transaction costs, in the case of a financial asset not measured at fair value through profit or loss. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Trade receivables are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The model adopted by the Group for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The model adopted determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, as described below:

i. Financial assets at amortised cost

The Group measures financial assets at amortised cost if held within the adopted model, with the objective to hold financial assets in order to collect contractual cash flow, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment tests. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes mostly trade receivables.

ii. Financial assets at fair value through OCI

The Group measures financial assets at fair value through OCI if held within the adopted model, with the objective of both holding to collect contractual cash flows and selling, and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group does not have any financial assets under this category.

iii. Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets previously recognized in OCI are never recycled to profit or loss. Dividends are recognised as financial income in the income statement when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category. Equity investments are recognised at cost when the fair value cannot be reliably determined.

iv. Financial assets at fair value through profit or loss

This category corresponds to the financial assets that do not meet the criteria for amortised cost or fair value through OCI and include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the short term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the adopted model. Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognised in the income statement.

This category includes the derivative instruments not considered for hedge accounting.

Derecognition

Financial 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.

2.4.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

i. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the short term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Gains or losses on liabilities held for trading are recognised in the income statement.

ii. Financial liabilities at amortised cost

After initial recognition, trade and other creditors, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

2.5 Impairment

2.5.1 Impairment of non-financial assets

Except for investment property (note 10), inventories (note 12) and deferred tax assets (note 7.3), 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

Customers, debtors and other financial assets

The Group recognises an impairment for expected credit losses (ECLs) for financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted base on estimation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs, not tracking changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. When performing the loss allowance assessment, the Group takes into consideration the historical credit loss experience, adjusted to forward looking factors specific to the debtors or the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 9.4).

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 11).

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

	Impact on Group accounts	
	Income statement	Other comprehensive income
Portugal	1,840	66
Poland	(337)	158

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, changes in the client's payment terms and forward-looking factors specific to the debtors and the economic environment. 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 [1.20% - 1.60%]
- Extended range [1.0% - 1.80%]

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

Poland

- Narrow range [2.60% - 3.00%]
- Extended range [2.40% - 3.20%]

Based on these results and following the recommendation of the external actuaries, the Group has decided to reduce its discount rate from 3,10% to 2,80%.

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	1.40%	2.80%	0.50%	(2,356)	2,507
Salary growth rate	3.00%	3% / 4%	0.50%	1,735	(1,642)
Pension growth rate	3.00%		0.50%	733	(686)
Life expectancy	TV 88/90	GUS 2015	1 year	1,266	(1,191)

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

The Management 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 other financial investments.

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.

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.

Other financial investments

Listed financial instruments are recognised in the balance sheet at their fair value. The equity investments 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;
- 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 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.

2018	Total	Level 1	Level 2	Level 3
Assets measured at fair value				
Investment property	11,676	-	-	11,676
Biological assets				
Consumable biological assets	5,188	-	5,188	-
Bearer biological assets	2,000	-	2,000	-
Derivative financial instruments				
Derivatives held for trading	33	-	33	-
Derivatives used for hedging	26	-	26	-
Total assets	**18,923**	**-**	**7,247**	**11,676**
Liabilities measured at fair value				
Derivative financial instruments				
Derivatives held for trading	31	-	31	-
Derivatives used for hedging	190	-	190	-
Total liabilities	**221**	**-**	**221**	**-**

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**	**-**

2.9 Financial instruments by category

2018	Assets and financial liabilities at fair-value through results	Derivatives defined as hedging instruments	Financial assets at amortized cost	Other financial assets	Financial liabilities at amortized cost	Total financial assets and liabilities	Non-financial assets and liabilities	Total assets and liabilities
Assets								
Cash and cash equivalents	-	-	545,988	-	-	**545,988**	-	**545,988**
Other financial investments	-	-	-	1,321	-	**1,321**	-	**1,321**
Debtors, accruals and deferrals	-	-	436,672	-	-	**436,672**	83,683	**520,355**
Derivative financial instruments	33	26	-	-	-	**59**	-	**59**
Other non-financial assets	-	-	-	-	-	**-**	5,592,204	**5,592,204**
Total assets	**33**	**26**	**982,660**	**1,321**	**-**	**984,040**	**5,675,887**	**6,659,927**
Liabilities								
Borrowings	-	-	-	-	639,204	**639,204**	-	**639,204**
Derivative financial instruments	31	190	-	-	-	**221**	-	**221**
Creditors, accruals and deferrals	-	-	-	-	3,493,499	**3,493,499**	301,686	**3,795,185**
Other non-financial liabilities	-	-	-	-	-	**-**	209,063	**209,063**
Total liabilities	**31**	**190**	**-**	**-**	**4,132,703**	**4,132,924**	**510,749**	**4,643,673**

Since the Group adopted the new standard IFRS 9 from 1 January 2018 without restatement of comparative information, in the following table the financial instruments are classified as applied in the 2017 Consolidated Financial Statements:

2017	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
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**

3 Revenue from contracts with customers and segments reporting

3.1 Revenue from contracts with customers

The Group operates mainly in the Food Distribution area, with stores in Portugal, Poland and Colombia. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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. A performance obligation is a promise to transfer to the customer goods or services that are distinct.

When there are promotional campaigns that offer, to the customers, performance obligations to be satisfied in future moments, the Group defers the portion of revenue related to the future obligation, and recognize it in profit or loss only when that future obligation is satisfied or expires.

The Group also implemented loyalty programs using customer cards. For sales made using the customer card, the Group estimates 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. 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.

Right of return assets and refund liabilities

In the sales to customers, the Group estimates the goods that could be returned by customers, being recognized: i. a responsibility of return, represented by the obligation to deliver to the customer the amount related to the goods returned; and ii. a return asset - with adjustment of cost of sales - for the right to receive the goods returned by the customer.

Warranty obligations

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

The Group as principal or agent

The Group has generally concluded that it is the principal in its revenue arrangements, except for some agency services, because it typically controls the goods or services before transferring them to the customer.

The Group operates in some stores 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.

Trade receivables

Trade receivables represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets and liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Services provided and other income

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.

3.1.1. Trade Contracts balances

	2018
Trade receivables (note 13)	58,417
Contract liabilities with customers (note 20)	3,722
Refund liabilities to customers (note 20)	1,041

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

There are no amounts recognised as Contract assets.

Contract liabilities with customers include the deferred revenue related with future performance obligations and the consideration received regarding the sale of gift cards to customers, which will be only considered as revenue when the gift cards are redeemed or expires.

Refund liabilities to customers arises from retrospective volume rebates, related with sales to customers that included commercial discounts based on yearly quantity purchased.

There are no amounts recognised regarding Right of return assets and Refund liabilities from right of return considering that the returns of assets whose responsibility is assumed directly by the Group, are not material in the context of the Consolidated Financial Statements of the Group.

3.2 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 25.1, following the same accounting policies adopted by the Group when dealing with transactions with unrelated parties.

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 2018 and 2017

	Portugal Retail		Portugal Cash & Carry		Poland Retail		Others, eliminations and adjustments		Total JM Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net sales and services	**4,269,640**	4,060,684	**980,590**	945,166	**11,691,177**	11,074,700	**395,301**	195,600	**17,336,708**	16,276,150
Inter-segments	426,535	385,852	3,238	4,853	1,379	1,449	(431,152)	(392,154)	-	-
External customers	3,843,105	3,674,832	977,352	940,313	11,689,798	11,073,251	826,453	587,754	17,336,708	16,276,150
Operational cash flow (EBITDA)	**187,890**	188,465	**52,876**	50,309	**849,959**	804,961	**(130,899)**	(121,735)	**959,826**	922,000
Depreciations and amortisations	(97,897)	(97,530)	(15,037)	(13,695)	(217,084)	(194,100)	(33,718)	(25,541)	(363,736)	(330,866)
Earnings before interest and taxes (EBIT)	**89,993**	90,935	**37,839**	36,614	**632,875**	610,861	**(164,617)**	(147,276)	**596,090**	591,134
Other operating profits/losses									(9,376)	(13,940)
Financial results and gains in investments									**(24,924)**	(12,377)
Income tax									(131,930)	(152,236)
Net result attributable to JM									**401,044**	385,356
Total assets	**1,755,330**	1,789,365	**754,050**	399,904	**3,885,422**	3,743,785	**265,125**	508,761	**6,659,927**	6,441,815
Total liabilities	**1,272,571**	1,335,184	**735,172**	389,210	**2,805,321**	2,762,900	**(169,391)**	(58,672)	**4,643,673**	4,428,622
Investments in tangible and intangible assets	**90,359**	101,780	**27,198**	28,453	**371,867**	353,850	**167,039**	238,199	**656,463**	722,282

Reconciliation between EBIT and operating profit

	2018	2017
EBIT	596,090	591,134
Other operating profits/losses	(9,376)	(13,940)
Operational result	**586,714**	**577,194**

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	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Cash and cash equivalents	39,587	71,587	22,625	23,096	422,585	460,053	61,191	126,597	545,988	681,333
Other financial investments	183	279	1,133	1,133	-	-	5	5	1,321	1,417
Debtors, accruals and deferrals	101,550	89,927	55,519	47,429	314,941	283,718	(35,338)	(25,330)	436,672	395,744
Derivative financial instruments	-	-	-	-	33	227	26	294	59	521
Total	**141,320**	161,793	**79,277**	71,658	**737,559**	743,998	**25,884**	101,566	**984,040**	1,079,015

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)	
	2018	2017	**2018**	2017
Portugal	4,838,804	4,629,877	1,646,092	1,609,587
Poland	11,898,484	11,240,890	2,493,965	2,410,932
Colombia	599,420	405,383	354,584	279,070
Total	**17,336,708**	16,276,150	**4,494,641**	4,299,589

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

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.

	2018	2017
Cost of goods sold and materials consumed	13,569,503	12,798,905
Changes in inventories of finished goods and work in progress	(19,998)	(4,430)
Net cash discount and interest paid to suppliers	(27,340)	(23,621)
Electronic payment commissions	32,957	28,962
Other supplementary costs	4,650	3,078
Supplies and services	634,639	594,822
Advertising costs	111,799	114,748
Rents	390,262	359,515
Staff costs	1,470,027	1,306,131
Depreciations and amortisations	363,736	330,910
Profit/loss with tangible and intangible assets	3,897	10,028
Transportation costs	187,649	169,046
Other natures of profit/loss	28,213	10,862
Total	**16,749,994**	**15,698,956**

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:

	2018	2017
Losses from organizational restructuring programmes	(7,936)	(7,442)
Assets write-offs and gains/losses in sale of tangible assets	(3,562)	(3,836)
Changes to benefit plans and actuarial assumptions	2,122	338
Donations of educational sponsorship	-	(3,000)
Total	**(9,376)**	**(13,940)**

5 Employees

5.1 Staff costs

	2018	2017
Wages and salaries	1,116,591	1,002,167
Social security	231,529	208,443
Employee benefits (note 5.2)	7,096	7,998
Other staff costs	114,811	87,523
Total	**1,470,027**	**1,306,131**

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

The average number of Group employees during the year was 105,514 (2017: 98,729).

The number of employees at the end of the year was 108,560 (2017: 104,203).

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.

Amounts of employee benefits in the balance sheet:

	2018	2017
Retirement benefits - defined benefit plan paid by the Group	18,146	19,707
Seniority awards	46,923	46,775
Total	**65,069**	**66,482**

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

	Income statement		Other comprehensive income	
	2018	2017	2018	2017
Retirement benefits - defined contribution plan	735	697	-	-
Retirement benefits - defined benefit plan paid for by the Group	245	264	(224)	1,385
Seniority awards	6,116	7,037	-	-
Total	**7,096**	**7,998**	**(224)**	**1,385**

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	
	2018	2017	2018	2017	2018	2017
Balance at 1 January	-	-	**19,707**	19,636	**46,775**	42,187
Interest costs	-	-	245	264	1,110	1,030
Current service cost	735	697	-	-	7,128	6,414
Actuarial (gains)/losses						
Changes in demographic assumptions	-	-	-	-	316	12
Changes in financial assumptions	-	-	(144)	922	(2,658)	1,011
Changes in experience	-	-	(80)	463	220	(1,430)
Contributions or retirement pensions paid	(735)	(697)	(1,582)	(1,578)	(5,344)	(3,550)
Currency translation differences	-	-	-	-	(624)	1,101
Balance at 31 December	-	-	**18,146**	19,707	**46,923**	46,775

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

	Portugal		Poland	
	2018	2017	2018	2017
Mortality table	TV 88/90	TV 88/90	GUS 2015	GUS 2015
Discount rate	1.40%	1.30%	2.80%	3.10%
Pension and salaries growth rate	3.00%	3.00%	3% - 4%	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	1,427	5,038	4,477
Seniority awards	2,598	20,287	38,829
Total	**4,025**	**25,325**	**43,306**

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.

	2018	2017
Interest expense	(21,745)	(15,157)
Interest received	2,113	3,512
Dividends	46	79
Net foreign exchange	(969)	3,923
Other financial gains and losses	(4,407)	(4,078)
Fair value of financial investments held for trade:		
Derivative instruments (note 11)	(150)	(445)
Total	**(25,112)**	**(12,166)**

Interest expense includes the interest on loans measured at amortised cost and interest on derivatives of fair-value hedge and cash flow hedge (note 11).

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

7 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

7.1 Income tax

	2018	2017
Current income tax		
Current tax of the year	(145,757)	(165,818)
Adjustment to prior year estimation	(1,937)	762
	(147,694)	**(165,056)**
Deferred tax		
Temporary differences created and reversed	4,531	24,989
Change to the recoverable amount of tax losses and temporary differences from previous years	91	(494)
	4,622	**24,495**
Other gains/losses related to tax		
Impact of changes in estimates for tax litigations	11,142	(11,675)
	11,142	**(11,675)**
Total income tax	**(131,930)**	**(152,236)**

The other gains recorded in 2018 include interest on late payments and compensations received for litigation decided in favor of the Group.

As in previous years all tax litigation lawsuits were reassessed in detail. Considering the decisions pronounced in the meantime by the Courts in similar cases or in relation to the same facts, a reduction of provisions was made, in 2018, in the amount of EUR 6,826 thousand.

7.2 Reconciliation of effective tax rate

	2018		2017	
Profit before tax		**561,790**		**564,817**
Income tax using the Portuguese corporation tax rate	**22.5%**	**(126,403)**	**22.5%**	**(127,084)**
Fiscal effect due to:				
Different tax rates in foreign jurisdictions	(5.8%)	32,662	(6.1%)	34,452
Non-taxable or non-recoverable results	7.0%	(39,381)	7.2%	(40,769)
Changes in estimates for tax litigations	(2.0%)	11,142	2.1%	(11,675)
Non-deductible expenses and fiscal benefits	0.6%	(3,347)	0.3%	(1,526)
Adjustment to prior years estimation	0.3%	(1,937)	(0.1%)	762
Equity method	(0.0%)	42	-	-
Change to the recoverable amount of tax losses and temporary differences of prior years	(0.1%)	626	(0.0%)	58
Results subject to special taxation	0.9%	(5,334)	1.1%	(6,454)
Income tax	**23.5%**	**(131,930)**	**27.0%**	**(152,236)**

In 2018 and 2017, 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 9%, for taxable profits higher than EUR 1,500 thousand, EUR 7,500 thousand and EUR 35,000 thousand respectively, (in 2017 state tax that was 7%, for taxable profits higher than EUR 35,000 thousand).

In Poland, for 2018 and 2017, the income tax rate applied to taxable income was 19%.

In Colombia, the income tax rate was 33% in 2018 (34% in 2017). 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.

7.3 Deferred tax assets and liabilities

	2018	2017
Opening balance	**34,446**	**10,014**
Currency translation difference	141	(275)
Revaluation and reserves	4	212
Result of the year (note 7.1)	4,622	24,495
Closing balance	**39,213**	**34,446**

Deferred taxes are presented in the balance sheet as follows:

	2018	2017
Deferred tax assets	114,840	106,025
Deferred tax liabilities	(75,627)	(71,579)
	39,213	**34,446**

2018	Opening balance	Impact on results	Impact on equity	Currency translation differences	Closing balance
Deferred tax assets					
Excess over legal provisions	59,209	12,577	(12)	(1,649)	70,125
Update of assets to fair value	4,979	(64)	-	-	4,915
Employee benefits	10,123	(297)	(50)	-	9,776
Other temporary differences	31,714	(1,611)	12	(91)	30,024
	106,025	**10,605**	**(50)**	**(1,740)**	**114,840**
Deferred tax liabilities					
Update of assets to fair value	653	(119)	-	-	534
Deferred income for tax purposes	55,591	7,258	-	(1,515)	61,334
Differences on valuation criteria in other countries	12,682	-	-	(367)	12,315
Derivative instruments	43	-	(54)	(1)	(12)
Other temporary differences	2,610	(1,156)	-	2	1,456
	71,579	**5,983**	**(54)**	**(1,881)**	**75,627**
Net change in deferred tax	**34,446**	**4,622**	**4**	**141**	**39,213**

2017	Opening balance	Impact on results	Impact on equity	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

7.4 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	
	2018	**2017**
2018	-	3,231
2019	4,857	5,006
2020	6,785	7,050
2021	6,762	6,905
2022	5,356	3,123
2023 or further	109,177	84,192
Total	**132,937**	**109,507**

8 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.

8.1 Changes occurred during the year

2018	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	**495,017**	**3,227,785**	**1,715,787**	**254,097**	**410,306**	**6,102,992**
Foreign exchange differences	(7,994)	(67,560)	(30,277)	(5,148)	(8,081)	(119,060)
Increases	12,331	356,046	315,904	32,837	(70,357)	646,761
Disposals and write offs	-	(13,566)	(68,495)	(6,179)	(898)	(89,138)
Transfers and reclassifications	15,482	110,270	35,892	25,024	(184,963)	1,705
Closing balance	**514,836**	**3,612,975**	**1,968,811**	**300,631**	**146,007**	**6,543,260**
Depreciation and impairment losses						
Opening balance	**-**	**1,249,282**	**1,183,793**	**195,082**	**-**	**2,628,157**
Foreign exchange differences	-	(20,069)	(15,705)	(3,104)	-	(38,878)
Increases	-	162,095	163,640	24,533	-	350,268
Disposals and write offs	-	(14,340)	(63,956)	(6,051)	-	(84,347)
Transfers and reclassifications	-	56	(1,592)	1,531	-	(5)
Impairment losses	-	435	546	31	-	1,012
Closing balance	**-**	**1,377,459**	**1,266,726**	**212,022**	**-**	**2,856,207**
Net value						
As at 1 January 2018	**495,017**	**1,978,503**	**531,994**	**59,015**	**410,306**	**3,474,835**
As at 31 December 2018	**514,836**	**2,235,516**	**702,085**	**88,609**	**146,007**	**3,687,053**

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

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

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

Impairment losses recorded in 2018 (EUR 1,012 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.

8.2 Guarantees

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

8.3 Tangible assets in progress

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

8.4 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% (2017: 8.3%)	1% (2017:1%)
Cash & Carry in Portugal	8.3% (2017: 8.3%)	1% (2017:1%)
Retail in Poland	8.5% (2017: 8.5%)	1.5% (2017:1.5%)
Health and Beauty Retail in Poland	10.1% (2017: 10.1%)	1.5% (2017:1.5%)
Specialized Retail in Portugal	8.3% to 10.5% (2017: 8.3% to 10.5%)	1.7% (2017:1%)
Retail in Colombia	11.7% (2017: 11.7%)	1.5% (2017:1.5%)

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.

9 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 life.

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), in which case 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.

9.1 Changes occurred during the year

2018	Goodwill	Develop. Expenses	Software, ind. property and other rights	Key money	Work in progress	Total
Cost						
Opening balance	**646,632**	**37,014**	**126,807**	**139,055**	**10,549**	**960,057**
Foreign exchange differences	(9,146)	(751)	(3,129)	(2,776)	(141)	(15,943)
Increases	-	2,270	2,077	2,332	3,023	9,702
Disposals and write offs	-	-	(13)	(559)	-	(572)
Transfers and reclassifications	-	3,193	1,021	55	(5,974)	(1,705)
Closing balance	**637,486**	**41,726**	**126,763**	**138,107**	**7,457**	**951,539**
Amortisation and impairment losses						
Opening balance	**-**	**32,297**	**20,906**	**95,814**	**-**	**149,017**
Foreign exchange differences	-	(675)	(371)	(1,877)	-	(2,923)
Increases	-	2,539	2,756	8,173	-	13,468
Disposals and write offs	-	-	(2)	(549)	-	(551)
Transfers and reclassifications	-	-	5	-	-	5
Impairment losses	-	-	-	9	-	9
Closing balance	**-**	**34,161**	**23,294**	**101,570**	**-**	**159,025**
Net value						
As at 1 January 2018	**646,632**	**4,717**	**105,901**	**43,241**	**10,549**	**811,040**
As at 31 December 2018	**637,486**	**7,565**	**103,469**	**36,537**	**7,457**	**792,514**

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

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.

9.2 Guarantees

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

9.3 Intangible assets in progress

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

9.4 Impairment tests for Goodwill and other intangible assets

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

Business areas	2018	2017
Portugal Retail	246,519	246,519
Portugal Cash & Carry	83,836	83,836
Poland Retail	298,112	306,989
Poland Health and Beauty Retail	9,019	9,288
Total	**637,486**	**646,632**

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 negatively by EUR 8,877 thousand;
- the Goodwill related to the Health and Beauty Retail business in Poland (Hebe), totalling PLN 38,796 thousand, was updated negatively by EUR 269 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 2018, 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 to.

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% (2017: 8.3%)	1% (2017:1%)
Cash & Carry in Portugal	8.3% (2017: 8.3%)	1% (2017:1%)
Retail in Poland	8.5% (2017: 8.5%)	1.5% (2017:1.5%)
Healht and Beauty Retail in Poland	10.1% (2017: 10.1%)	1.5% (2017:1.5%)

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.

10 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 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.

	2018	2017
Opening balance	**13,714**	**13,952**
Changes in fair value	(38)	(238)
Disposals	(2,000)	-
Closing balance	**11,676**	**13,714**

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 2018 the amount of income from investment property amounted to EUR 74 thousand (EUR 74 thousand in 2017), and costs were recognised in the amount of EUR 28 thousand (EUR 29 thousand in 2017).

11 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 and net investments in foreign entities hedge derivatives, whose changes in fair value are recorded in equity in other comprehensive income. 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 not designated as hedging instruments

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 IFRS 9 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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

i) There is 'an economic relationship' between the hedged item and the hedging instrument.;
ii) The effect of credit risk does not 'dominate the value changes' that result from that economic relationship;
iii) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

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, in the cash flow hedge reserve. 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.

	2018					2017				
	Notional	Assets		Liabilities		Notional	Assets		Liabilities	
		Current	Non-current	Current	Non-current		Current	Non-current	Current	Non-current
Derivatives held for trading										
Currency forwards - stock purchase (PLN/EUR)	68 million EUR	33	-	31	-	28 million EUR	-	-	269	-
Currency forwards - intercompany loans (PLN)	-	-	-	-	-	75 million EUR	294	-	-	-
Cash flow hedging derivatives										
Interest rate swap (PLN)	177 million PLN	-	-	-	62	189 million PLN	-	227	-	-
Foreign operation investments hedging derivatives										
Currency forwards (PLN)	567 million PLN	26	-	128	-	600 million PLN	-	-	2,536	-
Total derivatives held for trading		**33**	**-**	**31**	**-**		294	-	269	-
Total hedging derivatives		**26**	**-**	**128**	**62**		-	227	2,536	-
Total assets/liabilities derivatives		**59**	**-**	**159**	**62**		294	227	2,805	-

At 31 December 2018, the values shown include interest receivable or payable related to these financial instruments that are due. The net payable amount is EUR 0 thousand (2017: EUR 0 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 2018, the Group contracted currency forwards in zlotys, with maturity in the first quarter of 2019, with a notional amount of EUR 67,600 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 in zlotys, with maturity in the first quarter of 2018, with a notional amount of EUR 75,038 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 2018 and 2017. 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	354,868	177,434	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 April 2019.

Impacts on the Financial Statements

	2018	2017
Fair value of financial instruments as at 1 January	**(2,284)**	**667**
(Receipts) / payments made	(971)	13,575
Change in the fair value of held for trading derivatives (results)	(150)	(445)
Change in the fair value of held for trading derivatives (foreign exchange differences)	(1)	-
Change in the fair value of cash flow hedge derivatives (others reserves)	(285)	527
Change in the fair value of cash flow hedge derivatives (foreign exchange differences)	(4)	(7)
Change in the fair value of net investment hedging derivatives (currency translation reserves)	3,589	(16,550)
Interest expenses from financial instruments that qualify as hedge accounting (income statement)	(56)	(51)
Fair value of financial instruments as at 31 December	**(162)**	**(2,284)**

12 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.

	2018	2017
Raw and subsidiary materials and consumable	7,855	5,847
Goods available for sale	1,017,590	883,667
Work in progress and finished goods	2,945	435
	1,028,390	**889,949**
Net realisable adjustment	(57,737)	(48,384)
Net inventories	**970,653**	**841,565**

Adjustments in inventories to net realisable value:

	2018	2017
Balance as at 1 January	**(48,384)**	**(36,167)**
Set up, reinforced and transfers	(10,330)	(10,994)
Unused and reversed	35	2
Foreign exchange difference	942	(1,225)
Balance as at 31 December	**(57,737)**	**(48,384)**

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

13 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 (notes 2.4.1 and 2.5).

	2018	2017
Non-current		
Other debtors	63,522	74,664
Collateral deposits associated to financial debt	19,367	34,367
Deferred costs	1,824	2,352
Total	**84,713**	**111,383**
Current		
Commercial customers	58,417	56,424
Other debtors	128,523	122,316
Other taxes receivable	7,945	16,019
Accrued income and deferred costs	240,757	193,074
Total	**435,642**	**387,833**

Non-current debtors include EUR 61,904 thousand (EUR 73,544 thousand in 2017) 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 24).

The Group has EUR 19,367 thousand (EUR 34,367 thousand in 2017) of remunerated deposits in financial institutions, with limited availability according to specific conditions, which is being used as a collateral guarantee for financial loans contracted by 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 229,383 thousand (2017: EUR 182,494 thousand).

The deferred costs include EUR 6,169 thousand of pre-paid rents, EUR 933 thousand of insurance costs and EUR 5,115 thousand of other costs attributable to future years and paid in 2018, 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 29.2.1).

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

	2018	2017
Debtors balances not considered impaired		
Less than 3 months past due	25,965	26,789
More than 3 months past due	7,835	17,622
Total	**33,800**	**44,411**
Debtors balances considered impaired		
Less than 3 months past due	731	1,100
More than 3 months past due	14,168	17,670
Total	**14,899**	**18,770**

Of the debtors balances not considered impaired, EUR 1,190 thousand (2017: EUR 1,368 thousand) are covered by credit guarantees and credit insurance.

Movements on impairment of trade receivables are as follows:

	2018	2017
Balance as at 1 January	**24,195**	**23,714**
Set up, reinforced and transfers	2,214	2,286
Unused and reversed	(4,324)	(1,968)
Foreign exchange difference	(276)	471
Used	(1,698)	(308)
Balance as at 31 December	**20,111**	**24,195**

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 2,166 thousand (2017: EUR (1,517) thousand), and in the caption "Other natures of profit/loss" when related to customers and other debtors, amounted EUR (56) thousand (2017: EUR 1,199 thousand).

14 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.

	2018	2017
Bank deposits	394,279	460,235
Short-term investments	147,870	217,199
Cash and cash equivalents	3,839	3,899
Total	**545,988**	**681,333**

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 29.2.1.

15 Cash generated from operations

	2018	2017
Net results	**401,044**	**385,356**
Adjustments for:		
Non-controlling interests	28,816	27,225
Income tax	131,930	152,236
Depreciations and amortisations	363,736	330,910
Provisions and other operational gains and losses	16,251	13,003
Net financial costs	25,112	12,166
Gains/Losses in associated companies	(188)	13
Gains/Losses in other investments	-	198
Profit/ Losses in tangible and intangible assets	3,897	10,039
	970,598	**931,146**
Changes in working capital:		
Inventories	(160,150)	(117,051)
Trade debtors, accrued income and deferred costs	1,898	(9,593)
Trade creditors, accrued costs and deferred income	210,461	283,458
Total	**1,022,807**	**1,087,960**

16 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

16.1 Share capital and share premium

Authorised share capital is represented by 629,293,220 ordinary shares (2017: 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.

16.2 Own shares

At 31 December 2018, 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 2018.

16.3 Dividends

Dividends distributed in 2018 totalling EUR 401,036 thousand, were paid to JMH shareholders in the amount of EUR 385,230 thousand, and to non-controlling interests in the Group Companies in the amount of EUR 15,806 thousand.

16.4 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 the Company equity. We therefore recommend reading this information.

17 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.

17.1 Basic and diluted earnings per share

	2018	2017
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	401,044	385,356
Basic and diluted earnings per share – Euros	**0.6382**	**0.6132**

18 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 (note 2.4.2).

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 commercial paper programs in the total amount of EUR 335,000 thousand, of which EUR 135,000 thousand are committed. The utilizations under these programs 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 31 December 2018 was EUR 50,000 thousand (EUR 30,000 thousand in 2017).

In 2018 was contracted a line of Money Market in the companies Jerónimo Martins, SGPS, S.A. and JMR, SGPS, S.A., with a limit of EUR 70,000 thousand, which has been used regularly.

For the Polish companies, some of the existing credit lines were renegotiated, resulting in costs reduction and increase the limits for a total value amount over PLN 500,000 thousand.

The financing lines that Jerónimo Martins Colombia, SAS holds with local banks were increased for an amount above m COP 675,000,000, around EUR 180,000 thousand, with an average maturity of 1 year.

Jerónimo Martins

18.1 Current and non-current loans

2018	Opening balance	Cash flows	Transfers	Foreign exchange difference	Closing balance
Non-current loans					
Bank loans	231,508	133,226	(79,390)	(7,820)	277,524
Financial lease liabilities	6,254	10,487	(5,649)	(226)	10,866
Total	**237,762**	**143,713**	**(85,039)**	**(8,046)**	**288,390**
Current loans					
Bank overdrafts	6	(6)	-	-	-
Bank loans	297,526	(12,125)	79,390	(18,260)	346,531
Financial lease liabilities	1,973	(3,260)	5,649	(79)	4,283
Total	**299,505**	**(15,391)**	**85,039**	**(18,339)**	**350,814**

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

18.2 Loan terms and maturities

2018	Average rate	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Bank loans					
Commercial paper in EUR		50,000	-	50,000	-
Loans in PLN		288,097	80,744	207,353	-
Loans in COP		285,958	265,787	20,171	-
Financial lease liabilities		15,149	4,283	10,232	634
Total	**3.17%**	**639,204**	**350,814**	**287,756**	**634**

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
Total	3.06%	537,267	299,505	237,527	235

The increase in loans in 2018, is mainly due to the level of investments in the retail business in Poland (Biedronka) and in the retail business in Colombia (Ara), whose financing in local currency (zloty and Colombian peso, respectively) explains the increase in the average financing rate.

18.3 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:

	2018	2017
Non-current loans (note 18.1)	288,390	237,762
Current loans (note 18.1)	350,814	299,505
Derivative financial instruments (note 11)	162	2,284
Interest on accruals and deferrals	1,750	2,019
Bank deposits (note 14)	(394,279)	(460,235)
Short-term investments (note 14)	(147,870)	(217,199)
Collateral deposits associated to financial debt (note 13)	(19,367)	(34,367)
Total	**79,600**	**(170,231)**

19 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.

2018	Opening balance	Set up, reinforced and transfers	Unused and reversed	Foreign exchange difference	Used	Closing balance
Taxes	18,019	233	(6,826)	-	(1,113)	10,313
Legal claims	4,328	3,489	(853)	(107)	(208)	6,649
Others	6,961	2,927	(248)	(37)	-	9,603
	29,308	**6,649**	**(7,927)**	**(144)**	**(1,321)**	**26,565**

2017	Opening balance	Set up, reinforced and transfers	Unused and reversed	Foreign exchange difference	Used	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**

Provisions for tax are aimed to cover possible future disbursements resulting from the tax litigation described in note 24. These are all cases in dispute in several courts, for which there is no date to be concluded.

As in previous years, in 2018, all tax litigation lawsuits were reassessed. Considering the decisions pronounced in the meantime by the Courts in similar cases or in relation to the same facts, a reduction of provisions was made, in the amount of EUR 6,826 thousand.

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. Since they are mostly events that are not yet in dispute with the counterparty, the probability of short-term disbursement is considered remote.

20 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 (note 2.4.2).

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.

	2018	2017
Non-current		
Other commercial creditors	37	17
Accrued costs and deferred income	737	762
Total	**774**	**779**
Current		
Other commercial creditors	3,039,806	2,913,196
Other non-commercial creditors	233,232	302,020
Other taxes payables	113,996	92,920
Contracts liabilities with customers	3,722	-
Refunds liabilities to customers	1,041	-
Accrued costs and deferred income	402,614	354,157
Total	**3,794,411**	**3,662,293**

The current accrued costs, totalling EUR 392,741 thousand include salaries and wages to be paid to the employees, in the amount of EUR 190,169 thousand, interest payable in the amount of EUR 50,346 thousand and supplementary costs with the distribution and promotion of goods in the amount of EUR 16,035 thousand. The remaining EUR 136,191 thousand relates to sundry costs (utilities, insurance, consultants, rents, among others) for 2018, which had not been invoiced by the respective entities prior to the end of the year.

Current deferred income totalling EUR 9,873 thousand comprises mostly supplementary gains received in the amount of EUR 5,463 thousand, which are attributable to future years.

21 Guarantees

The bank guarantees are as follows:

	2018	2017*
Guarantees provided to suppliers	29,127	23,450
Guarantees for Tax Authorities	93,353	93,236
Financing bank guarantees	-	-
Other State guarantees	4,672	5,254
Other guarantees provided	6,501	5,259
Total	**133,653**	**127,199**

* Restated. The financing bank guarantees presented in 2017 were excluded because they were covering financing from subsidiary companies, which were already reflected in the bank loan liabilities (note 18)

22 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:

	2018	2017
Payments in less than 1 year	378,882	345,208
Payments between 1 and 5 years	1,204,567	1,154,998
Payments in more than 5 years	1,480,130	1,328,053
Total	**3,063,579**	**2,828,259**

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 2018 were EUR 2,213,430 thousand (2017: EUR 1,896,388 thousand).

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

	2018	2017
Buildings	357,277	327,588
Plants & machinery	13,254	12,000
Transport equipment	14,598	15,952
IT equipment	727	641
Others	4,217	3,147
Total	**390,073**	**359,328**

The difference to the rents stated in note 4 are costs with occasional renting in the amount of EUR 189 thousand (2017: EUR 187 thousand).

23 Capital commitments

Capital expenditure contracted for at the balance sheet date amounted to EUR 123,535 thousand (EUR 83,776 thousand in 2017) 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.

24 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 13), an amount of EUR 61,242 thousand (EUR 72,689 thousand in 2017) 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.

In 2018 the Group was reimbursed in EUR 13,006 thousand, related to amounts paid in previous years.

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 SGPS and Recheio SGPS 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, 2018 and 2019 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, 2018 and 2019 transitory rules - c. EUR 200,000 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 19), 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, 2003, 2004, 2005 and 2007 assessments. The Group appealed to a higher court;

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 the capital losses 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 first Instance 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, which, based on the facts established, confirmed the decision by this later Court, thus condemning Pingo Doce in the petition, although acquitting him of approximately EUR 70 thousand that had prescribed. The payment in the amount of EUR 3,246 thousand, was made in 2018, ending the case;

i) The Food and Veterinary Department (Direcção-Geral de Alimentação e Veterinária) claimed from Pingo Doce, Recheio and Hussel an amount of EUR 16,257 thousand, EUR 1,547 thousand and EUR 36 thousand, respectively, in respect of the Food Safety Tax (Taxa de Segurança Alimentar Mais – TSAM) assessed for the years 2012 to 2018. 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. In one case, referring to the 2nd instalment of 2012 and the first of 2013, the Court of Appeal (Tribunal Central Administrativo do Sul) maintained the conviction. Pingo Doce complained against the decision for not considering an issue raised and kept open the possibility of appealing to the Constitutional Court.

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.

25 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.

25.1 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 2018.

There were no amounts payable or receivable between them on 31 December 2018.

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

	Joint ventures		Other related parties (*)	
	2018	2017	**2018**	2017
Sales and services rendered	-	-	198	184
Interest income	32	-	-	-
Stocks purchased and services supplied	1,601	-	121,085	119,186

	Joint ventures		Other related parties (*)	
	2018	2017	**2018**	2017
Trade debtors, accrued income and deferred costs	28	-	58	237
Trade creditors, accrued costs and deferred income	518	-	2,484	3,735

(*) Other financial investements ,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.

25.2 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:

	2018	2017
Salaries and other short-term employee benefits	22,924	20,963
Termination benefits	540	413
Post-employment benefits	562	551
Other benefits	1,225	1,488
Total	**25,251**	**23,415**

The Board of Directors of the Company consisted of 9 Members at the end of 2018. The average number of Senior Managers of the Group was 90 (2017: 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.

26 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
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.	Coffee shops	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
Terra Alegre Lacticínios, 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 SA in liquidation	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
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

On 17 July 2018 the company Beleggingsmaatschappij Tand B.V. was merged into Warta - Retail & Services Investments B.V., of which had no impact on the Group's Financial Statements.

On 30 November 2018, the company Optimum Mark Sp. Z o.o. was merged into Jeronimo Martins Polska S.A., of which had no impact on the Group's Financial Statements.

Jerónimo Martins Retail Services SA in liquidation and Jerónimo Martins Finance Company (2), Designated Activity Company, are in the process of liquidation, which is expected to be completed in the first half of 2019.

27 Financial information on subsidiaries with material non-controlling interests

The non-controlling interests as at 31 December 2018 were EUR 238,356 thousand (2017: EUR 225,298 thousand), of which EUR 237,757 thousand (2017: EUR 224,733 thousand) related to JMR Group (Portugal Retail segment – see note 3), where Ahold Delhaize 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:

	2018	2017
Non-current assets	1,389,192	1,407,578
Current assets	366,138	381,787
Non-current liabilities	(95,049)	(42,274)
Current liabilities	(1,177,522)	(1,292,910)
Total Shareholders equity	**482,759**	**454,181**
Sales and services rendered	4,269,640	4,060,684
Net profit	60,663	57,559
Other comprehensive income	97	(99)
Total comprehensive income	**60,760**	**57,460**

28 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

29 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.

29.1 Pricing risk

29.1.1 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 2018 was as follows:

As at 31 December 2018	Euro	Zloty	Colombian peso	Total
Assets				
Cash and cash equivalents	84,702	430,454	30,832	545,988
Other financial investments	1,321	-	-	1,321
Trade debtors and deferred costs	101,617	320,549	14,506	436,672
Derivative financial instruments	33	26	-	59
Total financial assets	**187,673**	**751,029**	**45,338**	**984,040**
Liabilities				
Borrowings	50,000	303,246	285,958	639,204
Derivative financial instruments	31	190	-	221
Trade creditors, accrued costs and deferred income	1,080,569	2,274,216	138,714	3,493,499
Total financial liabilities	**1,130,600**	**2,577,652**	**424,672**	**4,132,924**
Net financial position in the balance sheet	**(942,927)**	**(1,826,623)**	**(379,334)**	**(3,148,884)**
As at 31 December 2017				
Total financial assets	243,562	800,367	35,086	1,079,015
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)**

Considering the position of the financial assets and liabilities on the balance sheet at 31 December 2018, a depreciation of the zloty against the euro of around 10% would have a positive impact on the results of EUR 6,782 thousand and a positive impact of EUR 179,221 thousand on equity (2017: a positive impact of EUR 162,018 thousand on equity). Regarding the Colombian peso, a depreciation against the euro of 10% would have a positive impact on equity of EUR 34,485 thousand (2017: a positive impact of EUR 23,872 thousand on equity).

29.1.2 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 2018, and excluding the effect of interest rate derivatives, a rise of 50 basis points in interest rates, with everything else remaining constant, would have a negative impact of EUR 397 thousand (2017: positive in EUR 863 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.

29.2 Transactional risk

29.2.1 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 2018 and 2017:

Financial institutions	Rating	Balance	
		2018	2017
Standard & Poor's	[A+ : AA]	38,728	48,382
Standard & Poor's	[BBB+ : A]	194,991	176,595
Standard & Poor's	[BB+ : BBB]	78,997	85,821
Standard & Poor's	[B+ : BB]	604	266
Standard & Poor's	[B]	-	76
Moody's	[Caa2 : Caa1]	618	869
Moody's	P -1	69,330	71,987
Fitch	[A- : A+]	63,648	215,642
Fitch	[BBB- : BBB+]	93,812	76,632
Fitch	[B- : BB-]	320	683
	Não disponível	1,160	1,002
Total		**542,208**	**677,955**

The ratings shown correspond to the notations given by Standard & Poor's. When these are not available Moody's or Fitch 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		
	2018	2017
New customer balances (less than six months)	803	958
Balances of customers without a history of non-payment	51,680	47,386
Balances of customers with a history of non-payment	7,029	11,019
Balances of other debtors with the provision of guarantees	3,172	3,270
Balances of other debtors without the provision of guarante	140,073	136,270
Total	**202,757**	**198,903**

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				
	2018		2017	
	No.	Balance	No.	Balance
Customers with a balance above 1,000,000 euros	5	7,860	5	9,190
Customers with a balance between 250,000 and 1,000,000 euros	17	6,699	18	8,338
Customers with a balance below 250,000 euros	8,500	42,725	8,241	41,344
Other debtors with a balance above 250,000 euros	48	74,594	44	70,937
Other debtors with a balance below 250,000 euros	6,234	70,879	4,438	69,094
	14,804	**202,757**	**12,746**	**198,903**

The maximum exposure to credit risk as at 31 December 2018 and 2017 is the financial assets carrying value.

29.2.2 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

2018	Less than 1 year	Between 1 and 5 years	More than 5 years
Borrowings			
Financial leasing	4,283	10,232	634
Commercial paper	71	50,365	57
Other loans	364,229	237,991	-
Derivative financial instruments	48	23	-
Creditors	3,273,038	-	-
Operational lease liabilities	366,402	1,192,833	1,443,752
Total	**4,008,071**	**1,491,444**	**1,444,443**

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**

The cash flows presented for commercial paper programs include fixed expenses incurred with these programmes whether they are being used or not.

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 2018 the Group was in full compliance with the covenants assumed on the debt loans in place.

29.3 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.

Jerónimo Martins

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, and a ratio Net Debt/EBITDA below 3.

The Gearing ratios as at 31 December 2018 and 2017 were as follows:

	2018	2017
Capital invested	2,095,853	1,842,961
Net debt	79,600	(170,231)
Shareholder´s funds	2,016,254	2,013,193
Gearing	**3.9%**	**(8.5%)**
EBITDA	959,825	922,000
Net debt / EBITDA	0.1	(0.2)

30 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 2018 was EUR 821 thousand, of which EUR 787 thousand correspond to statutory audit of the accounts, while the remaining EUR 34 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;

c) Note 25 of the Notes to the Consolidated Financial Statements includes all the related parties disclosures, in accordance with the International Accounting Standards.

31 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, 26 February 2019

The Certified Accountant **The Board of Directors**

Jerónimo Martins

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, 26 February 2019

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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(Translation from the original document in the 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 2018 (showing a total of 6.659.927 thousand euros and total equity of 2.016.254 thousand euros, including a net profit attributable to the equity holders of the company, as mother of the group of 401.044 thousand euros), the Consolidated Income Statement by Functions, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Shareholders' Equity and the Consolidated Cash Flow Statement 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 2018, 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. Owned stores (fixed assets) and leased stores (right-of-use) valuation

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 number 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 2.700 million euros as at 31 December 2018), as well as the judgment involved in the identification of any impairment triggers and	Our audit procedures included: ► Understanding, evaluating and testing controls over the fixed assets processes; ► 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 analyses and validating them by comparison to internal

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
subsequent assessments of the recoverability of the invested amounts. Management annually assesses whether there are triggering events indicating potential impairment focusing on future store performance, which is dependent on external factors, namely store traffic, basket size and the competitive landscape. Additionally, due to the upcoming implementation of IFRS 16 - Leases ("IFRS 16") on 1 January 2019, the Group initiated during 2018 a detailed implementation plan for transitioning to this new standard. The Group intends to apply the modified retrospective approach and will not restate comparative amounts. The IFRS 16 implementation 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. The estimated right of use disclosed in the Note 2.1.2 to the Financial Statements is 2.398 million Euros.	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 sample of CGUs, the re-execution of the calculation of impairment testing and comparing the value in use to the carrying amount; ► Understanding and evaluating the procedures performed by management related to the adoption of IFRS 16; ► Review of management assumptions used in the assessment of lease contracts, including the scoping out assumptions; ► Performing, for a sample of contracts, test of details to conclude on the accuracy of data collected; ► Obtaining the full list of lease contracts and testing the completeness of the information used by management; and ► Performing, for a sample of contracts, the re-execution of the calculation of the right-of-use. Our audit procedures also included a review of the disclosures presents in the consolidated financial statements, as well as the quantitative and qualitative disclosures regarding the implementation of IFRS 16 in the explanatory Notes, taking into account the applicable accounting standards.

2. 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, 12 and 13 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 involves manual processes which are more	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 analyses of the suppliers debtor balances, namely through the validation of credit noted issued subsequently and assessment of impairment indicators; ► External confirmation for a sample of suppliers to obtain assurance that the arrangements recorded were accurate and complete and, where outstanding balances were significant at the year end, to confirm the amounts owed.

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
susceptible to the occurrence of errors in the consolidated financial statements, we consider this as a key audit matter.	Where responses were not received, we completed alternative procedures such as obtaining rebate contracts, understanding the contractual terms and recomputing the rebate earned; ► 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 analyses 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.

3. 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 32,9 million at 31 December 2018. The Group disclosed a risk that arose from the State Budgets from 2016 to 2019, 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	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.

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
well as the level of uncertainty associated with the final outcome.	

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 to 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 Nº 4 and Nº 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, Nº 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.

Pursuant to article 451, paragraph 7 of the Companies Code, this opinion is not applicable to the non-financial statement included in the Management Report.

On the non-financial information set out in article 508-G of the Commercial Companies Code

Pursuant to article 451, Nº 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 508-G of the Commercial Companies Code.

On the Corporate Governance Report

Pursuant to article 451, Nº 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) Nº 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 6 April 2017 for the current mandate from 2017 to 2018;
- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred with 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 25, 2019; and
- We declare that we have not provided any prohibited services as described in article 77, Nº 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Group in conducting the audit.

Lisbon, 7 March 2019

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, 2018, 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 of 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 legal and 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.

Due the relevance of the topic, it revisited the accounting procedures and control mechanisms adopted by the Company, as well as by those responsible for internal audit and External Auditor in what concerns supplementary gains, having obtained the required explanations.

Anticipating the entry into force of the new accounting standard IFRS 16 Leases in 2019, this Committee met with the responsibles for the Financial Area, having accompanied throughout the year and gave advice on the methodology and options of its adoption. It obtained the clarifications deemed necessary and the analyses of the expected impacts of the changes on the Company's Financial Statements and on its financial performance indicators.

In compliance with the Financial Risk Management Policy, it monitored, in particular, the hedging operations related with the dividend flows to be paid by the Polish subsidiaries and on the criteria that should trigger a change in the interest rate hedging approach, 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 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 2019 as well as the necessary resources allocation.

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 7, 2019

Sérgio Tavares Rebelo
(Chairman of the Audit Committee)

Clara Christina Streit
(Member)

Hans Eggerstedt
(Member)

CORPORATE GOVERNANCE

Jerónimo Martins

Corporate Governance

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

Section A
SHAREHOLDER STRUCTURE

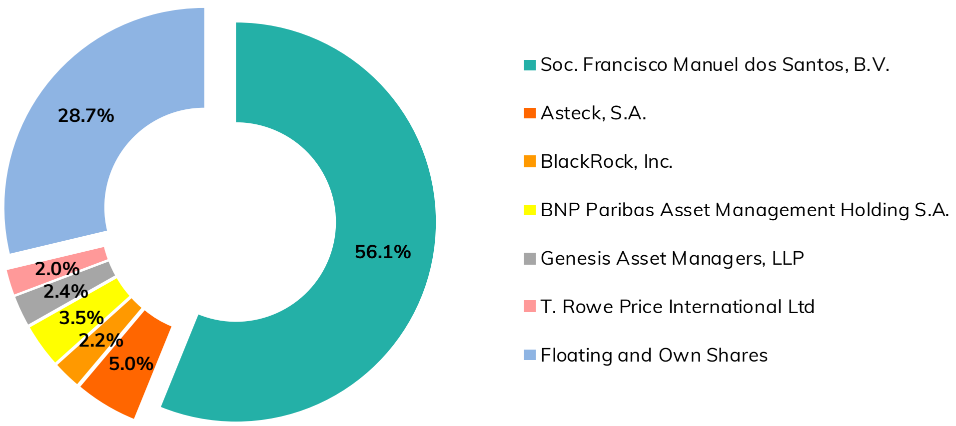
Subsection I
Capital Structure

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.º-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 2018*:



* 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.º-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.°-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.°-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.°-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 2018, are identified in the table below.

List of Qualifying Holdings as at 31st December 2018*

(Pursuant to 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%
BlackRock, Inc. Through Investment Funds Managed by BlackRock, Inc.	13,871,405	2.204%	13,871,405	2.204%
BNP Paribas Asset Management Holding S.A. Through Investment Funds Managed by BNP Paribas	21,775,581	3.460%	17,893,668	2.843%
Of which, through ***BNP Paribas Asset Management France S.A.S.***	6,526,465	1.037%	12,610,360	2.004%
Genesis Asset Managers, LLP	15,359,533	2.441%	12,613,387	2.004%
T. Rowe Price Group, Inc. Through T. Rowe Price International Ltd	12,821,174	2.037%	12,694,305	2.017%

* 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 of the Commercial Companies Code - CCC)

The Board of Directors

Members of the Board of Directors	Held on 31.12.17		Increases during the year		Decreases during the year		Held on 31.12.18	
	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, 2018, 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 2018, 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 computerised means 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.

The fact that no elective general shareholders meeting took place since the 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 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.

Additionally, under the terms of Art. 289, no. 1, d) CCC, the proposals for the appointment of members of the Board of Directors (as well as other corporate bodies) have made reference to the professional qualifications and professional activity, in the last five years, of the individuals proposed by the Company's shareholders for appointment. Such elements were sufficient justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.

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 2018, 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 and other stakeholders, 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 Recommendations contained in the 2018 IPCG's Corporate Governance Code (2018), hereafter referred to as "2018 IPCG's Recommendations", considering the provision of recommendation III.4, 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 and Sérgio Rebelo qualify as Independent Directors.
Clara Christina Streit, Sérgio Rebelo and Hans Eggerstedt are also members of the Audit Committee, being subject further to the independence criteria indicated in paragraph 5 of Article 414 CCC. Also 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 III.4. (2018 IPCG's Recommendations).

19. Professional Qualifications and Other Relevant Curricular Information of Each Member of the Board of Directors

Pedro Soares dos Santos is a Portuguese national, and 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 is a Portuguese national, 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 is a Non-Executive Director of Semapa, SGPS, S.A. and of Atento, S.A., and is also Director of Alter Venture Partners G.P., SARL. 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 served as Chief Financial Officer of Vonovia SE (former "Deutsche Annington SE") between 2011 and 2018, where he was 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 Futtaim 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 to April 2018, she was a 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 is a Portuguese national, 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 is a Portuguese national, 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

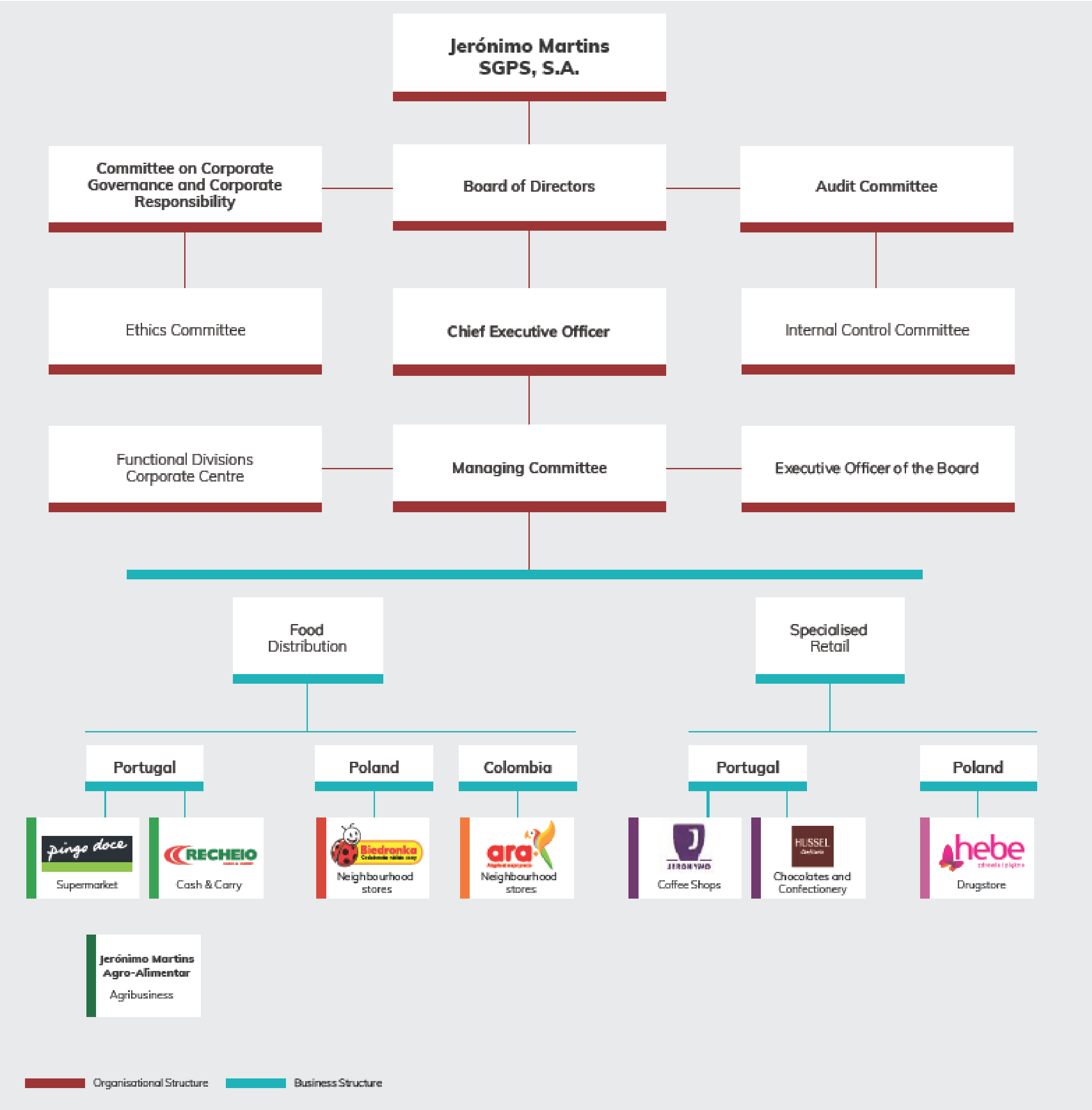
Retail Activity Polska Sp z.o.o.. In 2001, he served as Deputy Group Controller and in, the same year he was appointed Chief of Staff to the Chairman of the Board of Directors, a position he held until 2002. He last served as both Company Secretary and Chief Information Security Officer of Jerónimo Martins, 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 is a Portuguese national, 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, from 2015 to 2018. 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 2018, 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 2018 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, which was compliant with recommendation II.1.10 of CMVM's Corporate Governance Code (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 two business segments: i. Food Distribution and Specialised Retail, being its major focus on the first one. The Distribution segment – Food and Specialised Retail – are organised into Geographical Areas and Operating Areas (under different brands and formats). The Company also has operations in the Agro Business segment which serve, 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 Bruno Trindade	**Investor Relations** Cláudia Falcão
International Expansion and Strategy Nuno Abrantes	**Security** João Carreira
Fiscal Affairs Rita Marques	**Information Security** Nuno Galveia
Risk Management Catarina Oliveira	**Information Technology** Nuno Abrantes

Environment – Defines 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 fight against climate change, the protection of biodiversity and the correct management of waste. Specific objectives, programs and goals have been established to manage each of these priorities.

The main commitments and actions implemented in 2018, as well as the results achieved, can be found in Chapter V ("Corporate Responsibility in Value Creation"), being highlighted in the year:

- The public presentation of Jerónimo Martins' Sustainable Agriculture Manual;
- The calculation of the Group's food loss and waste, following the World Resources Institute's Food Loss and Waste Protocol, as well as the development of an action plan to reduce by 50% that value (the baseline being 2016) by 2025.

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 2018, 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 (to be used by other operational companies of the Group) 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 reputational 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.

It operationalized the Group's support to the celebrations held in Portugal of the centenary of the reconquest of independence of Poland, in cooperation with the Embassy of the Republic of Poland in Lisbon, and actively participated in establishing the partnership signed, in Poland, between Biedronka and Cáritas Polska to provide financial aid to over 5,000 socio-economically vulnerable senior citizens.

Aiming to continue to promote greater and more widespread awareness of the Group and its journey, the Department has rolled out a digital library - Our Library - which shares all the articles and magazines the Group publishes and sponsors.

The Group was the Sustainable Retail Summit 2018's major partner, an initiative by the Consumer Goods Forum. The summit was held in Portugal for the first time in October and the Communications and Corporate Responsibility Department was heavily involved.

To support the Surrounding Communities, the Department has opened the "Social Market", in partnership with Pingo Doce and two private social solidarity institutions. This pilot project aims at fostering social entrepreneurship and the financial sustainability of institutions in the third sector.

In 2018, Jerónimo Martins was the first Portuguese retailer to disclose its food waste footprint, as a result of the Department's efforts to apply the Food Waste & Loss Protocol to the context of the Group Companies.

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 identifying eventual 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 2018, it continued the implementation of several ownership structure restructuring projects, with the aim of achieving organizational simplification and administrative efficiency. It initiated the necessary works for the implementation of the accounting standard IFRS 16 – Leases. It maintained the support and monitoring of the performance of the business units, 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 2018, this Division coordinated Group-wide projects and supported all Group Companies in strategic 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 2018, 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 2018, it provided the necessary technical support in all ownership restructuring operations. It monitored the implementation in the Group of the European/World legislation related with the Country-by Country Report and Master File. 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 –Its objective is to innovate, and promote the efficiency of the Group's business models, in all dimensions of the Supply Chain, enabling the development and growth of the individual businesses in the different geographies.

Having the above as a mission, this Office worked in 2018 with the following four key priorities and will keep them during the next years:

- Design a physical infrastructure, modern and technologically advanced, with distribution centers of reference in the industry and that provides a service of excellence to the stores.
- Plan and define with each business, the models of the Supply Chain that best adapt to the evolution of each market;
- Contribute to the evolution of supply models of suppliers, so that this translates into improvements in scale, and productivity gains in the value chain;
- Promote and foster good practices, and increase synergies among teams from different geographies;

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 2018, this Office developed the implementation of the Analytics Tool, developed the concept of the Laboratory Store at the Nova School of Economics in Carcavelos, and supported the Group's 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 lies the responsibility for the relation with the insurance brokers and insurance companies that do business with the Group.

In compliance with the above-described activities, during 2018, new debt was issued to refinance debt maturing. On what concerns insurance policies, a renegotiation of the same was made, reinforcing a more integrated approach of all geographies where the Group operates.

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 2018, 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;
- revision of the Corporate Guidelines for Private Brand – Perishables, Food and Non-Food Products
- rolling-out of a suppliers improvement program in Colombia, in order to raise the respective productivity and the food safety of the products supplied.

Operations Quality and Food Safety - Responsible in the three geographies for ensuring quality and food safety in all perishable 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 2018 can be found in detail in Chapter V ("Corporate Responsibility in Value Creation"), subchapter 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 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 2018, it focused its activity on the implementation of the Corporate Security Policy and the security information database, with the aim of achieving organizational simplification and administrative efficiency. At the operational level, diagnostics and security audits were carried out in stores in the retail, specialized and wholesale retail sector. The security incidents in stores and warehouses were monitored, and in December a survey was carried out on shop security conditions.

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 the implementation of the Information Security strategy, local compliance with applicable Information Security Policies and Standards and provide assistance to the respective business and support areas.

In 2018, it is highlighted the implementation of several security systems, specifically for protection of data, servers and computers, the information security awareness campaign for employees on all countries and the implementation of improvements on the access management process.

Information Technology – Its mission is to ensure the strategic alignment of the Group and its several business units on what concerns IT.

Hence, this Division ensures value creation, and by way of making available and implementing solutions that promote effectiveness, efficiency and innovation, it supports the growth of the portfolio and respective businesses in a sustainable way.

The Division is responsible for defining and implementing the Global Information Technology Strategy for the Group, for promoting technology-based innovation and for aligning and ensuring synergy systems, IT policies and processes.

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 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 Hebe in Poland (drugstores).

The Group has made 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 in Portugal.

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 2018, the Board of Directors met six times. The respective minutes were prepared for all meetings. The number of annual meetings held by this body is also disclosed on the Company's website, through the link mentioned in point 62 ("Relevant Addresses").

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 Christina 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.

Every year, on November, the discussion within the Board of Directors of the strategic plans of the Group and of the different areas of business has underlying the performance evaluation in the year of the Board of Directors and of the Chief Executive Officer, taking into account not only qualitative aspects, by comparison with the plans and approved budgets, but also the main projects under course, including those of portfolio expansion. Such yearly performance evaluation is afterwards complemented at the time of the approval of the Management Report and of the accounts.

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 (Non-Executive) of Atento, S.A.
Director of Alter Venture Partners G.P., SARL

Artur Stefan Kirsten

Chairman of the Supervisory Board of Vonovia Finance B.V.
Member of the Supervisory Board of AVW Versicherungsmakler GmbH[1]
Deputy Chairman of the Supervisory Board of BUWOG AG
Director of Movendo Capital, B.V.
Director of Sociedade Francisco Manuel dos Santos, B.V.
Member of the Supervisory Board of Flaschenpost SE

[1] Expiry of the term of office on 31st December 2018

Clara Christina Streit

Director (Non-Executive) of Vontobel Holding AG, Vontobel Bank AG (Zurique)
Member of the Supervisory Board of Vonovia SE
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
Chairman of the International Consultive Board of Fundação Calouste Gulbenkian
Director (Non-Executive) of Mota-Engil, SGPS, S.A.
Member of the Strategic Consultive Committee of Mota-Engil, SGPS, 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.
Chairman of the Supervisory Board of PMM – SGPS, S.A.
Chairman of the Advisory Council of A. T. Kearney Portugal, Consultadoria de Gestão, Lda.

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
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.

* Companies that are part of the Group

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.

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 2018, 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 2018 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 2018, 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's Regulation foresees that the same, 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, namely, on what concerns exchange rate hedging operations, the evolution of pending court cases, to the implementation process of new accounting rules 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 2018, 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 Christina 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 Christina 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 2018 the Audit Committee met six times, and all meetings were duly minuted. The number of annual meetings held by this body is also disclosed on the Company's website, through the link mentioned in point 62 ("Relevant Addresses").

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 Christina 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 2018, 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. 1,119.

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 for about two years, as from 6th April 2017.

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. 1,119.

During 2018, 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.

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 for about two years, as from 6th April 2017.

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

The non-audit services requested by Group's Companies to the External Auditor and other entities belonging to the same network in the amount of 34,224 euros, concern to 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 2018, the total remuneration paid to the External Auditor and other individuals or companies' belonging to the same network was 820,752 euros.

In percentage terms, the amount referred to is divided as follows:

	Amount	%
By the Company		
Amount for statutory auditing services (€)	89,927	11.0%
Amount for audit reliability services (€)	-	-
Amount for tax consulting services (€)	-	-
Amount for other non-statutory auditing services (€)	10,000	1.2%
By entities comprising the Group		
Amount for statutory auditing services (€)	696,601	84.9%
Amount for audit reliability services (€)	2,700	0.3%
Amount for tax consulting services (€)	-	-
Amount for other non-statutory auditing services (€)	21,524	2.6%

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, regardless of their function, to report possible irregularities occurring in the Group. They may also make any comments, particularly with respect to compliance with the Code of Conduct.

The Code of Conduct defines the principles and values of the Jerónimo Martins Group, namely, the respect for the law, integrity and corporate social responsibility, and a set of rules of conduct such as non-discrimination and equal opportunities, loyalty in negotiating with suppliers, prevention of conflicts of interests, among other matters.

The Ethics Committee has informed all the Group employees, through internal communication channels, of its e-mail address and the contents of the Code of Conduct, of which is delivered a copy to each employee on the moment of his admission in any of the Group's Companies. Without prejudice of resorting to the Ethics Committee's e-mail, the employees can always resort to their hierarchy for guidance about the Code of Conduct, or should they want to report any irregularity. The employees can also use the Employee Assistance Service, which is an internal channel available in each of the countries where the Group operates.

The Ethics Committee safeguards the confidentiality of the contacts sent to its e-mail address.

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 2018, 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 its adverse effects.

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[1]

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; iii. monitoring, by analysing the product to check its compliance with Quality and Food Safety requirements; and iv. 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[2]

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

[1] The actions carried out by the Group for Food Quality and Safety in 2018 are detailed in Chapter V ("Corporate Responsibility in Value Creation"), subchapter 4 - "Promoting Good Health through Food".

[2] Actions carried out by the Group during 2018, on Environment Protection are detailed in the Chapter V ("Corporate Responsibility in Value Creation"), subchapter 5 - "Respecting the Environment".

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.

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, is 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, in both the "Responsibility" area of the website www.jeronimomartins.com and CDP's website 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 Protection Officer, supported by the Data Privacy Department, and in cooperation with 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.

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 29 – 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 Teresa Balsas

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 and participates in 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 2018, activities were promoted 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;
- conference 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;
- continuous update of the investor relations webpage on the Company's institutional website.

In order to make information easily accessible to all stakeholders, 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.

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 2018, 386 meeting contacts were recorded with investors and financial analysts and 506 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/

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 were elected to this Committee, for the term in force.
Jorge Ponce Leão resigned in January 2018 due to exclusivity obligations deriving from his appointment as executive manager of a State-owned company. The position remains vacant since then.

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 2018, since the Remuneration Committee did not apply for it, no natural or legal person was hired to support it in the performance of its duties.

Erik Geilenkirchen was present, as representative of the Remuneration Committee, in the Annual General Meeting of the Company held on 12th April 2018.

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 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 of Société BIC being also a member of its Compensation and Nomination Committee.

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 considered appropriate to review the basic principles that govern the core of the Corporate Bodies Remuneration Policy of the Company, reinforcing and highlighting aspects of the remuneration policy that are critical to the sustainability of the Group's business, namely:

- the international landscape should be the foundation and benchmark for the corporate bodies' competitive remuneration, as it is essential to keep the ability to attract and retain the best talent in an international context;
- the importance of rewarding the commitment to the Group's overall strategy, the achievement of superior results and the demonstration of appropriate attitude and behaviors;
- the need to safeguard the interests of the Company.

The current legal and recomendatory framework continued to be taken into account, 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 continued to take 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.

Given the current organizational model and the adopted and already strengthened principles, the Remuneration Committee considered the measures referred below.

Concerning the remuneration of Directors with executive duties, the Remuneration Committee defined and approved a process for defining targets and assessing performance subject to review and/or update on a regular basis (every three years), ensuring that it is aligned with international market practices.

The remuneration of the non-executive Directors shall be a fixed annual amount;

Regarding the remuneration of Directors with executive duties, specifically the Chief Executive Officer (CEO), the Remuneration Committee decided to maintain the existence of two remuneration components, fixed and variable. The fixed component of remuneration corresponds to a monthly remuneration paid in 14 monthly installments, the amount of which is determined by the Remuneration Committee taking into account the duties and responsibilities attributed to the CEO of the Company. The variable component is annually determined by the Remuneration Committee, based on a framework of key quantitative and qualitative business dimensions and key performance indicators (KPI's). The KPIs are established at the beginning of the performance period.

The variable component is therefore based, on the one hand, on the achievement of said KPIs foreseen in the Group's medium and long-term plans approved by the Board of Directors that include: sales growth; net earnings; EVA; and Gearing and, on the other hand, on qualitative targets which include: strategic direction and allocation of resources/investments; organizational health and talent agenda, and multi-stakeholder relations. The performance and results achieved in this latter include a measure by Environmental Social and Governance (ESG) analysts according to the information disclosed on the policies, practices and KPI's.

These dimensions and KPI's are considered essential to ensure future competitiveness of the businesses and have a schedule that can exceed a calendar year. With this in mind, a process regarding the CEO performance cycle was properly put in place, which includes an annual performance assessment with quarterly periodic reviews, based on evidence, and on a regular monitoring of the degree of achievement of the targets approved at the beginning of each year by the Remuneration Committee. In accordance with the established procedure, the performance cycle is concluded with the attribution of the variable component in the first quarter of the year following the one to which it relates, and after the calculation of the full year results, with its payment still taking place during the first semester. If, after review, the Chairman and CEO does not meet the performance expectations, the incentive awarded will be equal to zero.

Together, the fixed and variable components should ensure a competitive remuneration in the international market and drive individual and collective performance, in order to establish and achieve ambitious goals of accelerated growth and appropriate shareholder return.

Bearing in mind the contribution of the countries and business areas where the Group operates, the Remuneration Committee considers adequate that the payment of 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 determined by the Remuneration Committee.

The Remuneration Committee considers that the structure of the remuneration of Directors with executive duties is adequate and allows strong alignment of their interests with the interests of the Company to the long term. For this reason, the Remuneration Committee decided not to have a deferral on the variable remuneration. 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 also aligned with the remuneration practices of its counterparts within the PSI20 and of listed international peers, in line with the characteristics of the Company. Given the pressures in the market place for executive talent, the Remuneration Committee will from time to time analyze the competitiveness of Jeronimo Martins against the relevant sources of talent in the market.

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.

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.

As established by the Remuneration Committee in 2010, life and health insurance *fringe benefits* continued for Directors with executive duties.

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.

The amount paid to Directors with non-executive duties may be differentiated for those who have been assigned functions in Specialized Committees or Supervisory Boards of subsidiaries. With respect to those, the Remuneration Committee considers it appropriate to continue the attribution of meeting fees, having in mind that the duties performed within those Committees demand additional availability from the respective member Directors.

The Chairman and secretary of the Shareholders General meeting will keep a per meeting fee.

The Statutory Auditor will be 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 and the fact that the definition of the variable remuneration depends of a framework of key quantitative and qualitative business dimensions and key performance indicators (KPI's), being the definition of the variable component of the CEO remuneration based on the achievement of those KPI's foreseen in the Group's medium and long-term plans, 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 direction 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 2018 totaled 1,543,500.00 euros, corresponding 913,500.00 euros to fixed remuneration, 346,500.00 euros to variable remuneration and 283,500.00 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	346.500,00	283.500,00
Andrzej Szlezak	83.000,00	-	-
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	130.000,00	-	-

* Annual variable remuneration fixed and paid in 2018, following the performance assessment for the year 2017

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 2018 totalling 1.193,000.00 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	643,500.00
Andrzej Szlezak[2]	50,000.00	-
Sérgio Tavares Rebelo[2]	90,000.00	-

* Annual variable remuneration fixed and paid in 2018, following the performance assessment for the year 2017.

[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, by resolution of 30th July, 2013, the procedure and criteria approved by the Audit Committee in the scope of business with other related parties referred in point 91.

90. Details of Transactions That Were Subject To Control in the Referred Year

In 2018, there were no transactions that would fall into the scope of the criteria foreseen in points 89 and 91 and, consequently, 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 – which, considering the Company's Anglo-Saxon governance model, comes from the Board of Directors - 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 which, as mentioned in point 89, were adopted by the Board of Directors.

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 25 – Related Parties of Chapter III.

PART II – CORPORATE GOVERNANCE ASSESSMENT

1. Details of the Corporate Governance Code Implemented

The Company adopted IPCG's Corporate Governance Code (which is available on IPCG's website at https://cgov.pt/publicacoes/seminarios-conferencias-e-workshops), 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 IPCG in the Corporate Governance Code of 2018. 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 IPCG's Code of Corporate Governance (2018) 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
Chapter I. GENERAL PROVISIONS		
I.1. Company's relationship with investors and disclosure		
I.1.1. The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other *stakeholders*, financial analysts, and to the markets in general.	Adopted	Part I, Section B, Sub-section II, point 21, and Part I, Section C, Sub-section IV, points 56 and 58
I.2. Diversity in the composition and functioning of the company's governing bodies		
I.2.1. Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	Partially Adopted	Part I, Section B, Sub-section II, points 16 to 19 and 26, Sub-section III, points 31 and 33, and Part II, point 2.1.a)
I.2.2. The company's managing and supervisory boards, as well as their committees, should have internal regulations — namely regulating the performance of their	Adopted	Part I, Section B, Sub-section II, points 22 and 23, Sub-section III, points 34 and 35

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members —, and detailed minutes of the meetings of each of these bodies should be carried out.		
I.2.3. The internal regulations of the governing bodies — the managing body, the supervisory body and their respective committees — should be disclosed, in full, on the company's website.	Adopted	Part I, Section C, point 61
I.2.4. The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	Adopted	Part I, Section B, Sub-section II, point 23, Sub-section III, point 35, Section C, Sub-section V, point 62
I.2.5. The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (*whistleblowing*) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.	Adopted	Part I, Section B, Sub-section II, point 29, Section C, Sub-section II, point 49
I.3. Relationships between the company bodies		
I.3.1. The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.	Adopted	Part I, Section B, Sub-section II, point 21
I.3.2. Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.	Adopted	Part I, Section B, Sub-section II, points 21 and 29, Sub-section III, points 30 and 35
I.4. Conflicts of interest		
I.4.1. The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.	Adopted	Part I, Section B, Sub-section II, point 29, Section C, Sub-section II, point 49
1.4.2. Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	Adopted	Part I, Section B, Sub-section II, point 29, Section C, Sub-section II, point 49, Sub-section III, point 54
I.5. Related party transactions		
I.5.1. The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of	Adopted	Part I, Section E, Sub-section I, points 89 and 91

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the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body.		
I.5.2. The managing body should report all the transactions contained in Recommendation 1.5.1. to the supervisory body, at least every six months.	Adopted	Part I, Section E, Sub-section I, point 90

Chapter II · SHAREHOLDERS AND GENERAL MEETINGS		
II.1. The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	Adopted	Part I, Section B, Sub-section I, point 12
II.2. The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	Adopted	Part I, Section B, Sub-section I, points 12 and 14
II.3. The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.	Adopted	Part I, Section B, Sub-section I, point 12
II.4. The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.	Not Adopted	Part II, point 2.1., sub. b)
II.5. The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits.	Adopted	Part I, Section B, Sub-section I, point 13
II.6. The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.	Adopted	Part I, Section A, Sub-section I, points 4 and 5, Section B, Sub-section I, point 12

Chapter III · NON-EXECUTIVE MANAGEMENT, MONITORING AND SUPERVISION		
III.1. Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (*lead independent director*), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.	Not Adopted	Part I, Section B, Sub-section II, point 21, and Part II, point 2.1., sub. c)
III.2. The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.	Adopted	Part I, Section B, Sub-section II, points 17 and 18
III.3. In any case, the number of non-executive directors should be higher than the number of executive directors.	Adopted	Part I, Section B, Sub-section II, points 17 and 18
III.4. Each company should include a number of non-	Adopted	Part I, Section B, Sub-section II,

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executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to: i. having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis; ii. having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; iii. having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; iv. having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; v. having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or vi. having been a qualified holder or representative of a shareholder of qualifying holding.		points 17 and 18
III.5. The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (*cooling-off period*).	Not Applicable	
III.6. Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	Not Applicable	Part I, Section B, Sub-section II, point 21
III.7. The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	Adopted	Part I, Section B, Sub-section II, points 21 and 29, Sub-section III, point 30, Section C, Sub-section III, points 50, 52, 54 and 55
III.8. The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.	Adopted	Part I, Section B, Sub-section II, point 29, Sub-section III, point 30, Section C, Sub-section III, points 50, 52, 54 and 55
III.9. Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.	Partially Adopted	Part I, Section B, Sub-section II, points 24, 25 and 29, and Section D, Sub-section III, point 69, and Part II, point 2.1., sub. d)
III.10. Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.	Adopted	Part I, Section C, Sub-section III, points 50 to 55
III.11. The supervisory body and the committee for	Adopted	Part I, Section B, Sub-section II,

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financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.		point 29, Sub-section III, point 30, Section C, Sub-section III, point 52
III.12. The supervisory body should provide its view on the work plans and resources of the internal auditing service, including the control of compliance with the rules applied to the company (*compliance* services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.	Adopted	Part I, Section B, Sub-section II, point 29, Sub-section III, point 30, Section C, Sub-section III, points 52 and 54

Chapter IV . EXECUTIVE MANAGEMENT		
IV.1. The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.	Partially Adopted	Part I, Section B, Sub-section II, point 21, and Part II, point 2.1., sub. e)
IV.2. The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: i. the definition of the strategy and main policies of the company; ii. the organisation and coordination of the business structure; iii. matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	Adopted	Part I, Section B, Sub-section II, point 21
IV.3. In matters of risk assumption, the managing body should set objectives and look after their accomplishment.	Adopted	Part I, Section C, Sub-section III, points 50 a 54
IV.4. The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.	Adopted	Part I, Section B, Sub-section III, point 30 and Section C, Sub-section III, points 50 to 52

Chapter V · EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENT		
V.1. Annual evaluation of performance		
V.1.1. The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	Adopted	Part I, Section B, Sub-section II, points 21, 24, 25 and 27, and Section D, Sub-section III, points 69 and 70, and Part II, point 2.1., sub. f)
V.1.2. The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	Adopted	Part I, Section B, Sub-section III, point 30
V.2. Remuneration		
V.2.1. The remuneration should be set by a committee, the composition of which should ensure its independence	Adopted	Part I, Section D, Sub-section I, point 66, Sub-section II, point 67

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from management.		
V.2.2. The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.	Adopted	Part I, Section D, Sub-section III, points 69 to 74
V.2.3. The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19th June, should additionally contain the following: i. the total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied; ii. remunerations from companies that belong to the same group as the company; iii. the number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date; iv. information on the possibility to request the reimbursement of variable remuneration; v. information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation; vi. information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.	Adopted	Part I, Section D, Sub-section III, points 69 and 70
V.2.4. For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.	Adopted	Part I, Section D, Sub-section III, points 69 and 76, and Sub-section IV, point 84
V.2.5. In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.	Adopted	Part I, Section D, Sub-section II, point 67
V.2.6. Within the company's budgetary limitations, the remuneration committee should be able to decide, freely,	Adopted	Part I, Section D, Sub-section II, point 67

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on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.		
V.3. Director remuneration		
V.3.1. Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.	Adopted	Part I, Section D, Sub-section III, points 69 to 71
V.3.2. A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	Not Adopted	Part I, Section D, Sub-section III, point 72, and Part II, point 2.1.g)
V.3.4. When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.	Not Applicable	Part I, Section D, Sub-section III, points 69 and 74
V.3.5. The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.	Adopted	Part I, Section B, Sub-section II, points 17 and 18, Section D, Sub-section III, point 69, and Sub-section IV, points 77 to 79 and 81
V.3.6. The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.	Adopted	Part I, Section D, Sub-section III, point 69, and Sub-section V, point 84
V.4. Appointments		
V.4.1. The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.	Adopted	Part I, Section B, Sub-section II, points 16 to 19
V.4.2. The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.	Not Adopted	Part II, point 2.1., sub. h)
V.4.3. This nomination committee includes a majority of nonexecutive, independent members.	Not Applicable	Part II, point 2.1., sub. i)
V.4.4. The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and	Not Applicable	Part II, point 2.1., sub. j)

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who will best promote, within the organisation, a suitable diversity, including gender diversity.		

Chapter VI · RISK MANAGEMENT		
VI.1. The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.	Adopted	Part I, Section C, Sub-section III, points 50 a 52 and 54
VI.2. Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.	Adopted	Part I, Section C, Sub-section III, points 50 to 54
VI.3. The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.	Adopted	Part I, Section B, Sub-section III, point 30, and Section C, Sub-section III, points 52 and 55

Chapter VII · FINANCIAL STATEMENTS AND ACCOUNTING		
VII.1. Financial information		
VII.1.1. The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	Adopted	Part I, Section B, Sub-section III, point 30, and Section C, Sub-section V, point 61
VII.2. Statutory audit of accounts and supervision		
VII.2.1. Through the use of internal regulations, the supervisory body should define: i. the criteria and the process of selection of the statutory auditor; ii. the methodology of communication between the company and the statutory auditor; iii. the monitoring procedures destined to ensure the independence of the statutory auditor; iv. the services, besides those of accounting, which may not be provided by the statutory auditor.	Adopted	Part I, Section B, Sub-section III, points 30 and 37, and Part II, point 2.1.I)
VII.2.2. The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	Adopted	Part I, Section B, Sub-section III, points 30 and 37, Sub-section V, point 46
VII.2.3. The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their	Adopted	Part I, Section B, Sub-section III, point 30, Sub-section V, point 45

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functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.		
VII.2.4. The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.	Not applicable	Part II, point 2.1.m)
VII.2.5. The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties.	Adopted	Part I, Section B, Sub-section III, point 30, Sub-section V, point 42

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 regard to recommendation I.2.1., it has to be said again that the competence to appoint the members of management and supervision bodies of companies under Portuguese company law is an exclusive of shareholders.

It is not, therefore, legally possible for the Company, which is not to be confused with its shareholders, to define or enforce standards or requirements, diversity included (and, particularly, of gender), such as those foreseen in the recommendation at stake, or even as foreseen in Art. 245-A, no. 1, r) of the Portuguese Securities Code, as amended by Decree-Law no. 89/2017, of 28th July

Attention must be paid also to the fact that the current term of office of the members of the Company's governing bodies started on 2016 and will only expire in the end of 2018. The shareholders of the Company still did not have the opportunity to ponder and, wanting, to take expressly into consideration in elective procedures, both the provisions of Decree-Law no. 89/2017 and on the recommendation at stake.

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 did 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.

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.

b) Concerning Recommendation II.4, it has to be said that, in addition to creating the conditions for the physical participation of the shareholders at the General Meeting, the Articles of Association of the Company allow postal votes. Additionally, the Company has adopted since 2006 adequate mechanisms so that the shareholders may vote electronically.
The Company considers, for the reasons above, to have created the necessary and sufficient conditions for an expressive participation of the shareholders in General Meetings of the Company. Between 2014 and 2018 have participated, on average, 82.14% of shareholders in Company's General Meetings.

In addition, digital participation of shareholders in General Meetings is not a usual practice of the Portuguese market, as evidenced by the benchmark.

c) As to Recommendation III.1, it is explained that the coordination of Non-Executive Directors in the Company is made by means of a Mechanism for Coordinating the Activities of Non-Executive Directors. Without prejudice to the mandatory duty of general surveillance of such Directors, under Article 407, paragraph 8 CCC, the Company has created a disclosure mechanism that requires that Executive Directors or the Chairman of the Executive Committee, as the case may be, disclose relevant information to Non-Executive Directors regarding the performance of the delegated powers or the special duty conferred upon them. Said Mechanism also foresees that any information request presented by any Non-Executive Director, within their respective functions, should be answered, and that Non-Executive Directors may also meet in *ad hoc* meetings, as well as a duty over the Company Secretary, to timely provide Non-Executive Directors with the definitive agenda of the meetings and respective preliminary documentation of Board Meetings and of the Specialized Committees that they are part of. The Company Secretary shall also ensure, according to such Mechanism, the delivery to Directors who so request, of a copy of the meetings of the Managing Committee or that of any other Corporate Bodies.
See, point 21 of Part I, Section B, Sub-section II, and the explanation inserted in subparagraph f), below.

d) With reference to Recommendation III.9, it has to be said that, although the Company has a Committee on Corporate Governance and Corporate Responsibility, the same is not composed in its majority by members of the corporate bodies. The Board of Directors considered that such Committee, for its nature, would benefit by having a more heterogeneous composition, allowing the existence of diverse experiences, external to the Company.
On the other hand, the Company does not have a Nomination Committee for senior management for the reasons explained below in subparagraph f).

e) What concerns Recommendation IV.1 it is explained that the Company complies with it partially, considering that, although a Regulation of the Board of Directors exists, it is not therein regulated the performance of executive functions by executive directors in entities outside of the Group. However, the objective of the Recommendation at stake is achieved considering that the Company is a family company, that the Company's Chief Executive Officer is a member of the family that holds the majority of the share capital of the Company (which explains his performance of executive duties exclusively in the Company), what is foreseen in the Company's Regulation of the Board of Directors in force, the content of the current Delegation of Powers to the Chief Executive Officer and the legal obligations that impend over directors, e.g., duties of loyalty and, in particular, the duties of care that the same have to comply with, under Article 64 CCC.
See, point 21 of Part I, Section B, Sub-section II.

f) As to Recommendation V.1.1., it has to be explained that the Company has no Committees composed exclusively by Directors, apart from the Audit Committee. Hence, it is considered the Recommendation at stake as adopted.

g) With reference to Recommendation V.3.2., 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.

h) Concerning Recommendation V.4.2., it has to be said that the Jeronimo Martins Group has been through a period of high growth, currently developing operations in three countries, and employing over 100,000.00 individuals. The Company's Human Resources Division developed the necessary

studies and has implemented the appropriate mechanisms in order to manage its workers, at all levels, and to make available the necessary tools to the companies of the Group, both at the initial hiring and subsequently, in career management. Considering, additionally, the notorious family dimension of the Company, the Human Resources Policy and, the selection and hiring acquires special importance and requires special attention by the Chief Executive Officer, himself a member of the controlling family.
See, point 21 of Part I, Section B, Sub-section II ("Human Resources"), and the explanation in subparagraph d) above.

i) Concerning Recommendation V.4.3., see the explanation made in the previous subparagraph.

j) Concerning Recommendation V.4.4., see the explanation made in subparagraph n).

l) As to Recommendation VII.2.1., it is important to clarify that the Company considers this Recommendation to be adopted, taking into consideration the fact that the Regulation of the Company's Audit Commission foresees great part of the provisions of the Recommendation at stake, except concerning issues specifically regulated in national and E.U. law.
Considering the provisions of the "Interpretative Note No. 1 about the 2018 IPCG's Corporate Governance Code", on Recommendations VII.2.4. and VII.2.5, in the part where it is foreseen that when the performance of a company's body is covered by the provisions of the applicable law, such issues should not be considered autonomously, the Company renders this Recommendation as adopted.

m) As to Recommendation VII.2.4., it has to be said that the Company did not assign the statutory auditor the duties foreseen in this Recommendation. The "Interpretative Note No. 1 about the 2018 IPCG's Corporate Governance Code" is hereby applicable.

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

NON-FINANCIAL REPORT

Corporate Responsibility in Value Creation

1. Our Approach

We aim to create value in a sustainable manner, respecting the quality of life of present and future generations and mitigating, as far as possible, the impact of our activities on the ecosystems, on which we depend. In order to guarantee the continuity of our business, which has over two centuries of existence, we have defined a Corporate Responsibility strategy, transversal to the Group's Companies and consisting of five pillars of action, that seeks to address the challenges identified by our 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. guaranteeing 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 the view of reducing the environmental impacts generated by its businesses. There are three priority areas of action: 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, 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.

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[1] The 14 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.

Among other, in 2018, Jerónimo Martins remained in the FTSE Russell indices: FTSE4Good Developed Index and FTSE4Good Europe Index, which identify the companies that best manage sustainability risks through commitments and actions in the development of their businesses. It was also included in FTSE4Good Developed Minimum Variance.

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. In what regards Euronext Vigeo it was also included in the Europe 120 Index.

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. These inclusions are the result of the recognition of the Group's commitments, actions and outcomes regarding sustainability and in the long-term development of its businesses.

Business Model and Relation with Sustainable Development

2. Stakeholder Engagement

Stakeholder engagement is a relevant step in identifying, prioritizing and managing the environmental, social and economic aspects that have, or may have, impacts on society and in our business. In order to ensure continuous improvement, we use different communication channels in to promote a better alignment with the needs and expectations of our stakeholders.

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 our Companies, we are also members of various national and international organisations and initiatives concerning Corporate Responsibility, which allow us to identify trends in these areas, define strategic priorities and improve our management processes[3].

[3] For further details on the way we engage with stakeholders and on the organisations of which we are part of, please go to the Responsibility area at www.jeronimomartins.com.

As a result of our continuous involvement with stakeholders, we highlight, in descending order, the identification of the following material aspects[4]:

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;
11. Client support services;
12. Innovative products and services;
13. Reduction of packaging materials;
14. Attraction, talent retention, training and career development.

In order to ensure compliance, disclosure and reinforcement of our Corporate Responsibility Principles, we also count on the work developed by the Committee on Corporate Governance and Corporate Responsibility, which collaborates with the Board of Directors and with the Ethics Committee.[5]

The Group's professional social network LinkedIn page had more than 140,000 followers by the end of 2018, maintaining itself as an important vehicle for the dissemination of our activities, including the actions developed within the five pillars of Corporate Responsibility. In this context, during 2018, we published 112 posts related to our Corporate Responsibility, with more than 1.8 million impressions[6].

[4] Reporting of our 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 our "Responsibility" channel at www.jeronimomartins.com.
[5] The responsibilities of each of these Committees are described at www.jeronimomartins.com, in the "Investors" area.
[6] This indicator refers to the number of times each post was displayed to LinkedIn users.

3. 2018 Highlights

Promoting Good Health through Food

- We implemented the Product Quality and Safety Policy, aiming to deepen the systems for continuous improvement of the processes of development and monitoring of Private Label and Perishables products;
- Nutritional reformulations of Private Brand products and Meal Solutions prevented the entry of 575 tonnes of fat, 81 of saturated fat, 88 of sugar and 8 of salt into the market;
- In Poland, the Go Bio range, which targets customers who prefer organic products, has been extended with 78 products. Pingo Doce introduced the first 36 references of this range in the Portuguese market;
- In Portugal, the voluntary adoption of an energy icon in alcoholic beverages reached 100% of the references. Also, the symbol that discourages the consumption of these products by pregnant women reached 47% of the references of this category, an increase of 150% compared to 2017;
- We performed more than 10,000 internal audits of the Group's infrastructures, complemented by more than 110,000 analyses of work surfaces and manipulators, among others, and more than 50,000 product analysis. More than 35,700 employees have been trained in hygiene and food safety for a total of more than 125,000 hours.

Respecting the Environment

- In 2018, the Group's carbon footprint, per €1,000 of sales, decreased by 17.2% compared to 2017, contributing to meeting the established reduction target for the 2018-2020 triennium;
- The reduction of the Group's carbon footprint is mainly due to the decision to contract from July 2018 electricity from renewable sources to meet the needs of business operations in Portugal;
- The Group obtained an overall rating of "A-" in CDP Climate 2018, positioning it at the "Leadership" level, closer to reaching the maximum rating (A);
- 30 new ecodesign packaging projects were implemented in both Portugal and Poland, contributing to the annual savings of around 2,500 tonnes of packaging materials;
- The rate of waste produced by the Group increased to 85% a rise of 0.3 p.p. compared to 2017.

Sourcing Responsibly

- In 2018, approximately 90% of the purchases of food products were acquired from local suppliers, maintaining this ratio above the 80% target;
- More than 290 new Private Brand and Perishable product references with sustainability certificates (e.g., UTZ, Marine Stewardship Council and Rainforest Alliance, among others) were launched by the Group's banners;
- Over 20% of the Group's Private Brand eggs marketed in 2018 were "cage-free" (e.g. barn eggs, free-range eggs or organic eggs), contributing to the objective of progressively increasing this proportion to the 100% planned to 2025;
- In 2018, and based on the fish species identified in 2015, the Group complied with its guidelines for its sustainable strategy;
- Jerónimo Martins obtained an overall rating of "A-" for palm oil in the CDP Forests 2018, positioning it at "Leadership" level, just a step away from reaching the maximum rating (A). The commodities soy, beef and paper and wood obtained a classification of "B", the equivalent to the "Management" level.

Supporting Surrounding Communities

- The value of support offered by the Group was more than 31.5 million euros, an increase of 45% compared to 2017;
- The donation of food products totalled more than 11.5 thousand tons, which represents an increase of 54% over 2017, in the pursuit of the effort to fight food waste. In Poland, the food donation program was extended to 1,063 stores;
- The Group implemented a new concept of support for the third sector institutions that also have food production. Through the “Mercado Social” (Social Market) project, a space dedicated to sell these institutions’ products in Pingo Doce, customers were able to purchase products from two institutions, whose sales value reverted in full to them;
- 219 employees contributed with 1,544 volunteer hours to various community engagement actions, namely reforestation of 2017 and 2018’ burnt areas;
- In Colombia, a new protocol was established with the Instituto de Bienestar Familiar (Institute of Family Welfare) for the supply of personal hygiene products to more than 9,400 children under the care of the “Madres Comunitarias” (Community Mothers) programme.

Being a Benchmark Employer

- We created 4,357 jobs, representing a net increase of 4.2% over the previous year. We also provided 928 work internships in the different Companies of the Group;
- 110 million euros were awarded to employees and 11,946 employees, from stores, Distribution Centres and Central Structures, were promoted;
- More than 4.5 million hours of training were provided to employees distributed among 66,310 training courses;
- The frequency of accidents index was the lowest recorded since 2011;
- The investment in support initiatives to employees under the areas of Health, Education and Family Well-Being amounted to 19.5 million euros, an increase of 4%. In Poland, through the "Możesz Liczyć na Biedronkę" programme (You Can Count on Biedronka), financial support was given to more than 9,000 employees in vulnerable situations. In Portugal, the Social Emergency Fund, which counts on the collaboration of social workers, allowed the support of 726 employees.

4. Promoting Good Health through Food

4.1. Introduction

With the mission of providing safe and quality food to the millions of customers who visit our stores every day, we include a commitment to defend and promote good public health through food in our product development processes.

In line with the priorities defined in the United Nations Sustainable Development Goals for 2030, and with the expectations of over 4,700 stakeholders whose opinion was heard in an analysis carried out in 2016, we seek to encourage responsible consumption, as a way to promote the sustainability of the business and to foster healthier lifestyles.

These priorities arise from observing societies' eating habits over recent years and noting that excessive consumption of sugar, salt and saturated fat, 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 for change in these eating habits means being committed to investing in both the development of and the democratic access to nutritionally balanced Private Brand food products. This commitment also assumes that the products are less processed and meet specific dietary requirements, including intolerance to certain ingredients, along with comprehensive and intuitive nutritional labelling.

There are two action strategies that fulfil the Group's positioning:

i. ensuring food safety;
ii. fostering food quality and diversity.

4.2. Quality and Diversity

In 2018, the Group continued to implement the Quality and Product Safety Policy (published on the corporate website) which is applicable to the food offer, through its Private Brand and Perishables, and also to the Private Brand non-food offer.

With this policy, we aim to guarantee a system for the continuous improvement to Private Brand and Perishable product development and follow-up processes, placing the consumer at the centre of our attention:

- application of complementary standards, due to likely oversights in the legislation in the countries where we operate and to scientific proof in decision making;
- engagement with stakeholders, to pro-actively understand their expectations and to create/strengthen partnerships;
- ban on animal testing, application of the precautionary principle as to genetically modified organisms and nanotechnology, the commitment to replace microplastics with biodegradable materials that do not pose risks to the food chain and ecosystems, and also regarding other packaging materials that will come into contact with food;
- prioritised traceability and the existence of robust procedures for defending, mitigating and managing risks concerning product safety;
- transparent and intuitive communication on our product labelling beyond what is legally required, in order for the consumer to make a more informed purchasing decision.

Our Nutritional Policy, also available for consultation on the Jerónimo Martins corporate website, complements the commitments defined for Private Brand food products, and is in line with the recommendations of the World Health Organisation, by defining seven aspects of Private Brand development: nutritional profile, ingredients, labelling, portion sizes, continuous improvement, communication and education. These dimensions are supported by the following directives, among others:

- restrictions as to the use of colouring, preservatives and other superfluous, synthetic additives;
- maximum accepted quantities of some ingredients in the products for children, such as salt, sugar and fat;
- nutritional reformulation strategies;
- development of products for people with specific nutritional needs/preferences, and within specific age groups;
- packaging materials 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.

4.2.1. Launches

In cooperation with our business partners, we have invested in launching products that address consumer needs and modern lifestyles, while seeking to make them more sustainable.

Poland

The launches of Private Brand food products with health benefits aimed at making a positive contribution towards consumers adopting healthier consumption patterns, as these have more complete and intuitive information about the presence of ingredients in their compositions. The following are among the launches in 2018:

- 78 organic products branded with Go Bio, such as butter, hummus and vegan wholemeal oat biscuits, pasta, juices, yoghurt and herbal teas, which are certified with the EU Ecolabel logo;
- 17 references of products for children, which include six Go Bio organic products such as Glodniaki sausages, which are gluten-free, lactose-free and without phosphates, preservatives or sodium glutamate, as well as Pastani Kids gluten-free corn pasta;
- 3 FruVita *skyr*-style yoghurt references, which are fat-free and rich in protein.

The offer of products for vegans was also extended, which means their composition excludes meat and other products of animal origin such as eggs, dairy products and honey, among others. Of the 29 new references launched, we highlight the Pano wheat tortilla wraps, which have been certified by Vege Polska (Polish Association of Vegetarians) with the international V-Label symbol, thereby ensuring that the products fulfil the requirements related to this type of diet and make it easier to identify this kind of food.

We maintained the partnership with Polskie Stowarzyszenie Osób z Celiakią i na Diecie Bezglutenowej (Polish Association of Celiac Disease Sufferers and Gluten-Free Diet) to monitor the production and launch of gluten-free products, ensuring the absence of cross-contamination, as well as certification of the final product. In 2018, we launched 36 gluten-free references, where we highlight the Pastani pastas and the Donatello four-cheese pizza.

Biedronka continued with its intention to expand its lactose-free portfolio, which began in 2017, putting three new references on the market in 2018, including Glodniaki pork sausages and venison sausages, which, in these cases, are also without gluten, phosphates, preservatives, monosodium glutamate – the flavour enhancer – and colouring.

Concerning Perishables, we launched three Bakery products made of ancestral wheat flour (without being crossed with other varieties and produced only in certain regions of Europe), with a view to extending Biedronka's offer of these solutions. Products made with this variety of wheat have a lower percentage of gluten proteins. As they are important sources of fibre, zinc and selenium, which help digestive and immunological functions, these products also have the support of Instytut Żywności i Żywienia (Polish Institute of Food and Nutrition) for their production. Consumers can now access the information on a diet with lower gluten consumption on the supplier's website, at www.pradawnapszenica.pl.

Portugal

We 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:

- Iodized Salt, which may contribute towards normal hormone production and thyroid function, as well as towards cognitive function and the nervous system;
- Frozen Rissóis de Camarão (Shrimp Rissoles), Croquetes de Carne (Meat Croquettes) and Pastéis de Bacalhau (Cod Pasties) to bake in the oven, which are advantageous, as far as the fat-level in the final product is concerned, due to having 10% less fat than products for frying;
- Frozen Blueberries, which due to their harvesting process and refrigeration within 24 hours, do not need any added colouring or preservatives. These fruits are high in fibre, which is important for the digestive system to function well;
- Buffalo Burrata Cheese, produced using pasteurised milk, is a source of calcium;
- Passion Fruit and Red Berry Greek Yoghurts, both fat-free, with a high protein content, sources of calcium and without colouring;
- Mini Maria Cookies, produced with sunflower oil, for children;
- Apple and Pear Fruit Sachets for children. These products do not contain colouring or preservatives and only have the sugar that is naturally present in the fruit. The Multi-Fruit with Cereals sachet was also launched with these benefits and is gluten-free.

In the Pura Vida range, which aims to provide a more democratic offer of products without any added sugar, gluten, and lactose for people with specific dietary requirements and/or preferences, six new products were launched, making a total of 91 references available:

- Aveia Instantânea (Instant Oatmeal), with a high vitamin B1 and phosphorous content. It is a source of fibre, iron, magnesium, potassium and zinc, and the beta-glucans present help to maintain normal levels of cholesterol in the blood;
- Lactose-free Folhado Misto (ham and cheese pasty), to be baked in the oven;
- Lactose-free Queijo Fresco (fresh cheese) spread;
- Lactose-free Leite Ultrapasteurizado Magro (Skimmed Ultra-Pasteurised Milk).

In 2018, as mentioned before, the Go Bio range was introduced in the Portuguese market. These are certified products regarding their organic origin and which, through their more responsible production methods concerning the use of chemicals in farming, may have a positive impact on consumer health. 36 products were launched in this range, including eggs, pasta, tomato pulp, yoghurt and kefir, cheese and ice cream, among others. The Aveia (Oatmeal) and the Aveia com Chocolate Negro (Oatmeal with Dark Chocolate) biscuits are also suitable for vegetarians and vegans, displaying the V-Label certificate.

Concerning Meal Solutions, the Pingo Doce restaurants, along with the Take Away operations, developed healthier dishes that are suitable for consumers with specific preferences, such as vegetarians: *alheira* (for baking and not frying, in order to decrease the amount of fat), which is a special smoked sausage and typical from Portugal, and the vegetable "meatballs". Vegetable pasties and grilled vegetables were also launched in 2018.

Regarding soups, five varieties were launched to the market with no potato, a raw material which is rich in carbohydrates. The vegetable soups, cream of carrot with watercress and cream of chickpea with vegetables are a few examples.

The variety of the offer in the Spring-Summer season was complemented with six salads: rice with smoked ham, *couscous* with chicken, cod with chickpeas and roasted peppers, chicken breast *tabbouleh* with walnuts and sultanas; quinoa with mackerel, and noodles with king prawns and coriander-flavoured olive oil.

Colombia

Ara's Exclusive Brands launched 10 new products, providing healthier alternatives to consumers in that country. We highlight the three different Alambra whole yoghurt with probiotics flavours, the three references of Arrivere Italian whole wheat pastas and the Solei natural orange and tangerine juices.

4.2.2. Reformulations

In order to make a positive contribution towards public health, our strategy - for over 10 years - for reformulating food products has been giving primacy to products that:

- are consumed mostly by children;
- contain high levels of salt, sugar and fat (including saturated fat) and/or additives considered to be superfluous;
- are consumed in large quantities and, as such, their reformulation might have a wider positive impact on public health;
- might be perceived as being healthy, but whose nutritional profile needs to be adjusted.

Poland

In Poland, we reformulated 33 food products in line with our Nutritional Policy, eliminating salt, sugar and fat. In total, we removed 575 tonnes of fat, plus 77 of saturated fat, 87 tonnes of sugar and 5 tonnes of salt[7].

We reduced the levels of fat in 19 references, especially in Fasti processed cheeses, which were reduced by 44%, representing 92 tonnes of ingredients that didn't reach the market. In addition, 77 tonnes of saturated fat were removed from 17 products.

We cut between 5% and 30% the salt from the composition of eight references, including Pano grilled wheat wraps and the Polsnack crisps with sea salt and pepper.

Regarding sugar, we reformulated seven references, including the Miami strawberry yoghurt – for children – on which we achieved an 18% reduction, the equivalent of around nine tonnes.

Portugal

Throughout 2018, we relaunched six products with improved recipes as to the presence of fat, by replacing it with healthier options. These include Pingo Doce, Amanhecer and MasterChef products aimed at grocers, the hotel industry, coffee-shops and restaurant sectors, which due to their scale and distribution reach, can have a positive impact on the consumer. In total, 3.5 tonnes of saturated fat did not enter the market[7].

The level of saturated fat was reduced in other references. Palm oil was replaced by sunflower oil or was eliminated. This was the case with the Pingo Doce Tostas Sem Sal (Unsalted Melba Toast) and the Amanhecer Creme para Barrar de Cacau e Avelãs (Cocoa and Hazelnut Spread) and the Amanhecer and MasterChef Petiscos do Mar (Seafood Delicacies).

We reformulated two Flocos de Batata (Potato Flakes) references, removing the preservatives from their composition.

[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.

At Pingo Doce's Meal Solutions, we cut the sugar in the Arroz Doce (Rice Pudding) – a typical Portuguese desert – by 10%, which is the equivalent of over 0.5 tonnes[8].

Some raw materials used in the Take Away, Bakery and the restaurants were also reformulated. The palm oil - used as an ingredient in breadcrumbs and as an oil for frying -, was replaced by sunflower oil.

Colombia

Regarding the quantities of salt, we reformulated five of the Kai exclusive brand delicatessen products, which resulted in preventing a total of 2.4 tonnes from entering the market[7]. The Heil red berry and almond granola cereals also had the superfluous additives removed.

The vanilla and strawberry varieties of the Aveia Instantânea (Instant Oatmeal) mix were also reformulated, adding 12 vitamins.

Non-Food Products

Some non-food products were reformulated considering their potential impact on consumer health and/or on the ecosystems. Of particular note are the Dentix Mouthwash Fresh toothpaste, Spa shower gel and Be Beauty shower gel, whose microplastics were replaced (as their size and inability to be filtered by the wastewater system may pose risks to oceans and rivers) by natural bamboo, powdered apricot kernels and natural exfoliants, respectively. Four Be Beauty hair mask references were also launched, of which the parabens (synthetic preservatives) and silicones (polymers that may cause irritations and allergies) were removed.

4.2.3. Promoting Healthier Choices

With the intention of promoting an offer that is increasingly in line with consumers' present and future needs, we have been working on adjusting the portions of the Private Brand products, in accordance with market research, and including intuitive information on the packaging. These processes may also contribute to reduce food waste, something that the Group tackles in each of the five pillars of its Corporate Responsibility strategy, downstream of the supply chain and along with consumers.

Our priorities are to:

- design (or reformulate) products regarding their quantity and format;
- voluntarily indicate the number of portions in each package, on all products;
- voluntarily indicate the average time the product must be consumed once opened, to contribute to the adequate consumption of products that are used over a long period of time;
- only use one expiry date, whenever the law so permits, to avoid confusing consumers over other printed dates, such as production batches.

In the case of the Pingo Doce, Amanhecer, Gourmês and MasterChef Private Brands, we have been adjusting, in the first stage of product design, the size of the portions, such as the double portions of Pingo Doce Chickenburgers or Cheeseburgers, in addition to the already existing single-portion Bolsas de Fruta (Fruit Sachets) for children, Bolacha Maria (Maria Cookies) or the Petit Líquido yogurts. We also launched some products in a different format from the usual one in the market, making them easier to eat and reducing potential waste, such as Mini Bolachas Maria (mini Maria biscuits) in convenient packs, mainly aimed at children.

Regarding expiration dates, we provide packaging information about the average time of consumption after opening, helping consumers to manage their products. Mayonnaise, milks and fruit jams are some examples of products containing short-expiration date information.

[8] Calculation of the weight of the ingredients removed takes into consideration the annual production of the products considered before and after the recipe is revised.

Product Information

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, 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, we maintained the following:

- adoption of the "Sem OGM" (Without GMO) symbol for products whose ingredients could potentially have been genetically modified. In 2018, 14% of the total references that potentially could contain these ingredients presented this symbol;
- adoption of the calorie icon for 100% of the alcoholic beverages;
- also for alcoholic beverages, adoption of symbols advising against consumption by pregnant women. In this case, in 2018, 47% of the references in this product category showed this kind of symbol, an increase of 150% compared to 2017;
- 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 with the symbol "Escolha Saudável" (Healthy Choice) of Pingo Doce cold meat products that contain low fat, in cooperation with the Portuguese Heart Foundation.

In Poland, the following are of note:

- adoption of the indication of fibre in the nutritional table, on the 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.
- adoption of symbols advising against alcohol consumption by pregnant women and on responsible driving. For the first case, 15% of the references presented this indication, for the second one, 46% had that reference.

In Colombia, voluntary adoption of nutritional aspects of the recommended daily ingredients continued to show the values for calories, fat, sodium, sugar and protein.

At Pingo Doce, for the last 10 years we have been following the principles of the Mediterranean Diet when developing Private Brand products and meals (Meal Solutions), and as a differentiating aspect when communicating with our audiences. Besides 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 communicating this diet, by publishing recipes that also encourage the re-use of food leftovers and the fight against food waste.

Pingo Doce's website continued to be a means of reinforcing this priority, playing a part in encouraging people to adopt this diet and also publishing 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.

At Biedronka, we also invested in promoting the Mediterranean Diet, active lifestyles and in the sharing of information on nutrients present in the food products and on recipes for people with specific dietary requirements, such as vegetarians and vegans, by producing commercial and informative leaflets. The majority of these leaflets received the cooperation of an expert from the Polish Institute of Food and Nutrition and the Polish Association of Vegetarians.

In addition, 55 articles were published by various media, describing the nutritional profiles of Biedronka products and their health benefits. Along with these, there were also 38 articles for employees, disclosed using internal channels.

Biedronka continued to support the Zielona Kraina (Green Land) project, developed in partnership with Green Factory, producer of the Vital Fresh exclusive brand. The objective of this project is to promote healthier eating habits among primary school children. 402 cooking workshops were carried out at 143 schools in 14 cities, which had a target audience of over 7,934 students and also around 400 teachers.

4.2.4. Partnerships and Support

With the objective of learning, sharing in-depth knowledge on food, nutrition and health, and taking action with consumers, we have maintained an active dialogue with both public and private institutions.

In Portugal, Pingo Doce remained active on the technical committees of the Portuguese Association of Distribution Companies (APED) dedicated to food quality, and within this framework also established commitments with the Directorate-General for Health (DGS) in addition to those voluntarily undertaken regarding product reformulations.

As such, within the framework of the Portuguese Government's Integrated Strategy for Promoting a Healthy Diet (EIPAS), Pingo Doce aims to:

- reduce the level of salt in soups, to a maximum of 0.4g/100g in 2021 and 0.3g/100g in 2023;
- reduce the level of salt in its own-produced bread to a maximum of 1g/100g in 2021;
- reduce the level of salt in crisps and snacks by 12% by 2021;
- reduce the average total sugar content in fruit nectar juices by 5% by 2021;
- reduce the average added sugar content in chocolate milk by 10% by 2021.

We also continued with our partnerships with organisations aiming to contribute towards a healthy diet:

- within the scope of the partnership with the DGS, Pingo Doce contributed to the National Programme for Promoting a Healthy Diet (PNPAS) with 25 recipes on the Mediterranean Diet, developed by its nutrition team and which can be referred to at www.alimentacaosaudavel.dgs.pt. In addition, the DGS participated in five articles in Pingo Doce's "Sabe Bem" (Tastes Good) magazine, which were also disclosed on the PNPAS blog "Nutrimento" at nutrimento.pt;
- the Portuguese Association of Celiac Disease Sufferers, to identify and publicise gluten-free products;
- the Portuguese Heart Foundation, to identify cold meat products that are low in fat, using the symbol "Healthy Choice";
- the Portuguese Association of Nutritionists, to sponsor the Nutrition and Food Congress.

In Poland, besides the agreements previously established for publishing information on a healthy diet and the more intuitive identification of specific food products, we maintained the following initiatives:

- certification of 36 new gluten-free products by Polskie Stowarzyszenie Osób z Celiakią i na Diecie Bezglutenowej (Polish Association of Celiac Disease Sufferers and a Gluten-Free Diet);
- certification of 44 products suitable for vegans and vegetarians, in partnership with the Polish Association of Vegetarians;

- the commitment, undertaken by Jerónimo Martins Polska to the Ministry of Development, to further its reformulations programme to reduce the salt, sugar and fat in Biedronka's products;
- the 3rd National Nutrition Congress on the topic "Nutrition and Physical Activity among the Elderly", organised by the Polish Institute of Food and Nutrition, which Biedronka sponsored;
- the 1st Polish Cancer Nurses Conference, organised by Polski Komitet Zwalczania Raka (Polish Committee for the Fight Against Cancer), to provide education on preventing and fighting cancer, which was sponsored by Jerónimo Martins Polska;
- the Milk Start and Śniadanie Daje Moc (Breakfast Gives You Power) projects, within the scope of the Parnerstwo dla Zdrowia (Partnership for Health)[9].

In Colombia, Ara maintained 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

We continually invest in the certification and monitoring of our processes, facilities and equipment in order to ensure we have safe and high-quality products. To do so, when implementing appropriate procedures and assessing the respective performance indicators, we not only count on our quality and food safety technicians, but also on external auditors and independent and accredited laboratories.

In 2018, we performed 10,180 internal and external audits on the Group's infrastructures, complemented by 110,620 analyses on work surfaces and handlers, among others, and over 50,300 analyses on products.

4.3.1. Certifications

During 2018, the following certifications were renewed/extended to new infrastructures:

- ISO 22000:2005 certification on the storage and distribution processes in all 16 Distribution Centres, and on the product development process at Biedronka's head office;
- ISO 9001:2015 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 three Central Kitchens;
- HACCP certification in accordance with the Codex Alimentarius of 17 Recheio Cash & Carry stores;
- HACCP certification in accordance with the Codex Alimentarius of the Caterplus Food Service platforms in Porto and Lisbon;
- Certification of the Food Safety Management System, according to the Portuguese Norm base on ISO 22000:2005, in 21 Recheio stores and 1 Caterplus Food Service platform in Tavira;
- HACCP Certification, concerning Food Safety, based on the Codex Alimentarius of the Azambuja, Modivas, Alfena and Algoz Distribution Centres.

In 2018, all the Polish Distribution Centres renewed their certification for handling organic products, according to EC Regulation 834/2007.

4.3.2. Audits

To guarantee the high levels of Quality and Food Safety of the products we sell, we perform control audits on the processes, facilities and equipment. Besides the mentioned internal audits, we also carry out audits on the suppliers of Perishables and Private Brand products, the results of which can be referred to in sub-chapter 6. "Sourcing Responsibly".

[9] For further information on this programme, please refer to sub-chapter 7. "Supporting Surrounding Communities".

Poland

The stores in Poland underwent internal audits and the Distribution Centres were audited both by internal and external auditors to check that the facilities, equipment and procedures are suitable.

Stores and Distribution Centres	Biedronka			Distribution Centres		
	2018	2017	Δ 2018/2017	2018	2017	Δ 2018/2017
Internal Audits	5,161	5,371	-4%	32	30	+7%
Follow-up Audits	127	201	-37%	-	-	-
External Audits	-	-	-	24	31	-23%
HACCP Performance*	81%	80%	+1 p.p.	95%	96%	-1 p.p.

* At Biedronka, HACCP implementation is evaluated based on own 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.

There was a 37% decrease in follow-up audits, due to the positive results of the internal audits, which meant there was less need for follow-up of the processes. In the case of the Distribution Centres, the decrease in the number of external audits is due to having opted for sampling methods, so it was not necessary to have the same volume of audits as in the previous year.

During 2018, with the objective of controlling microbiological risks, we analysed work surfaces, equipment, product handlers and raw materials, for which external accredited laboratories were used. 2,472 analyses were carried out, an increase of 127% compared to 2017, which was due to an expansion on meat, fruit juicers and roast chicken ovens of the regularity and scope of in-store analyses.

Portugal

Audits carried out at Pingo Doce and Recheio:

Stores and Distribution Centres	Pingo Doce			Recheio			Distribution Centres		
	2018	2017	Δ 2018/2017	2018	2017	Δ 2018/2017	2018	2017	Δ 2018/2017
Internal Audits	873	836	+4%	84	85	-1%	39	39	-
Follow-up Audits	1,415	1,376	+3%	250	139	+80%	40	76	-47%
External Audits	15	19	-21%	55	55	-	10	10	-
HACCP Performance*	90%	88%	+2 p.p.	88%	87%	+1 p.p.	93%	90%	+3 p.p.

*At Pingo Doce, as at Recheio, HACCP implementation is assessed using their own reference standards, based on the Codex Alimentarius and which are appropriate for the operating realities of the Companies.

The increase in internal and follow-up audits at Pingo Doce is due to the expansion of the store network. In Recheio, the increase in the number of the follow-up audits is caused by the implementation of the food safety management system, according to the Portuguese Norm based on ISO 22000:2005, which demands for further monitoring in stores. Concerning the Distribution Centres, the decreasing number of follow-up audits compared to 2017 can be explained by the fact that, in that same year, evaluation results showed significant improvements, making the same frequency unnecessary.

Using accredited external laboratories, Pingo Doce, Recheio and the respective Distribution Centres also performed 98,338 Quality and Food Safety analyses on work surfaces, handlers of Perishables and on products handled in stores, as well as on water and air. This figure represents a decrease of 22% compared to 2017 and is explained by the compliance rates obtained previously, thus leading to a review of its frequency. Some of the monthly checks are now carried out on a bimonthly basis.

Colombia

In Colombia, internal audits were carried out in the Ara stores and in the Distribution Centres by internal teams.

Stores and Distribution Centres	Ara			Distribution Centres		
	2018	2017	Δ 2018/2017	2018	2017	Δ 2018/2017
Internal Audits	495	308	+61%	3	3	-
Follow-up Audits	1,644	-	-	-	-	-
External Audits	-	-	-	-	-	-
Good Hygiene and Quality Practices*	72%	65%	+7 p.p.	95%	91%	+4 p.p.

* The compliance rate shown 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 increase in the number of internal audits in stores, including follow-up, is due to Ara's store network expansion. These are also accompanied by implementation of improvements in the food safety processes.

The analyses on work surfaces, Perishable handlers, products handled in stores and on water, amounted to 9,810 which represents an increase of 19% compared to 2017, which can also be explained by the increase in the number of stores.

4.3.3. Analyses

In addition to the audit processes, the products sold are also checked as to their safety and quality. Laboratory analyses on Perishables are performed in external, accredited laboratories.

Distribution Poland

Number of Analyses/Samples collected	2018	2017	Δ 2018/2017
Private Brand - Food	12,431	12,050	+3%
Private Brand - Non-Food	825	878	-6%
Fruit and Vegetables	1,069	751	+42%
Meat and Fish	300	375	-20%
Bakery	80	71	+13%
Eggs	353	128	+176%

The growth in the number of analyses of Fruit and Vegetables, Bakery and Eggs, was due to the increase in the number of references in this category in 2017 and the improvement in the analysis processes. The decrease in Meat and Fish was due to a closer monitoring of the production processes of our suppliers, thus reducing the need for additional analyses by the Group.

Distribution Portugal

Number of Analyses/Samples collected	2018	2017	Δ 2018/2017
Private Brand - Food*	15,790	15,852	0%
Private Brand - Non-Food	4,560	4,134	+10%
Fruit and Vegetables	2,815	2,937	-4%
Meat	1,182	1,428	-17%
Fish	928	1,038	-11%
Bakery	479	511	-6%
Meal Solutions	1,359	1,038	+31%

*Including routine analyses on the presence of gluten, genetically modified organisms, lactose, denomination of species, control analyses and extra analyses.

The decrease in the analyses of Bakery and Fish products is due to the positive results in the previous year. For Meat, the decrease can be explained by the reduction in the number of suppliers of certain categories.

The 10% increase in the analyses of non-food products is explained by the need to evaluate new products and the transition to new suppliers in the feminine hygiene and baby range areas.

The growth in the number of analyses carried out on the Meal Solutions products results, among other things, in the validation of durability dates for new products and in salt analyses.

Distribution Colombia

In Colombia, we performed 8,129 laboratory analyses on products available in the stores, which represents an increase of 62% compared to 2017.

Number of Analyses/Samples collected	2018	2017	Δ 2018/2017
Private Brand - Food	6,970	4,146	+68%
Private Brand - Non-Food	1,076	817	+32%
Fruit and Vegetables	52	17	+206%
Meat	14	26	-46%
Fish	11	5	+120%
Bakery	6	12	-50%

The increase of the analyses of Private Brand products corresponds to the increase in frequency, and therefore, for a greater follow-up of the store expansion in the country. In the case of Perishables, the increase in the Fruit, Vegetables and Fish categories is due to updating procedures that have been implemented for these categories, due to the store expansion and, consequently, to monitoring new suppliers.

4.3.4. Training

Training in Food Hygiene and Safety was given to 18,652 employees in Poland (39,671 hours of training), 11,796 employees in Portugal (51,743 hours) and 5,274 employees in Colombia (33,725 hours).

5. Respecting the Environment

5.1. Introduction

Every day we strive to improve the efficiency of our processes and to reduce the impact our supply chains have on the environment in order to promote sustainable growth. We focus on three priority areas: preserving biodiversity, fighting climate change and responsible waste management, in accordance with our Environmental Policy[10].

Environmental Audits and Environmental Certification

By following the international standard ISO 14001, we have implemented Environmental Management Systems at our Distribution Centres (DC), to help identify, systematise and manage the impact of our activities. In Portugal, four DC continued to have this certification (Azambuja, Vila do Conde, Algoz and Alfena). In Poland, 15 out of the 17 DC have the same certification, guaranteeing that more than 65% of the Group's DC (19 out of a total of 29) are certified according to this standard. Our goal is to increase the number of centres with this certification to 25, by 2020.

We also conducted internal audits to stores, warehouses and DC to ensure the compliance with legal requirements and with internal Environmental Management procedures. In 2018, we conducted 285 audits in Portugal and 3,662 in Poland, a significant increase compared to previous years as, in Poland, a goal was set to conduct two environmental audits per store per year[11]. Whenever the score obtained in the audits is less than 100%, corrective actions are defined.

5.2. Biodiversity

A key element of our differentiation is linked to specialisation in Fresh Products, reflected in the high volume of Meat, Fish and Fruit and Vegetable sales, among other Perishable products, with an impact on the ecosystems. The Group therefore recognises the responsibility of knowing, mitigating and reflecting those impacts when defining policies, strategies and operational processes.

Assessment of the risks associated with ecosystem services is one of the approaches used to better manage these impacts. Based on the Ecosystem Services Review methodology, proposed by the World Research Institute, we have established 11 pillars of action that are embodied in management practices and projects, including: i. monitoring information; ii. training; iii. partnerships with suppliers; and iv. research and development.

Our actions and projects take shape at different points of our supply chain:

- upstream, and in partnership with our suppliers, through awareness and monitoring projects, such as promoting sustainable farming practices or fighting deforestation as part of the commitment to Zero Net Deforestation by 2020;
- our own operations, through best practices that promote the preservation of wild fish species based on our sustainable fishing policy, and through sustainable practices in the production of beef, milk and aquaculture;
- downstream, in partnership with research centres and/or non-governmental organisations[12], to promote projects that raise awareness, among consumers and the general population, and foster the preservation of ecosystems, habitats and species, of which our activities depend on and/or that are affected by them.

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[10] Available for consultation in the "Responsibility" area at www.jeronimomartins.com.
[11] This goal was set in the 2nd trimester of 2018.
[12] To learn more about these actions, see section 5.6. "Partnerships and Support" section in this sub-chapter.

For more detailed information on our upstream activities and our operations, see sub-chapter 6. “Sourcing Responsibly” of this chapter.

5.3. Climate Change

In its most recent report[13], the IPCC[14] warns that the effects of climate change are already being felt with the current temperature rise of 1°C, stressing the importance of limiting the average temperature rise to 1.5°C. The Panel states that it is still possible to achieve this if unprecedented changes are made to existing policies. The Paris Agreement, in force and ratified by the three countries in which we operate, commits the signatory countries to reducing greenhouse gas (GHG) emissions, so as to ensure that the average global temperature remains below 2°C compared with pre-industrial levels.

In addition to physical climate changes, such as changes in agricultural productivity and the impact on operations as a result of droughts, floods and snow storms, changes are also expected to be made to current policy to drive the transition to a low carbon economy. That is why our action plan includes implementing measures to reduce energy consumption and GHG emissions related, for example, to logistics processes and refrigerant gases, as well as measures related to fighting deforestation, namely by managing commodities linked to this risk: palm oil, soy, beef, and paper and wood[15].

In 2018, we obtained an overall rating of “A-” in the Carbon Disclosure Project (CDP) Climate 2018, positioning the Group at the “Leadership” level, closer to reaching the maximum rating (A). This programme assesses our performance in terms of climate strategy, including our transparency in the reporting of information and risk management.

5.3.1. Carbon Footprint

In 2018[16], the carbon footprint (scopes 1 and 2) was 1,067,728 tonnes of carbon dioxide equivalent (CO_2e), a reduction of 11.8% year-on-year, which is mostly justified by the acquisition of renewable energy certificates (find additional information in the highlight below). For the same reason, the specific value reduced from 0.0744 to 0.0616 tonnes of carbon equivalent for every thousand euros in sales.

Carbon Footprint – Indicators	2018	2017	∆ 2018/2017
Overall value (scope 1 & 2) – **t CO_2e**[17]	1,067,728	*1,210,579	-11.8%
Specific value (scope 1 & 2) – **t CO_2e**/'000 €	0.0616	*0.0744	-17.2%

Carbon Footprint – Indicators	2018 (t CO_2e)	2017 (t CO_2e)	∆ 2018/2017
Overall Carbon Footprint (scope 1 and 2)[17]			
▪ Distribution Portugal	159,626	263,207	-39.4%
▪ Agribusiness	15,095	*4,452	+239%
▪ Distribution Poland	854,968	911,490	-6.2%
▪ Distribution Colombia	38,039	31,430	+21.0%
Carbon Footprint (scope 1 – direct impacts)			
▪ Leakage of refrigeration gases	128,509	146,482	-12.3%
▪ CO_2 usage	21,733	18,904	+15.0%
▪ Fuel consumption	55,971	56,074	-0.2%
▪ Light vehicle fleet	17,552	16,451	+6.7%
▪ Enteric emissions (cattle)	9,639	1,987	+385%

[13] The IPCC “Global Warming of 1.5°C” report, published in 2018, is available at https://www.ipcc.ch/sr15.
[14] IPCC is the acronym for Intergovernmental Panel on Climate Change.
[15] To learn about the Group’s initiatives related to commodities linked to the risk of deforestation, see sub-chapter 6 of this chapter. “Sourcing Responsibly”.
[16] The carbon footprint values for 2018 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.
[17] Scope 2 emissions concern location-based (heating) and market-based (electricity) emission factors, according to the "Carbon Footprint – Indicators” table.

Carbon Footprint – Indicators	2018 (t CO_2e)	2017 (t CO_2e)	Δ 2018/2017
Carbon Footprint (scope 2 – indirect impacts)			
▪ Electricity consumption (location-based)	829,000	825,710	+0.4%
▪ Electricity consumption (market-based)	817,551	950,687	-14.0%
▪ Heating (location-based)	16,773	19,994	-16.1%
Carbon Footprint (scope 3 – other indirect impacts)			
▪ Transport of goods to stores (Distribution)	148,556	164,532	-9.7%
▪ Disposal of waste in landfills	41,016	36,912	+11.1%
▪ Waste Incineration	151	221	-31.2%
▪ Organic waste composting	201	120	+67.5%
▪ Energy consumption in franchising stores	19,881	15,685	+26.8%
▪ Air travel by employees	2,032	1,804	+12.6%

* Values adjusted to include enteric emissions produced by cattle in Agribusiness.

Notes: The carbon footprint of the different activities (under the Group's operational control and which account for 99.9% of turnover) is calculated 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 for refrigeration gases and for enteric emissions from cattle, 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, 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

Fighting climate change also includes the efficient use of water and energy. This is also why we have included these criteria in the construction and refurbishment projects of our infrastructures.

Our Companies have been implementing more efficient control systems for cooling plants and more efficient technology for lighting (LED, skylights and photovoltaic cells), refrigerated displays and freezers fitted with doors and covers in an effort to optimise energy consumption. To save water, we install flow regulators, taps with timers, regulating sensors for ice machines and collect rainwater for our irrigation systems and to wash equipment. Investment in these measures – more than 102 million euros between 2014 and 2018 – has prevented over 82 thousand tonnes of carbon emissions and has a payback period of less than six years.

In addition to the technological measures to reduce water and energy consumption, we have also been investing in projects to encourage best practices in terms of behaviour. Thanks to our "Water and Energy Consumption Management Teams", a project that began in the stores in Portugal in 2011, we have achieved a reduction of 334,857 m^3 and 43,368,670 kWh in consumption, respectively, in eight years. This project, which is promoted through monthly challenges and internal benchmarking, has obtained an accumulated saving of over 5.5 million euros.

Regarding office buildings, the Let's Go Green project enabled a reduction in electricity usage of 178,000 kWh and 435m^3 in water consumption between 2015 and 2018. Specific consumption per employee also decreased 8% and 24%, respectively. Driven by the results achieved thus far, we aim to, gradually, implement this project in other locations.

Water consumption

Total consumption	2018	2017	Δ 2018/2017
Water consumption			
▪ Absolute value – **m^3**	2,929,560	2,780,958	+5.3%
▪ Specific value – **m^3/'000 €**	0.169	0.171	-1.2%
Water consumption per business unit			
▪ Distribution Portugal – **m^3**	1,810,994	1,767,613	+2.5%
▪ Distribution Poland – **m^3**	848,256	813,818	+4.2%
▪ Distribution Colombia – **m^3**	130,012	105,994	+22.7%
▪ Agribusiness – **m^3**	140,298	93,533	+50.0%

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).

Water extraction by source

Total consumption (m^3)	2018	2017	Δ 2018/2017
Total water consumption	2,929,560	2,780,958	+5.3%
▪ Municipal supply system	2,738,623	2,598,057	+5.4%
▪ Underground water	187,031	181,787	+2.9%
▪ Other sources	3,906	1,114	+251%
Water consumption per business unit			
▪ Distribution Portugal	1,810,994	1,767,613	+2.5%
· Municipal supply system	1,636,003	1,590,621	-
· Underground water	173,098	175,878	-
· Other sources	1,893	1,114	-
▪ Distribution Poland	848,256	813,818	+4.2%
· Municipal supply system	848,256	813,818	-
· Underground water	0	0	-
· Other sources	0	0	-
▪ Distribution Colombia	130,012	105,994	+22.7%
· Municipal supply system	127,999	105,994	-
· Underground water	0	0	-
· Other sources	2,013	0	-
▪ Agribusiness	140,298	93,533	+50.0%
· Municipal supply system	126,365	87,624	-
· Underground water	13,933	5,909	-
· Other sources	0	0	-

Wastewater by type of destination

Total consumption (m^3)	2018	2017	Δ 2018/2017
Total wastewater production	2,343,648	2,224,766	+5.3%
▪ Municipal sanitation	2,279,059	2,160,122	+5.5%
▪ Environment	64,589	64,644	-0.1%
Wastewater production per business unit			
▪ Distribution Portugal	1,448,795	1,414,090	+2.5%
· Municipal sanitation	1,384,206	1,349,446	-
· Environment	64,589	64,644	-
▪ Distribution Poland	678,605	651,054	+4.2%
· Municipal sanitation	678,605	651,054	-
· Environment	0	0	-
▪ Distribution Colombia	104,010	84,795	+22.7%
· Municipal sanitation	104,010	84,795	-
· Environment	0	0	-
▪ Agribusiness	112,238	74,826	+50.0%
· Municipal sanitation	112,238	74,826	-
· Environment	0	0	-

Over 93% of overall water consumed by the Group comes from the municipal supply system. Regarding less demanding operations in terms of water quality (e.g., irrigation and cooling systems), we hold the necessary licenses. In 2018, wastewater discharges in the environment accounted for approximately 3% of all wastewater produced, which was properly treated prior to being discharged. As regards the re-use of water, the Alfena DC (Portugal) collected around 1,900 m^3 of rainwater to use in the cooling systems, sprinklers and for washing the outside of trucks. At the Gachancipá DC (Colombia), where rainwater is treated and used for cooling systems and human consumption, nearly 2,000 m^3 were re-used.

Energy consumption

Total consumption	2018	2017	Δ 2018/2017
Energy consumption			
▪ Absolute value – ***GJ***	6,904,040	6,634,950	+4.1%
▪ Specific value – ***GJ/'000 €***	0.398	0.408	-2.5%
Energy consumption per business unit			
▪ Distribution Portugal – ***GJ***	2,059,971	1,997,887	+3.1%
▪ Distribution Poland – ***GJ***	4,317,632	4,184,639	+3.2%
▪ Distribution Colombia – ***GJ***	459,691	419,569	+9.6%
▪ Agribusiness – ***GJ***	66,747	32,855	+103%

Renewable energy

Technology	No. buildings	Energy saving/year	Saving* CO_2e//year
Photovoltaic cells for self-consumption	2	1,962,600 kWh	563 t
Lamp posts and security system powered by photovoltaic panels and/or wind turbines	7	168,867 kWh	48 t
Tubular solar light transporting system	21	120,291 kWh	34 t
Solar collectors to produce hot water used for heating water and/or in the air conditioning system	17	482,685 kWh	138 t
Geothermal heat pumps	15	1,634,392 kWh	1,176 t

* These values reflect the update in the electricity emission factors (location-based).

The investment in renewable energy – which resulted in the Group's first two major photovoltaic projects –, aside from increasing the number of establishments with other technologies, aforementioned – has enabled annual savings of around 4.4 million kWh, equivalent to approximately 386 thousand euros, representing an increase of 100%, in terms of kWh, compared to 2017.

Renewable Energy

We took a strategic decision to, from 1 July 2018, use energy from renewable sources to meet the operating needs of our banners in Portugal: Pingo Doce, Recheio, Hussel and Jeronymo.

Given the strong correlation between the use of fossil fuels and climate change – and their tackling being one of the three pillars of our Environmental Policy –, opting to obtain renewable energy certificates helps offset greenhouse gas emissions from energy consumption. In 2018 (only in the 2nd semester), these emissions accounted for an equivalent of approximately 130 thousand tonnes of CO_2e.

We also established a partnership in 2018 to implement a pilot project to install 3,876 solar panels on an area of 17,700 m^2 on the roofs of two buildings: Algoz Distribution Centre and the Recheio store in Tavira. These facilities have an energy self-sufficiency of approximately 2 million kWh per year, meeting the need of nearly a third of total energy consumption.

5.3.3. Reduction of Environmental Impacts from Logistics Processes

How we manage our logistics processes is also an opportunity to reduce the impact related, for example, to GHG emissions. In this regard, the following measures are of note:

- in Portugal, at the end of 2018, 81% of the goods transport vehicles complied with the Euro 5 requirements (149 vehicles) and Euro 6 requirements (136 vehicles). In Poland, 95% of the goods transport vehicles complied with the Euro 5 requirements (530 vehicles) and Euro 6 requirements (585 vehicles). In Colombia, 28% of the trucks complied with the Euro 5 requirements (51 vehicles), an increase of more than 35 vehicles year-on-year;
- in Portugal, we 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 2018, led to a reduction in the consumption of diesel of around 54,000 litres;
- the backhauling[18] operation in Poland entailed the collection of a total of 632,508 pallets, 75% more than in 2017, which resulted in a saving of 1,771,005 km while preventing the emission of 1,597 tonnes of CO_2e. In Portugal, this operation involved a volume of 199,128 pallets, 3.5% more than in 2017, leading to a saving of 8,245,569 km, preventing the emission of 7,287 tonnes of CO_2e;
- the introduction of a "start-stop" mode of operation in the cooling of goods transport vehicles in Poland saves approximately 250,000 litres of diesel.

[18] After delivering products to our stores, the return route includes stopping by the facilities of the Group's suppliers to pick up goods and take them to the Distribution Centre.

5.3.4. Management of Refrigeration Gases

We are focused on using natural refrigerants whenever possible in our cooling and air conditioning systems, as well as to control leaks to reduce our GHG emissions:

- in Poland, 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, which run exclusively on CO_2, are installed in 54 stores in Portugal, 591 stores and three Polish DC in Poland;
- five DC (four in Portugal and one in Colombia) 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);
- there are 307 stores in Portugal, 956 stores in Poland and 120 stores in Colombia which have freezers running only on propane.

We have been testing, in our stores, operating units and DC, solutions with the goal of meeting our voluntary commitments to reduce GHG emissions, an example of which is The Consumer Global Forum Resolution to promote the use of natural refrigerants. To this end, whenever possible, new stores and those subject to major refurbishments use equipment with low GWP fluids – for heating, ventilation and air conditioning installations – and 100% natural refrigerants – for industrial refrigeration installations.

New Distribution Centre in Gachancipá

Ara's new Distribution Centre in Gachancipá began operating in August 2018 and having integrated several technologies to reduce water and energy consumption and also its carbon footprint. For example:

- Rainwater collected, stored and treated for use in the cooling system and for human consumption, resulting in a monthly saving of approximately 500 m^3;
- The central cooling system runs on ammonia, a natural refrigerant with a global warming potential equal to zero, combined with glycol;
- Lightning is ensured by LED lighting, having been installed skylights and motion sensors in warehouses as well.

5.4. Main Consumption of Materials and Waste Management

Preventing waste generation, promoting the design of reusable and/or recyclable packaging and products, and ensuring waste produced by our operations is sent for recovery helps reduce the use of natural resources and fosters a circular economy.

5.4.1. Materials Used and Initiatives to Reduce Use

It is our goal to continuously learn about the origin and production methods of the material resources used, promoting more sustainable supply chains and consumption practices.

Main materials used

Input	2018	2017	Δ 2018/2017	
	tonne	tonne	tonne	tonne/'000€
Private Brand products' paper and cardboard packaging	*156,751	**155,515	+0.8%	-5.4%
Cardboard packaging for Private Brand liquid products[19]	*15,738	**13,894	+13.3%	+6.3%
Private Brand products' plastic packaging	*122,648	**118,201	+3.8%	-2.6%
Private Brand products' glass packaging	*118,841	**118,024	+0.7%	-5.5%

[19] Correspond to composite packaging used to package products such as juices, milks and creams, among others.

Input	2018	2017	Δ 2018/2017	
Other Private Brand product packaging materials***	*31,514	**31,071	+1.4%	-4.8%
Office paper	813	717	+13.4%	+6.5%
Promotional leaflets	28,602	40,825	-29.9%	-34.2%

* Value estimated based on the sales growth of Private Brand articles, compared to 2017.
** The values were adjusted and the amount of cardboard for liquid products that was aggregated to paper and cardboard packaging is now segregated.
*** Includes metals, wood and other materials.

Despite the absolute increase in materials used, as a result of the expansion of our operations, there was a reduction in consumption when compared to sales volume, except for cardboard packaging for Private Brand liquid products and office paper. In the first case, the increase is essentially due to the usage of this material instead of others, such as plastic or glass. Office paper, responsible for less than 1% of the total material used, slightly increased in all our operations, especially in Colombia. However, with the decrease in the amount of promotional leaflets –boosted by Biedronka, which reduced their size in 2018 – the global consumption of paper in the Group decreased.

Ecodesign of Packaging

We work together with our 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, we aim to implement at least 20 projects of this kind every year in collaboration with our partners. In 2018, 30 ecodesign projects were implemented.

References encompassed (2011-2018)	Portugal	Poland	Colombia	Unit
Number of references	288	17	6	SKU*
Savings in packaging materials	2,495	998	-	t materials/year
Shipping avoided	475	-	-	t CO_2e/year
Packaging with FSC® certification	53	-	6	SKU*

* SKU – Stock Keeping Unit.

Certified display and transportation boxes

As part of our ‘Zero Net Deforestation by 2020’ goal, in 2016 Biedronka developed sourcing requirements to ensure that all boxes from Polish suppliers used in the packaging of Fruits and Vegetables were made of recycled and/or Forest Stewardship Council (FSC®) certified cardboard. In 2017, this requirement was extended to the display boxes used for Private Brand products, ensuring that they were also FSC® certified, if they weren’t 100% recycled.

With this project, and at the end of 2018, Biedronka ensured that more than 900 Private Brand display box references and all cardboard boxes used for packaging Fruit and Vegetables supplied by Polish suppliers (nearly 70% of the total) were recycled and/or FSC® certified.

Reusable Packaging

In Portugal, the use of reusable plastic boxes in the Perishables and Dairy areas increased to 20% of the total boxes handled. In Poland, we continued to implement the project to use reusable plastic boxes to package small electronic equipment (more than 88 thousand units) and in Colombia, reusable transportation boxes continued to be used for bottled water and for fruit and vegetables (more than 2 million units). In all, we avoided using nearly 32 thousand tonnes of single-use packaging.

System for Refilling Water Bottles

In 2018, Pingo Doce established a partnership to roll out an innovative solution to refill water bottles. This service is available using tap water, which undergoes a purification process in the station. The project was implemented in 42 stores in the first year and is expected to be in 100 stores by the end of 2019.

This solution contributed to avoid the consumption of 3,800 kg in single-use plastic packaging.

Reusable check-out bags and solutions

Input	2018	2017	Δ 2018/2017	
	tonne | unit	tonne | unit	tonne | unit	tonne | unit / '000€
Plastic check-out bags – ***tonnes***	541	5,531	-90.2%	-90.8%
Paper check-out bags – ***tonnes***	83	117	-29.1%	-33.4%
Reusable plastic bags – ***tonnes***	9,771	2,050	+376%	+347%
Reusable raffia bags – ***tonnes***	488	976	-50.0%	-53.1%
Trolleys – ***units***	40,753	26,954	+51.2%	+41.9%

We do not provide plastic bags free of charge at check-out counters at any of the Company stores. This initiative has been gradually introduced since 2007. The significant variation in the amount of plastic check-out bags and reusable plastic bags is mainly due to the change in thickness of the bags sold by Biedronka. Regarding reusable raffia bags, the reduction is explained by the increased reuse of these bags to package and transport products.

5.4.2. Waste Management

In 2018, the Group's activities generated 479,328 tonnes of waste, an increase of 4.6% year-on-year, as a result of growing operations.

Waste	Distribution Portugal (t)		Distribution Poland (t)		Distribution Colombia (t)		Agribusiness(t)	
	2018	2017	2018	2017	2018	2017	2018	2017
Cardboard and Paper	35,520	34,068	239,915	236,176	10,979	7,958	27	4
Plastic	2,415	2,202	7,732	8,055	757	496	60	4
Wood	258	220	2,410	2,188	86	46	1	-
Organic	15,824	*15,133	78,037	71,847	94	11	238	*56
Unsorted	42,050	40,510	30,229	29,317	3,450	**2,361	42	43
Cooking Oil and Fats	159	166	0	-	2	5	0	-
Waste from Effluent Treatment	4,738	4,433	0	-	670	457	80	-
Hazardous Waste	79	9	421	185	0	0	29	2
Other Waste	1,574	1,150	1,292	1,307	26	0	134	-

* Adjustment of the value, which now includes animal by-products.
** Adjustment of the value, due to changes in calculation methodology for this waste.

Food Waste

In 2018, the Group's activities produced 15.9 kg of food waste[20] for each tonne of food sold, an increase of about 10% compared to 2017 and around 20% compared to 2016 (reference year), justified mostly by the increase in shrinkage in the Bakery and Fruit and Vegetables categories.

	2018	2017	Δ 2018/2017
Kilograms of food lost or wasted/tonne of food sold	15.9	14.4	10.4%

[20] Food waste values were calculated based on the World Resources Institute's Food Loss and Waste protocol. The calculation assumptions are available in the "Responsibility" area at www.jeronimomartins.com.

The Group adopted The Consumer Goods Forum Resolution to reduce food waste by half by 2025, with 2016 as the reference year. With the purpose of achieving this goal, an action plan is currently being implemented[21] in which the increase of the operations' efficiency and the maintenance of food donations to charities are some of the actions foreseen.

Waste Recovery in Operations

The waste recovery rate of the Group (Distribution) stood at 85%, a value that represents an increase of 0.3 p.p. when compared to 2017. 15% of total waste is sent to landfill.

	2018	2017	Δ 2018/2017 (p.p.)
Distribution – Overall*	85.0%	**84.7%	+0.3
Distribution – Portugal	64.4%	**63.1%	+1.3
Distribution – Poland	91.4%	91.2%	+0.2
Distribution – Colombia	73.8%	**74.6%	-0.9
Agribusiness	88.7%	**74.8%	+13.9

* Includes all of the Jerónimo Martins Group's Distribution Companies.
** Recalculation of the waste recovery rate to include animal by-products (Portugal) and adjustment in the amount of unsorted waste (Colombia).

Customer Waste Recovery

As part of encouraging waste recovery with our customers, we endeavour to secure the necessary infrastructures and raise awareness among employees, customers and the surrounding communities. In 2018, the following projects were of note:

- the network of Pingo Doce recycling bins encompassed 370 stores, that is 88% of the store network;
- coffee pods and lids/corks/bottle tops recovered, resulted in more than 3,500 euros raised for charities;
- 98% of the Biedronka stores have recycling bins for the collection of small electrical appliances, fluorescent lamps and batteries;
- used batteries collected by Ara customers comprised 250 stores (47% of the store network).

For more detailed information on how many and which recycling bins we have for our customers, visit the "Responsibility" area at www.jeronimomartins.com.

Waste Dropped Off by Customers in Recycling Bins at Stores

Waste	2018 (t)	2017 (t)	Δ 2018/2017
PORTUGAL			
Used batteries	13.79	12.01	+14.8%
WEEE[22] (including fluorescent light bulbs)	97.93	78.70	+24.4%
Used Cooking Oil	96.14	100.35	-4.2%
Printer Ink Cartridges	1.81	2.16	-16.2%
Pods	118.32	94.68	+25.0%
Lids, Corks and Bottle Tops	15.77	8.51	+85.3%
POLAND			
Used batteries	139.06	133.54	+4.1%
WEEE[22] (including fluorescent light bulbs)	92.04	176.16	-47.8%
COLOMBIA			
Used batteries	0.13	0.18	-27.8%

[21] Information on food donations is available in sub-chapter 7. "Supporting Surrounding Communities" of this Chapter.
[22] WEEE – Waste Electrical and Electronic Equipment.

In Portugal and in Poland, the decrease of 5.1% 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.

5.5. Raising Employee and Consumer Awareness

We recognize the importance of individual and collective behaviour for better management of natural resources, emissions and waste. As such, we develop various awareness initiatives aimed at employees and consumers. For more detailed information, visit the "Responsibility" area at www.jeronimomartins.com.

5.6. Partnerships and Support

In 2018, we donated nearly 170,000 euros to support initiatives, in Portugal and Colombia, focused on restoring natural habitats and protecting biodiversity, of which we highlight:

Institution	Project	Description
Oceanário de Lisboa (Lisbon Oceanarium)	Oceanário de Lisboa (Lisbon Oceanarium)	The support we have been providing since 2017 has aided the activities carried out by the Oceanarium. More information at: www.oceanario.pt
Associação Natureza Portugal (ANP - Portuguese Nature Association) in association with the World Wildlife Fund (WWF)	"Green Heart of Cork"	We have supported this project since 2013, helping to get certification (FSC®) for 30,000 hectares of woodlots, including a High Conservation Value Area of 1,257 hectares. More information at: www.wwf.pt
Liga para a Protecção da Natureza (LPN - Portuguese League for Nature Protection)	ECOs-Locais	We have supported this project since 2011. In 2018, 19 initiatives to clean up beaches and the surrounding areas were carried out, having registered 515 volunteers and 1,941 kg of waste collected. More information at: www.lpn.pt
Quercus	"SOS Pollinators" Campaign	We have supported this project since 2014. In 2018, five environmental education and project communication sessions were held for the community. More information at: www.quercus.pt
European Recycling Platform (ERP) – Portugal	"Geração Depositrão" Project	We have supported this project since 2013, which has already reached 900 schools and other entities, 420,000 pupils and 40,000 teachers, and has collected over 2,500 tonnes of WEEE. More information at: www.geracaodepositrao.abae.pt
Lisbon Zoo	Sponsorship of the Ring-tailed lemur	We have supported this project since 2015 covering expenses associated with this species. More information at: www.zoo.pt
Proaves	Save the Macaws Project (3 species)	Project, set to begin in 2019, which will help protect three Macaw species at the *Reserva Natural de las Aves (RNA), El Dorado*. More information at: www.proaves.org

6. Sourcing Responsibly

6.1. Introduction

Offering high quality products at competitive prices strongly depends on developing medium to long-term partnerships with our suppliers and service providers. Besides differentiating our offer, these relationships contribute to the social and economic development of the regions where we do business. On the other hand, the sustainability of these relationships can only be ensured by including social, environmental and ethical criteria throughout the decision-making processes involved in developing products. That is the only way for us to keep promoting the continuous reduction of the impacts of our activities and ensuring compliance with the principles to which we are committed within the scope of our Sustainable Sourcing Policy and Supplier Code of Conduct[23].

6.2. Commitment: Local Suppliers

Under equal commercial terms, we prefer to choose local suppliers, in order to reduce the carbon footprint linked to transporting our products, and to promote local social and economic development. When we import, it is essentially for the following reasons:

i. there is product scarcity, due to production seasonality, common in the Fruit and Vegetables area;
ii. there is no local product, or the quantity produced is insufficient to guarantee supply to the stores in our chains;
iii. the quality-price ratio of domestic products does not allow us to fulfil our best price and quality commitment to consumers.

In 2018, around 90% of the food products sold by the Group were sourced from local suppliers, thereby contributing towards the objective of maintaining this ratio above 80%. Regarding food and non-food, in Poland, 92% of the products sold were sourced from local suppliers. In Portugal, that ratio stood at 84% and, in Colombia, at over 95%.

Perishables and Private Brand

Most of our Private Brand products were sourced from local suppliers, of which 95% in Colombia, 92% in Poland, and between 64% (Pingo Doce) and 70% (Recheio) in Portugal. Regarding Perishables[24], we had the same trend, with 67% of products in Portugal being sourced from local suppliers, while that figure is 82% in Poland. In Colombia, that ratio is above 95%.

On some local products we use specific signs to publicise their origin. Such is the case of stickers with the colours of the national flag on Perishables, such as Fruit and Vegetables and - in the Private Brands - the seals "*100% Nacional*" (100% Portuguese), in Portugal, "*Polski Produkt*" (Polish Product) or the sticker "*#jedzcopolskie*" (Eat what is Polish), in Poland, and "*Hecho en Colombia*" (Made in Colombia), in Colombia.

Supplier Engagement

We favour lasting relations and of cooperation with our producers and suppliers, which is why we endeavour to support them through actions that may encompass developing traditional varieties, technical follow-up, support for optimising their processes and/or guaranteeing product outflow. In 2018, we highlight the following projects:

[23] Available for consultation in the "Responsibility" area at www.jeronimomartins.com.
[24] Information on 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 2018, Pingo Doce reinforced its partnership with the local supplier of "*Maçã das Beiras*" (Apples from the Beiras region), having launched "*Maçã Starking das Beiras*" (Starking Apples from the Beiras region) as an addition to the "*Maçã Golden das Beiras*" (Golden Apples from the Beiras region), launched the previous year. In total, 1,000 tonnes of apples of Portuguese origin were sold in 2018;
- Recheio maintained its partnership with local suppliers, having launched five new exclusive wine references from the Alentejo and Setúbal Peninsula regions, with the sale of around 63,500 litres.
- Pingo Doce continued the extraordinary measure of supporting small and medium 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 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 Meats and Wine have already benefited from this initiative.

Poland

- At Biedronka, we continued introducing autochthonous varieties in the Fruit and Vegetables category. Examples of this are the *Śliwka Węgierka* plums, *Inka* and *Harnaś* peaches and *Lubelskie* and *Łąckie* regional apples with Protected Geographical Indication, available in over 1,100 stores. These projects are the result of our partnership strategy with our suppliers, which take the form of regular visits to the production sites and of sharing technical knowledge;
- Biedronka continued expanding its organic product offer in the Private Brand Perishables area. In 2018, 10 new references were launched, making a total of 42. These references are part of the permanent and seasonal offer of Fruit and Vegetables and Bakery products. The volume sold increased 4.5 times compared to 2017, corresponding to a total of 10,900 tonnes and contributing, alongside with their suppliers, towards an increase in the offer of these types of products in Poland;
- in the Butcher's section, we maintained the partnership developed with a Polish producer of beef (veal), whose life cycle is controlled with Biedronka, in a "field to fork" approach. The sale of this product, which began in April 2016, takes place every two weeks and was extended from 100 stores, that year, to 250 in 2018. This resulted in a total sales volume of around 49 tonnes, an increase of more than 80% compared to 2017.

Colombia

- Ara has been establishing stable relationships and partnerships with Colombian suppliers since it went into business, in 2013. In 2018, Ara cooperated with 140 local suppliers who provided more than 770 Private Brand products, an increase of around 30% and 25%, respectively;
- Ara held the 6th edition of the Ara Private Brand Congress in Bogotá, under the theme "Evolving to fly higher", which was attended by 220 current and potential local suppliers, an increase of 20% compared to 2017;
- in the Fish and Seafood category, an area with less expression in the Colombian market, Ara implemented an exclusive project with three suppliers in order to increase its attractiveness. For that end, it has chosen to introduce an exclusive permanent offer of high-quality products, with an appealing and harmonized image. In 2018, six references were introduced with the aim of doubling this number in 2019.

Our suppliers are key to building our banners' value propositions. The success of these relations depends on the respect for ethical and legal principles and on sharing a common position regarding sustainable development. That is why we seek to work with partners who ensure compliance with the legislation in force as well as the applicable national and international agreements concerning Human and Workers' Rights, further strengthened in the following documents of the Jerónimo

Martins Group: Sustainable Sourcing Policy, Supplier Code of Conduct and the Jerónimo Martins Group Code of Conduct[25].

Whenever we learn that suppliers and/or their suppliers have violated Human Rights, Children's Rights and/or Workers Rights and/or if they fail to incorporate ethical and environmental concerns when conducting their businesses and are unwilling to draw up and implement a corrective plan, we reserve the right to stop doing business with them.

In this context, we are collectively reinforcing our commitment to eradicating forced labour - as defined by the International Labour Organisation - throughout our banners' supply chains and to continuing to ensure its absence in the operations, supporting the resolution of The Consumer Goods Forum (CGF) and the Priority Principles: every worker should have freedom of movement, no worker should pay for a job and no worker should be indebted or coerced to work.

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6.4. Commitment: Promotion of More Sustainable Production Practices

At the Jerónimo Martins Group, we favour implementing production practices with fewer impacts on the ecosystems and lower consumption of natural resources. Beside these practices leading to gains in efficiency - doing more with less - they are also in line with the action principles of our Environmental Policy and Sustainable Sourcing Policy.

Sustainable Farming

With regard to the Sustainable Farming project, whose objective consists of fostering sustainable production methods, the methodology in our handbook, was applied in 45 farms belonging to 35 of the Group's suppliers in 2018, where an overall sustainability rate was determined for each of them. In total, the sustainability index has already been calculated for 81 farms, varying between 3.05 and 4.15 (on a scale from 1 to 5, where 5 is the maximum score). We aim to apply this methodology, every year, to at least 20 new farms from our suppliers of Fruit and Vegetables in Portugal, so that

[25] Available for consultation in the "Responsibility" area at www.jeronimomartins.com.
[26] Available for consultation in the "Responsibility" area at www.jeronimomartins.com.

they can calculate and share their overall sustainability index, thereby enabling the Group to follow their progress. This project will be extended to suppliers in Poland by 2020, with the idea of also encompassing Colombia at a later stage.

Deforestation

It is estimated that up to 80% of global deforestation is linked to farming. Palm oil, soy, beef, and wood and paper fibers are the main agriculture commodities whose production is linked to deforestation risks. In order to minimize this risk in our supply chain, we have been implementing a series of actions with the objective of reducing the carbon emissions linked to forest destruction, preserving biodiversity in these ecosystems and contributing towards eliminating the violation of Human Rights, Children's Rights and/or Workers Rights linked to these commodities.

Since 2014, we have been mapping out the presence of these ingredients in our Private Brand products and Perishables sold in Portugal, Poland and Colombia, questioning our suppliers as to their origin and sustainability certification. Our goal is to progressively ensure the sustainable origin of these raw materials, in line with the "Zero Net Deforestation by 2020" commitment made within the scope of our participation in The Consumer Goods Forum. In 2018, we highlight the following results:

Commodity	Total Amount (t)			Quantity sourced from countries at risk of deforestation (t)*		
	2018	2017	Δ 2018/2017	2018	2017	Δ 2018/2017
Palm oil	23,777	22,956	+4%	23,777	22,956	+4%
Soy (direct)	15,482	13,649	+13%	9,366	8,215	+14%
Soy (indirect)***	352,019	283,667	+24%	55,913	34,217	+63%
Paper and Wood (products)****	104,405	108,439	-4%	1,204	100**	+1110%
Paper and Wood (packaging)****	82,525	94,460	-13%	761	3,604	-79%
Beef	48,825	42,849	+14%	931	938	-1%

* According to CGF's classification of countries at risk of deforestation for each commodity. Since CGF does not have a list applicable to palm oil we consider that the total amount of this ingredient present in our products comes from countries at risk of deforestation.
** Value corrected as a result of the external verification performed.
*** Soy used in animal feed for the production of animal protein contained in products.
**** Includes only virgin fibers. Recycled fibers are excluded.

In 2018, we noticed an increase in the presence of these commodities in our Private Brand and Perishables products, mainly due to the increase in our operations. The exception was observed in the products and packaging of paper and wood, mostly attributed to the increase in the incorporation of recycled fibers.

Regarding commodities with origin in countries at risk of deforestation, the increase in soy is mainly associated to the expansion of our operations in Colombia, a country with a high consumption of vegetable oils containing soy and where a significant percentage is sourced from Bolivia. The increase in the traceability of this ingredient in all the levels of accounting for soy present in the supply chain[27] has also contributed to this raise. In 2018, our suppliers indicated that around 20% of soy sourced from origins with deforestation risk was sustainably certified by the Round Table on Responsible Soy (RTRS) or ProTerra, ensuring that its production is not linked to deforestation.

Our strategy for palm oil is based on two vectors: i. substitution with vegetable oils with a better nutritional profile; and ii. progressively ensure its sustainable origin in cases where it is present in our products. In 2018, our suppliers stated that about 70% of palm oil used was certified by the Roundtable on Sustainable Palm Oil (RSPO). With regard to beef – and even with the 14% increase in sales – we found that less than 2% comes from risk sources, whereas our priority regarding traceability and sustainable certification will continue to be centred in the remaining commodities.

[27] The five levels of accounting for soy in the supply chain are quantified, according to CGF's methodology "Calculation guidelines for the measurement of embedded soy usage in consumer goods businesses ", available at: www.theconsumergoodsforum.com.

For virgin paper and wood fibres in our Private Brand products, we observed an increase of sourcing from origins at risk. However, the effective deforestation risk is mitigated by the high level of certification: according to our suppliers, more than 90% of these products are sustainably certified with standards such as the Forest Stewardship Council (FSC) or the Program for the Endorsement of Forest Certification (PEFC). Regarding their presence in packaging, the increase is mainly due to the incorporation of fibers from Colombia, for the products we sell in this country, also in this case, our suppliers state that, more than 90% is sustainably produced (FSC or PEFC).

We shall continue to endeavour to use commodities whose origins are not linked to the risk of deforestation, as well as to ensure the sustainable production of commodities originating from countries at risk of deforestation, while increasing their traceability.

Participation in multi-stakeholder initiatives is also an important part of our strategy. We are members, since 2017, of the Roundtable on Sustainable Palm Oil (RPSO), and, since January 2019, of the Round Table on Responsible Soy (RTRS), initiatives that promote alignment with the best sustainable practices in the production of palm oil and soy, respectively. Throughout 2018 we continued to directly cooperate with the Soy Buyers Coalition, a project led by the CGF, which has more than 10 participating companies from the manufacturing and retail sectors, aiming to develop and implement projects that contribute towards curbing deforestation in the main soy-producing regions in Brazil.

Jerónimo Martins Group achieves scores of "A-" and "B" in the CDP Forests 2018

In 2018, the year in which the Carbon Disclosure Project (CDP) increased the strictness of the assessment methodology, we achieved a score of "A-" for palm oil, positioning the Group at a "Leadership" level. The commodities paper and wood, soy and beef obtained a classification of "B", which is the "Management" level. The classifications obtained put Jerónimo Martins above the average for the sector for all commodities.

The CDP "Forests" programme assesses performance in terms of the strategy followed for commodities linked to deforestation, including transparency when reporting information and risk management.

Fish

Within the context of our sustainable fishing strategy, in the last five years we have been investing in a series of projects which are the basis for our preservation actions. Examples of this are the characterisation of potential risks – such as the level of exploitation of stocks, impacts on the ecosystems and surrounding communities, traceability and working conditions – and the assessment of the degree of vulnerability based on the International Union for Conservation of Nature Red List of Threatened Species of the species of fish sold in Portugal and in Poland[28].

Based on this work, we defined courses of action to reduce the pressure on threatened species, including:

I. banning the purchase and sale of species classified as "Critically Endangered", for which there are no extraordinary licenses permitting it;
II. seeking alternatives to aquaculture for species classified as "Endangered" and not carrying out promotional initiatives involving those originating from wild populations and which are not from stocks that are sustainably managed and/or do not have a sustainability certificate;
III. limiting promotional initiatives of species classified as "Vulnerable" whenever they are not from aquaculture and/or do not come from stocks that are sustainably managed and/or do not have a sustainability certificate.

In 2018, and based on the species identified in 2015, we checked our compliance with the courses of action defined above:

[28] For more detailed information, please refer to the "Responsibility" area at www.jeronimomartins.com.

- species classified as "Critically Endangered", for which there are no specific extraordinary licenses, were not sold;
- promotions of species classified as "Endangered" were only carried out for species from aquaculture;
- there was a 20% reduction in the promotion of species classified as "Vulnerable" and, of these, over 80% were either sourced from aquaculture or from sustainably-managed stocks.

Partnerships for Fighting Food Waste

Fighting food waste is carried out in each of our five pillars of Corporate Responsibility. Despite not contributing towards the goal of halving the food in our operations by 2025, its upstream reduction makes a significant contribution towards target 12.3 of the United Nations Sustainable Development Goals[29]. As such, we encourage the purchase of non-graded food, thereby contributing towards reducing waste, while ensuring that these products, whose nutritional profile is the same as the graded products, are part of the value chain, reaching consumers' tables.

Non-graded food is incorporated into the soups in Portugal and in Poland or in 4th range products (washed and pre-cut ready-to-use vegetables) and is also sold at a reduced price in Recheio stores. In total, in 2018, we made sure that over 13,600 tonnes of these products, also known as "ugly" fruit and vegetables, were placed on the market, an increase of 2.8% compared to 2017.

In addition, our operations at Jerónimo Martins Agro-Alimentar source sub-products from the food industry, and non-graded vegetables to be incorporated into the cattle feed. In 2018, over 3,000 tonnes of these substances were incorporated into their diet.

Certified Products

We continued to incorporate sustainability-certified Private Brand products and Perishables into our assortment. In the table below, we show the total quantity of Private Brand products and Perishables with sustainability certification in 2018 and 2017.

Certification	#SKU		Δ 2018/2017
	2018	2017	
Organic**	210	64	+228%
UTZ	79	22	+259%
FSC***	78	60*	+77%
PEFC***	49	20*	+145%
V-Label	44	0	n.a.
MSC	27	16	+69%
Dolphin Safe	15	15	+0%
SFI***	13	13	+0%
Rainforest Alliance	8	6	+33%
EU Ecolabel	7	7	+0%
Fairtrade	2	1	+100%
Total	**532**	**224***	**+138%**

* Corrected figures as a result of external verification carried out.
** These products are developed according to the rules of organic production, certified by an independent external body and bear the European Union logo, which ensures compliance with the Community Regulation for Organic Farming.
*** Figure includes products with this certification and/or packaging material with this certification.
Note: A certain product may have more than one certification system (e.g. organic certification and V-Label).

[29] This goal consists of halving, by 2030, the per capita global food waste at the retail and consumer levels and reducing food losses throughout the entire production and supply chains.

Launch of the Go Bio range in Poland and Portugal

Biedronka and Pingo Doce have launched the Go Bio range, a global brand of organic products exclusively available in these two companies. All products are certified by an external entity to ensure that they do not have pesticides or genetically modified organisms, and that they respect best environmental practices, assuring the consumer of all the benefits of organic farming.

In 2018, 78 references were launched in Biedronka and 36 in Pingo Doce. Some of these references also feature the V-Label seal, a certificate which ensures that these products are suitable for vegetarians and vegans.

Animal Welfare

Animal Testing

We comply with the provisions of European Directive 201/63/EU in all the countries where we operate, including Colombia, and do not permit any animal testing in our Private Brands 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).

Biotechnology and Genetically Modified Organisms (GMO)

Our Genetically Modified Organisms Policy[30] is built on the principle that our Private Brand products, including Perishables, do not contain any transgenic additives, whether of vegetable or animal origin. To do so, our companies commit to:

- cooperate with their suppliers in order to understand the production processes used and assess the safety and quality standards implemented;
- regularly carry out laboratory analyses, using independent and accredited entities;
- ensure that their suppliers can identify and trace genetically modified organisms in the cases where it is not at all possible to replace them;
- should any GMO be present, guarantee that consumers have the right to transparent, accurate information about the presence of these organisms on the product labelling, such disclosure being carried out in strict compliance with the limit applied by the Group, of a maximum of 0.1% (the method's quantification limit).

Practices Adopted

Within the scope of promoting animal welfare, we comply with the indications set out in the European rules and regulations, such as Directive 98/58/EC or Regulation (EC) No. 1/2005 of the Council, in their areas of operation, as well as with the legislation in force in the countries where we do business. Examples of this are the prohibition against using growth hormones and the compulsory stunning immediately prior to slaughter. To ensure such compliance, we regularly carry out laboratory tests, as well as quality and food safety audits in the slaughterhouses used by the Group, in Portugal and in Poland. Whenever possible, we promote practices above the benchmark.

Of particular note is the sale of Private Brand free-range chicken in all Biedronka stores. The chickens are reared without using antibiotics and without feed containing genetically modified organisms. This project began in 2015 with Polish suppliers, Biedronka having been a pioneer in launching this concept. In 2018, 1,680 tonnes of this product were sold, an increase of 4% compared to 2017.

In Portugal, the Pingo Doce free-range chicken is reared outdoors and its food mainly comprises cereals. With a minimum slaughter age of 81 days, it belongs to the slow-growing group strain. This

[30] Within the framework of our Quality and Food Safety Policy and available in the "Responsibility" area at www.jeronimomartins.com.

product is certified by SGS, an independent external body, and its specifications were approved by the General Directorate for Agriculture and Rural Development.

At Pingo Doce we continued to sell pork with the "Porco.pt" certification, of domestic production, whose practices promote animal welfare, which ensure, for example, a 10% lower animal density than the maximum required by law. In 2018, over 700 tonnes were sold and Pingo Doce was awarded the "Parceiro de Mérito" (Partner of Merit) for having represented more than 50% of the sales of this product.

Also, in our operations in Portugal, we included animal welfare criteria in our contract specifications for the veals sourced, such as absence of wounds and signs of thirst or hunger, for the Aberdeen Angus meat variety, such as the prohibition against transport for over 8 hours or the use of tranquillisers, and for the beef produced using organic production, which fulfils the criteria defined by the European legislation.

In addition, we have undertaken the commitment to eradicate, by 2025, the sale of fresh eggs from caged hens in the Companies' Private Brands. To this end, Biedronka has been selling, in its Private Brand, barn eggs, free-range and organic eggs, while Recheio has been selling Private Brand barn eggs and Pingo Doce 100% national organic eggs under the Go Bio brand. Ara also has in its offer Private Brand cage-free eggs. In 2018, more than 20% of the Group's Private Brand fresh eggs sold by its banners were cage-free[31]. Our goal is to progressively increase this proportion until 2025, in order to achieve our objective.

Within the scope of our Agribusiness production activities, we highlight the following actions:

Aquaculture:
- all the fish are vaccinated;
- 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. As an example, we use combi nets[32], reducing the need to exchange nets to one, thereby decreasing the stress caused to the animals throughout their life cycle;
- no mutilation is permitted (e.g., cutting fins);
- we use "Dyneema" nets, which are more flexible, thus causing less friction and reduce pain during the fishing process.

Aberdeen Angus beef:
- provision of an area per animal greater than the recommended 3 m^2, guaranteeing a minimum of 4 m^2/animal;
- daily renewal of fresh straw in the bedding;
- animals grouped by gender and weight in order to reduce competition and the consequent stress that may arise;
- compliance with the recommendations of Grandin Livestock Handling Systems' Standard Welfare Scheme;
- the flooring used is made of grooved concrete or rubber to prevent animals from slipping.

Dairy Farm:
- at least one bed per cow and 0.6 m of feeding space is provided;
- the facilities have an automatic cooling system that activates fans and sprinklers to cool the animals. The fans also have the advantage of ventilating the stalls, reducing the amount of ammonia in the air and drying the animals' bedding, so that they remain comfortable. Since fans were installed, straw consumption has been reduced by around 30%, leading to a lower production of manure;

[31] Cage-free eggs include the following framing method types: type 0 – organic eggs, type 1 – free-range eggs and type 2 – barn eggs.
[32] Combi nets consist of a net system with areas of different sized mesh. When operations begin - when the fish is still small - only the part of the net with smaller mesh is submersed. When the fish reaches a bigger size, the part of the net with larger mesh is unrolled and placed in the water.

- there are automatic massage brushes for all the animals;
- music is played to contribute towards a less stressful environment for the animals;
- all the animals have a collar to monitor their activity, so that through behaviour analysis, it is possible to naturally identify when they are in heat, avoiding the use of reproductive hormones. It detects changes in behaviour, leading to the early detection of pathologies, contributing towards the animals' welfare and reduction in the use of drugs.

In addition, we also guarantee the following in our dairy farm operations and Aberdeen Angus beef production:

- training in animal welfare to all employees in contact with the animals living in our facilities;
- vaccination and de-worming of all the animals;
- leading and handling the animals are done using techniques that reduce stress. The use of electric shocks sticks or any system that might hurt the animals is forbidden;
- feed based on silage and fodder, favouring the cows' rumen health, and increasing their comfort and well-being. The animals are fed with corn silage produced by local producers or in our production units. Non-graded vegetables (e.g. sweet potatoes) and sub-products from other food industries (e.g. pressed tomatoes and brewer's grain) are also used. The food is complemented by feed adapted to each stage of the animals' growth phase.

6.5. Supplier Audits

Quality and Food Safety

We regularly audit our Perishables and Private Brand suppliers with the objective of performing assessment and follow-up the management and control of processes, the implemented quality system and product formulation. The audits are mandatory for suppliers conducting their business in countries where we operate.

Within the scope of the Quality and Food Safety audits, some environmental and labour requirements are assessed. These environmental requirements include criteria associated with the management of water, effluents, waste, atmospheric emissions, noise and hazardous substances, with a weighting of 5%. Within the scope of labour requirements, the health and safety in the workplace and training conditions are assessed, which have a weight of up to 10% in the assessment. Aspects are included 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 them to carry out their roles. Each supplier is reassessed at predefined intervals based on the score they obtained.

In 2016, the Perishables Quality and Food Safety Department in Portugal started a project for auditing meat suppliers, which includes animal welfare criteria and accounts for a weight of 29% in the assessment, based on current legislation and the Global G.A.P. standard. Matters such as the conditions of the facilities, lighting, density and ventilation are assessed, among others. In 2018, 112 suppliers/farms were assessed, an increase of 30% compared to 2017. Whenever necessary corrective plans are drawn up, whose progress we monitor together with the suppliers.

Audits on Perishables and Private Brand Suppliers*

Portugal	2018	2017	∆ 2018/2017
Perishables	905	921	-2%
Private Brand – Food and Non-Food	252	259	-3%
Poland			
Perishables	333	357	-7%
Private Brand – Food and Non-Food**	458	446	+3%
Colombia			
Perishables	74	57	+30%
Private Brand – Food and Non-Food	176	150	+17%

*The audits include the following types: selection, control and follow-up.
** In 2018, a further 4,218 inspections on non-food Private Brand products and, in 2017, over 3,429.

In Colombia, the increase in the number of audits on Private Brand and Perishables is mostly due to the increase in the volume of potential new suppliers.

Certifications

With regard to certifications, in the case of foreign suppliers not covered by its internal audit system, we demand 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 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.

Private Brand products for children awarded

In 2018, about 200 products for children – including clothing, textiles and household appliances – were recognized with a positive evaluation by the Instytut Matki i Dziecka (Mother and Child Institute) in Poland. Of those, 30 were awarded the "Positive Opinion" seal, presented on its packaging. In addition, the diapers of our Dada Private Brand maintained the Golden Logo attributed by this institute, being the only product of its kind with this distinction.

Environment

Along with the Quality and Food Safety audits on suppliers, we also conduct exclusively environmental audits on service providers and suppliers of Perishable and Private Brand goods. These audits aim to ensure that the additional environmental performance requirements are met and to implement a corrective action plan for eventual non-conformities detected.

In 2018, 27 environmental audits on service providers were performed in Portugal and 26 in Poland, an increase of 20% compared to 2017. In Portugal, the level of environmental performance (for all service providers audited since 2009) was as follows: 11% classified as "Excellent", 6% as "Good", 79% as "Sufficient" and 4% as "Inadequate". In Poland, the performance level of the service providers audited in 2018 was as follows: 54% classified as "Excellent" and 46% as "Good". Service providers are selected based on the relevance of the environmental impacts of their business.

The environmental audits on suppliers of Perishables and Private Brand products are conducted by an external entity. In 2018, 79 suppliers in Portugal were audited, an increase of 30% compared to 2017. The level of environmental performance (for all suppliers audited since 2016) was as follows:

9% classified as “Excellent”, 9% as “Good”, 64% as “Sufficient” and 18% as “Inadequate”. The suppliers are selected based on the Group’s purchasing volume and the relevance of the environmental impacts of their business.

All the service providers and suppliers audited and classified as “Inadequate” (below 70%) and/or those who do not fully comply with the defined critical requirements, a corrective action plan is presented, which the supplier must address within a maximum of six months. In cases where the corrective plan is not fulfilled, and whose degree of execution is evaluated in a second audit performed in the subsequent year to the first, we reserve the right to suspend cooperation.

6.6. Supplier Training

In Portugal, Poland and Colombia, around 10 training sessions and meetings took place, involving more than 150 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. In Colombia, we highlight the training session dedicated to the certification system of the Roundtable on Sustainable Palm Oil, which involved more than 35 participants, among which Jerónimo Martins’ employees and suppliers.

Concerning the environmental area, in 2018, two workshops were held in Portugal on the Sustainable Aquaculture Handbook, with around 25 participants representing Fruit and Vegetable suppliers.

During the same year, the Group supported the Green Project Awards in organising a conference on “Sustainable Agriculture”, with the presence of around 150 representatives of various stakeholders (companies, governmental and non-governmental organisations, business associations and academia, among others) and where we publicly presented our handbook on this topic.

7. Supporting Surrounding Communities

7.1. Introduction

We recognise that in order to be an active citizen in our surrounding communities, we must act so as to contribute towards overcoming the economic and social risks that the populations face and, thereby, foster social inclusion, especially groups we consider to be most vulnerable within society: the elderly, children and underprivileged young people.

As such, we have over 3,900 proximity food stores, spread across more than one thousand cities, towns and villages in Portugal, Poland and Colombia, which contribute every day towards fighting hunger and malnutrition, breaking cycles of extreme poverty and social exclusion. In addition, we support projects for furthering knowledge about nutrition, aiming to raise awareness, especially among younger generations, about healthy eating habits and lifestyles. Our support also encompasses the areas of education, culture, entrepreneurship, civic consciousness and Human Rights.

This is the guiding principle of our Policy on Supporting Surrounding Communities, available at www.jeronimomartins.com.

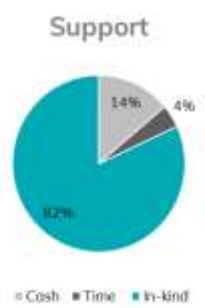
7.2. Managing the Policy

The actions that we support and promote as a Group are monitored and assessed according to the impact they produce, with a view to an efficient allocation of resources to projects covering the largest possible number of people and/or generating the highest and best results.

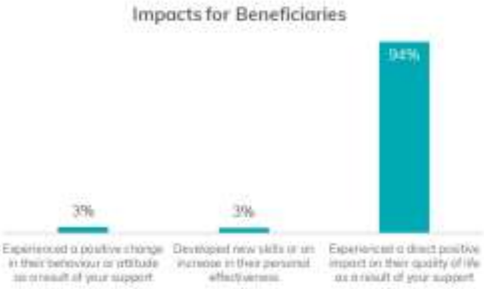
As such, we carry out follow-up visits to the institutions with which we have entered into cooperation agreements in order to make an *in loco* check of the quality of the infrastructures and service provided to the people supported. In addition, we apply the criteria implicit to the social impact assessment method from the London Benchmarking Group (LBG), which the Group has been a member of since 2011, and which enable us to gauge if and how the desired social changes occur.

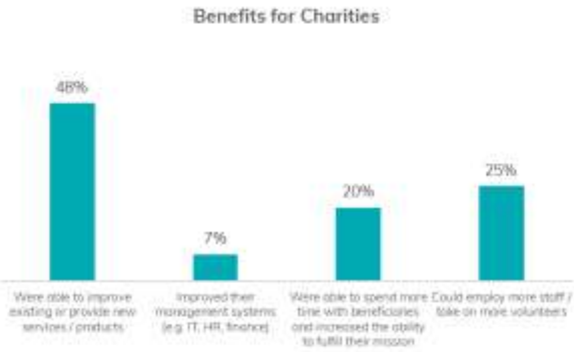
In 2018, it was possible to measure the impact arising from investing around 25.8 million euros[33] in support allocated to 518 organisations, which in turn are estimated to have reached more than 1 million people. This amount encompasses donations in-kind and also monetary donations, channelled mainly into support in the areas of Social Well-Being, Social Emergency and Education.

Measuring Social Impacts



[33] 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 total amount of support invested 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 new products or services, or improve existing ones, as well as to increase their availability to either hire more staff or receive volunteers.

During this year, 3,610 employees participated in the professional capacitation programmes to people in real workplace environment, in a total of 86,651 tutoring hours, equivalent to around 1.1 million euros.

The report on the main indicators, according to the LBG model, may be found on the corporate website, in the Supporting the Surrounding Communities area.

7.3. Direct Support

In 2018, we continued to offer food to institutions who work to provide relief from hunger, malnutrition and extreme poverty, and monetary support to organisations carrying 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 a total of over 31.5 million euros, which represents an increase of 45% compared to 2017.

Supporting Social Emergencies

Jerónimo Martins provides in-kind support to underprivileged groups and to entities that help to protect populations, as well as financial donations towards the sustainability of the local economies.

In Portugal, the Group supported with over 48,000 euros the producers of the Serra da Estrela protected origin cheese following the forest fire that decimated more than 5,000 Bordaleira autochthonous sheep and wide areas of pasture. The support enabled the acquisition of the necessary gear they needed for the grazing and milk production, as well as setting up a Re-breeding Centre, by purchasing animals of that breed. ANCOSE - Associação Nacional de Criadores de Ovinos da Serra da Estrela (Portuguese Association of Serra da Estrela Sheep Breeders) implemented the necessary actions on the ground, in order to protect the breed of sheep and the progressive recover the region with the introduction of those animals.

In Borba too, a place where the collapse of a highway brought dramatic consequences to the population, Pingo Doce offered over one tonne of meals to the Civil Protection workers.

Corporate

We supported 48 institutions, totalling over 707,000 euros in donations to support social projects (56%), health, the environment, Human Rights and civic consciousness (30%) and to other kinds of support in the areas of education, literacy and culture (14%).

20 of these institutions work to provide continued social aid and have been supported by the Group for over a decade.

For the fourth year running, we maintained our financial assistance to Johnson's Academy to support its infrastructure, as well as the food support from Pingo Doce, totalling an investment of over 36,000 euros.

The mission of this Academy is to fight social exclusion and school drop-out among around 170 children and young people from highly vulnerable communities in the Lisbon metropolitan area, a figure which represents an increase of over 6% compared to 2017.

The 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 risks in their lives and to enhance their integration into schools and into society.

Another example was the continued support to ALEM - Associação Literatura, Literacia e Mediação (Literature, Literacy and Mediation Association), a non-profit association that works towards social integration by fostering and developing the literacy of citizens from underprivileged communities, thereby seeking to reinforce equal opportunities.

Its activity takes place in nurseries, kindergartens and primary schools, aims to encourage parents, kindergarten teachers and school teachers to participate, in the children's and young people's school achievement. In addition, it also focuses its activity on the importance of women's role, in increasing their self-worth, in the family and in the community, involving and training groups of gypsy women. In 2018, it is estimated that the activities developed by this Association reached more than 2,900 people, with the Group's support totalling 12,000 euros.

Pingo Doce

Pingo Doce provided food and monetary support to 430 institutions of a social nature who carry out their mission in the areas of influence of the chain's stores, in a total of over 13.8 million euros. The in-kind food donated totalled over 6,400 tonnes[34].

Recheio

Recheio made donations in-kind to the value of more than 385,000 euros, over 195 tonnes[35] of which was food, to 167 institutions involved in causes such as fighting hunger among extremely vulnerable people. Re-Food and APPIA – Associação Pró-Partilha e Inserção do Algarve (Algarve Pro-Sharing and Insertion Association) are some of the examples. More than 38,000 euros was also allocated in money to nine institutions.

Biedronka

In Poland, we continued to develop initiatives focused on supporting social campaigns and projects, having channelled around 16.5 million euros into support, distributed among more than 390 institutions. The increase of more than 500% is essentially due to the expansion of the in-kind food donations scope to institutions in the surrounding areas of our stores and to the support given towards the celebrations of the 100th anniversary of the country's independence reconquering.

Within the scope of its commitment to fighting hunger and malnutrition and efficiency in re-directing surplus food that cannot be sold – despite being suitable for consumption and complying with food safety requirements – Biedronka continued to make donations to Caritas and other charities. These organisations have the task of speeding up the distribution of food, in Poland, to people who are seriously deprived.

Starting with 63 stores and seven DC actively donating in 2016, the Company reached 437 stores and 12 DC at the end of 2017. In 2018, the programme for expanding these practices reached 1,063

[34] Amounts calculated internally in accordance with proxies resulting from implementing the Food Loss and Waste Protocol, a methodology developed by the World Resources Institute with various stakeholders for consistently calculating and reporting food waste and loss removed from the supply chain.
[35] Idem.

stores at the end of the year. Donated products totalled the equivalent of around 4,900 tonnes[36], which is estimated to have reached more than 410 thousand people.

In addition, and to carry out the distribution of food donated by Biedronka, the project that began in 2017 was continued, by offering Caritas two new food transport vans, worth over 87,000 euros.

In the year in which Poland celebrated its 100th anniversary of reconquering its independence, we launched, with Caritas, 100 social support initiatives, of which we highlight:

- The Pomagamy Na 100 (Help to the 100) programme, a financial assistance initiative aimed at the senior population in situations of great vulnerability, in small towns or villages. The more than 5,300 elderly people supported had access to prepaid Biedronka monthly cards, for consumption in our stores, with a total amount invested of around 2.5 million euros;
- The Festyny Bądźmy Razem (Let's Stay Together) campaign, which aims to encourage stronger bonds between children and their families, through picnics held on Children's Day, on the 1st of June. This year, the campaign represented support of over 85,000 euros and reached 20 Polish cities, by offering gifts, contests and educational games to over 200,000 children and their families.

Ara

The positive results achieved with Ara's support, between 2014 and 2016, to the governmental programme *Madres Comunitarias* in its mission of addressing the dietary deficiencies of children in community nurseries, registered progress in the mental, physical and nutritional well-being of the children who benefited from it.

As such, in November 2018, and by the Instituto Colombiano de Bienestar Familiar's (Colombian Institute for Family Well-Being) initiative, the scope of cooperation with Ara transitioned from food support to personal and home care. Since the beginning of the new protocol, and in a total of 633 community charities, Ara already supported 9,458 children up to the age of five, who come from families and neighbourhoods with very limited financial resources, by offering the equivalent of over 8,800 euros in products such as toothbrushes, toothpaste, shower gel and hand wipes. In addition, at Christmas, the children were offered gifts in a value of around 66,000 euros.

At Ara, we continued to re-direct food surpluses in the stores and DC to more vulnerable communities, mitigating the difficulty in obtaining food and fighting food waste. Through this, we continued to support 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. We re-directed over 51 tonnes[37] of food, a decrease of 63% year-on-year due to a higher turnover of food products and less shrinkage, in an amount equivalent to more than 100,000 euros. It is estimated that 422 people from the cities of Bogotá, Pereira, Manizales and Barranquilla benefitted from this, on a monthly average. At the same time, emissions equivalent to 1,150 tonnes[38] of CO_2 that would otherwise have been released into the atmosphere in the landfill were avoided.

[36] Amounts calculated internally in accordance with proxies resulting from implementing the Food Loss and Waste Protocol, a methodology developed by the World Resources Institute with various stakeholders for consistently calculating and reporting food waste and loss removed from the supply chain.
[37] Amounts calculated internally in accordance with proxies resulting from implementing the Food Loss and Waste Protocol, a methodology developed by the World Resources Institute with various stakeholders for consistently calculating and reporting food waste and loss removed from the supply chain.
[38] Amount estimated by Abaco.

Fighting Food Waste

Surplus food which, although having the right food safety conditions cannot be sold, is donated by the Group to institutions providing social support in the countries where it is present, so that it reaches people who are extremely vulnerable. Besides fighting hunger and malnutrition, the Group as a whole thereby aims to make a positive contribution in a logic of a circular economy, enabling food products to go to human consumption, their intended production purpose.

In 2018, the donations of products totalled over 11.5 thousand tonnes, which represents an increase of 54% compared to 2017 and 59% when compared to 2016*.

* Data corrected compared to the annual amounts reported in the respective Annual Reports, years in which the calculation was based on estimates by the partner entities. The amounts now being reported are obtained in accordance with proxies resulting from the Group implementing the Food Loss and Waste Protocol, a methodology developed by the World Resources Institute and other stakeholders, in order to consistently calculate and report food waste and loss in the supply chain.

7.4. Internal Volunteering and Other Campaigns

Considering that everyone's contribution to social causes, civic consciousness and emergencies is essential to promote societies to be more cohesive and charitable, the Group has encouraged volunteering programmes in partnership with civil society institutions, open to employee's voluntary participation. In 2018, 219 employees contributed with over 1,500 hours of volunteering, in the following initiatives:

- Associação Junior Achievement Portugal, with the objective of fostering entrepreneurship among children and young people, by working on topics such as relations with the family and the community, economy and on how to set up a business. During the 2017/2018 academic year, there were 41 participants, in a total of 391 hours that reached 575 students. Since 2005, Group employees have reached more than 8,800 students in a total of 7,700 hours of volunteer work;
- Reforestation initiative in Arganil, in the area that had been burnt in the fires in 2017. During this initiative, there were 46 volunteers from the head offices who participated in planting over 3,000 trees. In addition, one euro per tree planted was given to two institutions who support reforestation: SOS Arganil, formed by people who wanted to help to address the needs of the local population, and APPACDM – Associação Portuguesa de Pais e Amigos do Cidadão Deficiente Mental de Coimbra (Coimbra's Portuguese Parents and Friends' Association of the Mentally Disabled Citizen), which created conditions so that people with mental disabilities and/or who are socially excluded may achieve their full integration into the community.

Every year, during the Christmas season, the Group actively promotes an internal charitable campaign to offer presents requested by children who live throughout the year in foster homes supported by Jerónimo Martins. This year, the initiative covered 73 children from the institutions Casa de Protecção e Amparo de Santo António, Casa de Santa Isabel, Aldeias de Crianças SOS de Bicesse, Crescer Ser – Casa do Parque, Casa do Infantado, Casa de Cedofeita and Casa da Encosta.

During the Group's Christmas Party, which brings together more than 1,000 managers and top executives, a fund-raising campaign was also organised to extend the Lisbon shelter of Associação Acreditar - Associação de Pais e Amigos de Crianças com Cancro (Association of Parents and Friends of Children with Cancer), aiming to increase the offer of simultaneous accommodation for 32 families and to extend the age limit for young people who reside outside the Lisbon area to 25. On a matching donation basis, the Group equalled the amount donated by its managers during the event, thereby offering a total donation of 14,000 euros.

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 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.

Portugal

We maintained the campaigns for collecting food in order to support Banco Alimentar Contra a Fome (Portuguese Food Bank) and CASA - Centro de Apoio ao Sem-Abrigo (Support Centre for the Homeless). In the first case, we managed to amass the equivalent of over 990 tonnes[39] of food. The sale of vouchers that can be converted into food was also promoted to our customers, in order to support these and other organisations, such as Filhos do Coração (Children of the Heart) or Helpo. In total over 274,000 euros in vouchers, were raised, converted into around 188 tonnes of food[40]. Pingo Doce supported the costs of communicating these and other in-store campaigns, totalling more than 33,000 euros.

Other organisations also had the opportunity to promote their social projects to our customers, raising their awareness of the causes they defend: Aldeias SOS Portugal, Casa de Protecção e Amparo de Santo António, Raríssimas and Irmãzinhas dos Pobres.

We also highlight the following initiatives, which Pingo Doce actively promoted to its customers:

- Super Animais 3 (Super Animals 3): in partnership with Dino Parque in Lourinhã, one of the best-known Portuguese towns for its pre-historic animal footprints and fossils in the country, the campaign aimed to encourage young people and their families to find out about the various species of pre-historic animals. For each “Grande Álbum do Explorador” (Great Explorer Album) sold, Pingo Doce offered 0.20 euros for the development and conservation projects by Património Paleontológico Português do Dino Parque (Dino Park Portuguese Paleontological Heritage). Over 452,000 units were sold, so that more than 93,000 euros was handed over to the fund that manages the park’s activities;
- Super Desportos (Super Sports): a new campaign was developed, this time concerning the promotion of different sport modalities and of social inclusion through sports, with the cooperation of Instituto Português do Desporto e da Juventude (Portuguese Institute of Sport and Youth) for the educational contents. For each album sold, 0.20 euros went to the “Desporto com Sentido” (Sports with Sense), a project from APCAS – Associação de Paralisia Cerebral de Almeida Seixal (Almada Seixal Cerebral Palsy Association), which aims to help children and young people with disabilities to be included in society through sports practice and by promoting healthy lifestyles. More than 71,000 euros was donated to this institution.

With the goal of fostering social entrepreneurship and the financial sustainability of institutions in the third sector, Pingo Doce promoted the sales of foodstuffs produced by institutions that are involved in fighting social exclusion in Portuguese society:

- Mercado Social (Social Market): under the motto “Ser Solidário tem Outro Sabor” (Being Generous has Another Flavour), our customers were able to get to know and buy products from Casa de Santo António and Mercearia Semear at the Telheiras Pingo Doce store, in Lisbon. Sales from this initiative ascended over 4,600 euros to both institutions;
- Projecto Semear (Semear Project): Jerónimo Martins began cooperating with the institution Semear in 2014, with the objective of supporting people aged 18 to 45 with intellectual and development difficulties, through projects that enable them to overcome the barriers to their social and professional inclusion, especially focused on the agri-food sector. Besides the

[39] Estimate of the institution.
[40] According to a proxy put forward by the Portuguese Food Bank in 2017 of 1.46 euros per kilogram collected.

technical support offered by the Group and the supplier Estevão Luís Salvador, Pingo Doce stores sold Semear's products, seeking to encourage a business culture which contributes towards the institution's financial sustainability. In 2018, 7.5 tonnes of butternut squash were sold that had been produced by Semear;

- Since 2012, we have been selling bouquets of lilies, as part of a partnership with CEERDL – Centro de Educação Especial Rainha Dona Leonor (Centre of Special Education of Queen Leonor), an institution that provides occupational services, rehabilitation therapy, residential and home support, professional training and employment support for people with a disability and mental illness. In 2018, flower sales totalled more than 107,000 euros;
- We supported the "Cogumelo Solidário" (Generous Mushroom) project, from AANP – Associação dos Albergues Nocturnos do Porto (Oporto's Night Shelters Association), for the sale of organic shitake mushrooms. This project aims to contribute towards the financial sustainability of the services provided by this entity to people who are homeless. More than 4,100 packs of shitake mushrooms were sold, in Pingo Doce stores.

Poland

In partnership with the Polish Federation of Food Banks and Caritas, the stores were used as a platform for mobilising customers to collect food for more vulnerable people. Through various campaigns that ran throughout the year, it was possible to re-direct over 1,000 tonnes of food.

Biedronka once again joined Fundacja DKMS – Baza Dawców Komórek Macierzystych Polska (Polish Bone Marrow Donor Bank), with which it has been cooperating for almost 10 years, to raise the awareness of the public to the importance of donating bone marrow in fighting leukaemia and to support these patients. To do so, a sales campaign was developed for educational games fostering healthy lifestyles, where Biedronka allocated part of the sales obtained to the maintenance of the new donor digital portal.

Colombia

In Colombia, Ara maintained the programme for collecting food offered by customers through the voluntary rounding-up of the value of their purchases. The value donated was delivered every month to Fundación Aldeas Infantiles SOS Colombia (SOS Children's Villages Colombia Foundation) for their programmes *Acogimiento Familias* and *Fortalecimiento Familiar* (Foster Families and Family Support), in nine municipalities.

In 2018, around 113,000 euros was collected, an increase of 31% compared to 2017, due to the expansion of the Ara network of stores, enabling the educational programmes (offer of educational materials, sports and cultural programmes), health programmes (medical support programmes), food and accommodation to reach 2,410 children and young people from among 1,311 foster families in those municipalities.

7.6. Other Support

Because an effective approach to society's key challenges demands that the different players work together, we establish partnerships with various institutions in order to identify and take up opportunities for furthering social cohesion in the countries where we operate.

Promoting Food and Sustainable Development

Biedronka continued to support the Green Earth programme Zielona Kraina in cooperation with Green Factory, a long-standing partnership supplying 4th range products, which has the participation of Instytut Żywności i Żywienia (Polish Institute of Food and Nutrition).

In line with the school programmes and eating patterns recommended by specialists, this initiative aims to educate children about healthy eating habits, having created a cycle of free workshops (which included preparing meals, games and talks) involving with nutritionists and chefs and aimed at 4th grade students and their teachers. More than 8,300 students and teachers took part in 402 actions within this programme, which was carried out in 143 schools in 14 Polish cities during the 2017/2018 academic year.

Within the same sphere of activity, Biedronka is part – with Danone, Lubella and Instytut Matki i Dziecka (Institute of Mother and Child) – of the Partnerstwo dla Zdrowia (Partnership for Health) to fight malnutrition in children, by facilitating access to products with the right nutritional profile on the one hand, and by raising awareness about healthy eating, on the other. The two projects that it supports are:

- The programme Śniadanie Daje Moc (Breakfast Gives You Power), which seeks, in the schools that are part of the programme, to playfully raise the awareness of children up to the age of three, their parents and teachers, to the importance of the first meal of the day in the context of a balanced diet and of a healthy growth. The 2017/2018 academic year counted on the adherence of 8,318 Polish primary schools (an increase of 6.3% compared to the previous academic year), representing over half the schools in this country, and involved more than 275,000 students, an increase of over 80,000 children. In the 2018/2019 academic year, and until December, around 344,000 students and 8,711 schools enrolled (an increase of 25% and 5% respectively);
- The social projects from the Mleczny Start (*Milk Start*) range, sold exclusively in Biedronka stores, were created with the idea of offering food solutions, at reduced prices, which provide up to 25% of the daily requirements of vitamins and minerals recommended for children's healthy growth. Without any associated profit, a monthly average of 522 thousand units were sold in 2018, totalling, in over a decade, more than 200 million units.

In Portugal, we collaborated in the Healthy and Sustainable Food Eco-Schools programme, promoted by ABAE – Associação Bandeira Azul da Europa (Blue Flags of Europe Association), aiming to raise awareness among students from the participating schools on topics such as food, nutrition and the sustainability of agri-food production.

In the scope of this project, which directly encompassed more than 60,000 children from various academic levels, from nurseries, kindergartens, primary and secondary schools to vocational institutions, the students submitted, for evaluation, 190 work projects, 29% more compared than in the 2016/2017 academic year. The projects presented addressed challenges such as creating a story about organic food, monitoring aspects of nutrition and food safety in canteens, creating communication pieces about the composition of food and, finally, creating full menus with local and seasonal ingredients.

The Group supported the purchase of food, made financial offers to the participating teams and gave prizes to the winners – cameras, external drives for schools, artistic kits and picnic tables. The winners of the "Eco Cooks" challenge were offered solar ovens.

Aiming to promote good health through food and the adoption of healthy lifestyles that fight diseases such as obesity, Pingo Doce joined, once again, the World Bike Tour, an event involving around 4,000 "cycle-tourists" in Lisbon. Besides the foodstuffs given to the cyclists, Pingo Doce also offered 50 entries that included the offer of customised bicycles and accessories as well as 50 entries to participants that brought their own bike.

At the same time, the Kids Bike Tour took place, for children aged 10 and 11, with which the Group also partnered, offering its employees 20 entries, which included customised bicycles and participation kits.

The sum that Pingo Doce invested in these two initiatives amounted to over 55,000 euros.

Promoting Social and Cultural Inclusion

Promoting and publicising children's literature has been one of our 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, Pingo Doce and Biedronka have been promoting and publicising children's literature competitions that promote the emergence of new authors and illustrators.

The 5th edition of the Pingo Doce Children's Literature Prize and the 4th edition of Piórko, which award the winners with 50,000 euros to be equally divided between the text and illustration categories' authors and the opportunity to publish and sell their works, resulted in more than 1,200 and 3,900 entries, respectively. The cumulative value of the prizes given already amounts to 450,000 euros and the total number of prize-winning books sold in each country totals around 87,000 and 130,000, respectively.

In the case of Poland, along with this prize there were awareness campaigns on the importance of reading:

- The "Department of Literature Emergence", a programme developed in partnership with Fundacja Czas Dzieci (Children's Time Foundation) encouraged the "prescription" of reading a book appropriate to the age of the children who visited one of the 48 Biedronka stores involved, in 14 cities. An audience of around 500 children was registered;
- The contest Szkolne Przygody Gangu Słodziaków (The Sweeties Gang's School Adventures) was aimed at primary schools throughout the country, involving an investment of over 10,000 euros. Over 100,000 students from more than 3,400 schools got involved in the challenge of organising the celebrations of Reading Day and in creating an adventure story that would include the Sweeties Gang. The winning schools received books for their libraries, while teaching materials were also offered to the teachers to stimulate reading, interpretation and critical thinking.

Within the scope of promoting cultural and social inclusion, Biedronka was also partnered Gutek Film, which manages the cinema in Muranow, for the screening of 18 films at very competitive prices, in order to encompass children and seniors with financial difficulties and limited access to cultural initiatives. 1,280 people participated in the cinema sessions, involving an investment of over 23,000 euros.

Biedronka reinforced its partnership with the association Nadzieja na Mundial (Hope for Mundial), an association that wants, by promoting socialisation through sports, to support the development of children from families with financial difficulties and who are institutionalised, becoming, this year, its main sponsor. This organisation promotes football tournaments for children and young people from Poland and the rest of the world. The investment of 150,000 euros allowed the support of the competitions' logistics, of the food served to around 400 children, who participated in the events, and of the prizes for the winners.

Also, in Poland, the partnership, which started in 2015, with the Polish Football Association for the Akademia Młodych Orłów (Academy of Young Eagles) project was maintained. This academy's mission is to develop and boost the sporting abilities of children between the ages of 6 and 11, from 28 schools spread across the country, who come from families of limited means. Biedronka's support, to the value of 200,000 euros, enabled more than 2,700 children to attend the training offered during the 2017/2018 season.

Promoting Knowledge

It was also possible to support social, cultural, environmental, and educational causes and projects through corporate sponsorships amounting to over 340,000 euros, notably:

- Sustainable Retail Summit, an initiative of The Consumer Goods Forum, which took place in Portugal for the first time. With a significant participation of Jerónimo Martins' delegates, , topics such as the importance of the oceans and the correct management of plastic in the agri-food sector, the importance of calculating the food waste footprint and transparency in communicating it, the need to invest in healthier food solutions as a means of fighting epidemics such as obesity, and the relevance of fighting forced labour through the creation of job opportunities for migrants in the host countries, were discussed. 250 people, of 24 nationalities, participated in two days of this conference;
- Lisbon Summit, an initiative of the magazine "The Economist", which reflected on some of the Portuguese and the world's challenges, such as technological and digital disruptions and financing based on the values of sustainability and entrepreneurship;
- For the fourth year running, we supported the organization of the conference "O Que de Verdade Importa" (What Really Matters) in Lisbon, an initiative of the foundation with the same name, where there were around 2,700 participants. The objective of these conferences is to spread the word, among various audiences, on human, ethical and moral values. To that end, it counts on speakers who, through their life experiences, motivate towards social, cultural and humanitarian change.

8. Being a Benchmark Employer

8.1. Our People

There are more than 108 thousand of us who contribute every day – through our work, dedication and expertise – towards the sustained development of Jerónimo Martins' businesses.

We invest in reinforcing a solid and cohesive culture, which puts employees in first place, working to maintain their levels of engagement, involvement and motivation, by investing in training and in creating development opportunities, as well as by building internal social responsibility programmes and initiatives which promote an improvement to their quality of life.

We value our people's varied skills and profiles and seek to help vulnerable people to be included in the job market.

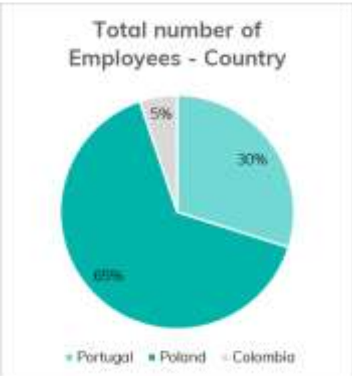
Our Human Resources strategic plan, which is devised in line with the business plan, reflects this positioning and is geared towards addressing the current and future people management challenges, inherent to a labour market undergoing transformation.

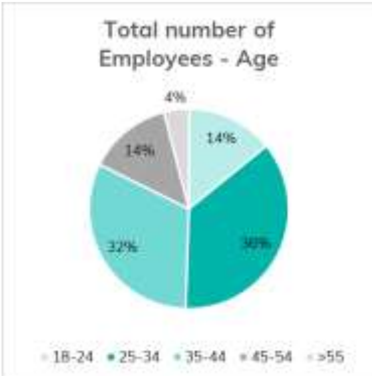
During 2018, we created 4,357 jobs, a net increase of 4.2% compared to the previous year. We also provided 928 on-the-job internships in the different Group Companies.

In 2018, our team had the following profile:

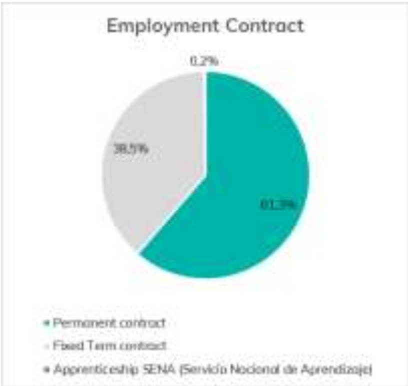
	2018		
	Gender		Total
	Women	Men	
Total number of employees	82,746	25,814	108,560
Portugal	21,602	10,824	32,426
Poland	58,347	12,145	70,492
Colombia	2,797	2,845	5,642

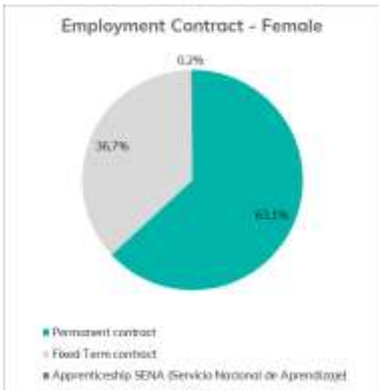
We have over 80 thousand women in the Group, who represent 76% of our population. 66% of management positions are also held by women.

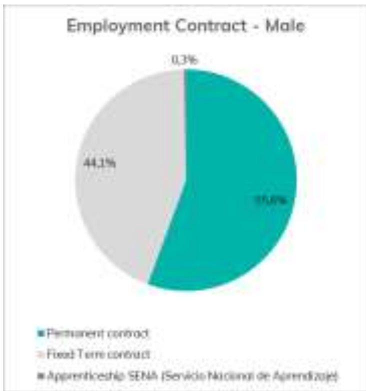




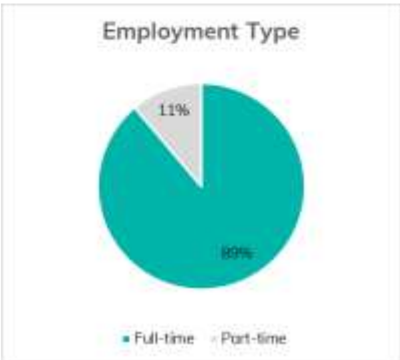
Over 61% of our employees are permanent members of staff.

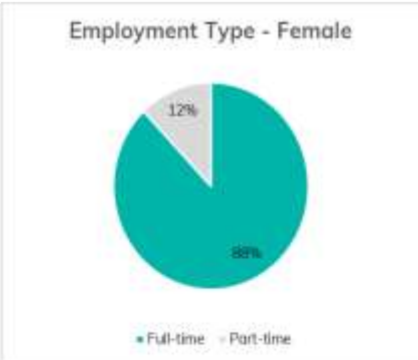


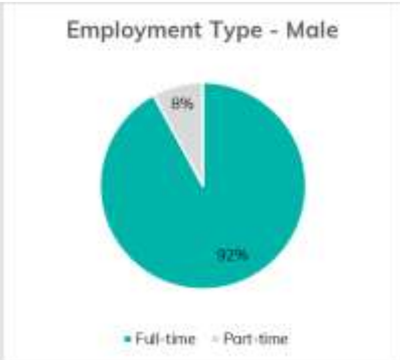




Regarding the type of working hours, 89% of our employees work on a full-time basis.







In addition, the Group's turnover rate in 2018 was 31%.

8.2. Principles and Values

The principles and values that we have defined in the Code of Conduct serve as a compass for the standard of behaviour that we expect from our employees, regardless of their hierarchical level, their jobs, or the Company to which they belong. It is this Code that transparently governs the relations with the different stakeholders – employees, customers, suppliers, investors, among others – in order to ensure that our businesses are conducted in an ethical and socially responsible manner.

In this context, we invest in permanently communicating the Code through the internal means of communication available. New employees receive a copy of the Code of Conduct and have training in it as part of their induction plan at the Group's Companies. In addition, there are other regular training sessions that include the Code of Conduct in their programme, namely those on the topic of labour legislation.

The Ethics Committee is the body responsible for monitoring the disclosure of this Code and its compliance, impartially and independently. It therefore provides an email contact for submitting queries or communicating possible irregularities, safeguarding the confidentiality of the contacts received. Further information on the Code of Conduct and the Ethics Committee may be found at www.jeronimomartins.com.

8.2.1. Respect for Human and Workers' Rights

We comply with the national and international legislation of the countries where we do business, namely the guidelines of the United Nations Organization and the International Labour Organization. We thereby endeavour to act 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 or harassment and fostering a culture of fairness and meritocracy.

We also safeguard freedom of association, union activity and the right to collective bargaining, within the terms established in the applicable legislation in each country where we are present and as set out in the Code of Conduct. In the case of the collective bargaining agreement negotiated between the parties, which only exists in Portugal, this covers more than 90% of the employees.

Equally, we prevent the risks of child labour and forced labour. The rights of indigenous people are also in no way put at risk by the activity of our Companies.

Aiming to allow more simplified access to the applicable legislation in this context, and regarding human rights, the Labour Fundamental Guidelines have been created. In line with legislation and the Code of Conduct, this document highlights the value placed on diversity, preventing child labour or forced labour, the right to fair remuneration, the right to a safe and healthy environment, the right to privacy and personal/family life and the right to rest, among others.

8.3. Talent Attraction, Development and Retention

Seeking to be recognised as a Benchmark Employer in the countries where we are present, we maintained the alignment of the recruitment practices, investing in talent attraction programmes and in the diversity of the candidates' profiles.

Knowing how we are perceived, internally and externally, as employers and identifying the differentiating characteristics of Jerónimo Martins and each Company are key aspects for defining our activity throughout each employee's entire life cycle within the Group.

8.3.1 Recruitment

We remained focused on implementing new approaches, tools and processes that promote synergies and greater effectiveness in identifying and attracting the right abilities and skills for the different businesses. In this context, we created the Global Recruitment Policy, which aligns the processes implemented at different levels and stages of recruitment, while also reinforcing diversity, inclusion and non-discriminatory practices in all the Companies.

We reinforced our communication channels concerning recruitment, investing in the respective websites and consolidating our presence on social media, namely on Linkedin. At the end of 2018, we had over 140,000 followers on this social network, in which we reinforced the investment in the Jerónimo Martins Young Talent page, focused on the university student target audience, and which attained more than 5,400 followers.

During the year, more than 37,700 external recruitments took place.

8.3.2. Young Talent Programmes

With a history dating back more than 30 years, the Management Trainee Programme was re-designed in 2018 with the objective of continuing to reinforce the Group's expertise, and at the same time addressing the aspirations and demanding expectations of the younger generations.

This is our main young talent attraction programme which, through a combination of learning and practical on-the-job training, enables us to develop future leaders. In 2018, out of a total of 9,575 applicants, 68 trainees were selected in the three countries combined.

The Summer Internship Programme provides a way for students to get in touch with the job market and is used for identifying potential candidates for future trainee programmes. In 2018, 50 students in Portugal and 20 students in Poland worked with our teams on projects that are important for the business. In Colombia, through an internship programme adapted to the local reality, we also welcomed 16 interns from different academic areas.

Since 2015, we have been investing in the Campus Ambassador programme, through the logic of partnership with university students with different profiles, who act as the Group's ambassadors, transmitting our values and cultures, besides promoting the Young Talent Programmes in the respective University Campuses. In the 2017/2018 academic year, we had 21 of these ambassadors in Portugal and 7 in Poland.

In Portugal, we also maintained our support for the Degree and Master's in Commercial Management from ESTGA – Escola Superior de Tecnologia e Gestão Comercial de Águeda (Águeda School of Technology and Commercial Management), within the scope of the partnership established with the University of Aveiro. We actively contributed to the programme content, involving employees who are specialists in relevant topics and bringing the academic world closer to the business world, by holding visits, internships and projects, which encompassed 13 second-year students from the said degree course.

We also attributed 19 Scholarships, to a value of more than 36,000 euros, to students – from within our universe of employees and employees' children – interested in attending a Master's in Commercial Management from ESTGA. For the current 2018/2019 academic year, we once again provided up to 20 Scholarships, each Scholarship matching the payment of the cost of annual fees.

From among our partnerships in the university world, we highlight the 4th edition of JM Academic Thesis programme, with 18 Master's and Doctoral theses written on topics identified by our Companies and business areas, maintaining the Organisation's close cooperation with the academic world.

Pursuant to the applicable law in Colombia, SENA – Servicio Nacional de Aprendizaje stipulated an internship quota aimed to promote the development of skills and employment opportunities for students. In 2018, we welcomed 263 interns within the scope of this programme.

8.3.3. Programmes for Inclusion in the Job Market

Aware of the need to promote the employability of people who are especially vulnerable when accessing the job market, we have been continuing with our strategy for social inclusion based on three main action pillars: inclusion of people with disabilities, migrants or refugees and people exposed to social risk.

In 2018, we recorded 99 inductions for practical on-the-job training, some of which led to the people being hired by the Companies in Portugal.

We highlight Project Search, a programme for the transition to working life for young adults with special educational needs, developed in partnership with Cooperativa Focus, which aims to facilitate skill-learning in an on-the-job environment. This programme took place in the Braga Recheio store, which took in 10 interns for 10 months, seven of whom were hired by the Group.

We also continued to take in migrants and refugees, going ahead with immediate hiring by the Group's Companies, whenever possible. In 2018, 71 people were hired.

We would also highlight other programmes supporting women's employability: the partnership with FLAD – Luso-American Development Foundation and the United States of America Embassy to support and qualify women entrepreneurs, and the cooperation with the Girl Move Foundation, whereby the Group took in young female Mozambican graduates for an internship in the Quality and Food Safety, Marketing and Commercial areas.

In Poland, we focused on including employees from Eastern European countries, namely the Ukraine. For them to be better integrated, Biedronka has invested in creating living and legalisation conditions for these employees. The internal communication materials were also adapted so that these foreign employees are easily integrated into the Company's culture and way of working.

8.3.4. Internal Mobility

The identification of our internal talent is essential for the sustained development of our people and businesses and is key to attracting and retaining employees. In this regard, we launched a global approach involving the most relevant stakeholders, whereby the main professional development needs were identified, in line with the business strategy.

Internal mobility remained a strategic investment and is one of the important tools for developing, sharing and transmitting knowledge, not only through its scope but also the positive impact on our people's careers and their motivation.

Mobility is implemented in three different ways:

- career mobility, which takes place through vertical mobility (promotion) or horizontal mobility (diversification), aiming to value people and their respective professional experiences;
- internal recruitment, where employees apply for internal vacancies and which have been a source of internal talent for the Group's various challenges;
- international mobility, as a response to the business needs and strategy, within a context of expansion and as a tool for developing our employees' competencies.

The strong investment in developing our people and in the possibility of professional growth is reflected in the following figures regarding 2018: 54,651 employees changed job or work location or moved to a different Company within the Group, 11,946 were promoted, an increase of 38% compared to 2017, while 55 employees were in a situation of international mobility.

8.3.5. Training

Training is an important tool for our people's development and for the growth of the business, and so the Group provided over 4.5 million hours of training to its employees, which is the equivalent of an average of 42 hours per employee.

	Training Volume*			Training hours per employee			Total no. of training sessions		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Group	3,954,810	4,630,703	4,537,030	41	44	42	67,063	63,478	66,311
Portugal	1,253,901	1,284,913	1,545,408	41	41	48	44,459	38,589	41,668
Poland	2,201,766	2,742,952	2,463,308	35	40	35	22,079	23,990	23,023
Colombia	499,143	602,839	528,315	162	135	94	525	899	1,620

*Training volume = No. training hours x No. employees in training

Following the extraordinary investment made in training in Poland in 2017, we maintained the volume of training to suit the needs of our businesses.

Group

A more global approach regarding the development of our employees' leadership skills is a strategic priority for our Group. As such, a partnership was set up with the Center for Creative Leadership, a benchmark teaching institution, aiming to implement leadership development programmes for all the levels of our pipeline of managers, using cross-cutting technologies, 360° appraisals, coaching sessions to tailor and accelerate the learning processes, peer-to-peer training groups and in-class training sessions.

The 6th edition of the Strategic Management Programme between Universidade Católica Portuguesa and Kellogg School of Management in Chicago had 37 participants who had the opportunity to find out about innovative business management concepts as well as global trends, also contributing towards fostering knowledge-sharing and team spirit and consolidating an organisational culture.

Portugal

The 5th edition of the General Retail Management Programme, created in partnership with Universidade Católica Portuguesa, had the participation of 31 employees, who consolidated their management skills and obtained a broader vision of the business, by developing projects to address specific challenges.

In Portugal, the 1st edition of Academia de Novos Districts (Academy of New Districts) and the Programas Gerais de Gestão de Secção e de Loja (General Section and Store Management Programmes), took place, which were developed for Recheio and Pingo Doce, covering around 250 employees.

In addition, initial and specialisation training programmes were developed directly through the Training School and in partnership with the Portuguese Navy, covering the Bakery, Delicatessen & Take Away areas of Pingo Doce, which took place at Escola de Tecnologias Navais do Alfeite (Alfeite School of Naval Technologies).

As Perishables are a strategic area, we have a team of 42 trainers who undertake the training at Pingo Doce, 6 Supervisors at Recheio and 5 Lidosol Supervisors. In 2018, they accompanied a total of 15,396 employees in over 680,000 hours of practical on-the-job training.

In conjunction with the Portuguese Navy – Marines School – the Functional Leadership Training Programme was also created, especially for store managers, and in which 200 employees participated.

With the objective of developing our managers' digital skills, we launched the 2nd edition of the "Digital Executive Education Programme", in partnership with Universidade Nova de Lisboa.

Poland

We also remained focused on training in Perishables, especially in the Fruit and Vegetables, Flowers, Bakery, Butcher's and Fish Counter categories.

As in previous years, Biedronkowa Akademia Zarządzani (Biedronka Management Academy) continued with its training programmes for store managers and deputy managers, seeking to develop leadership and team management skills and the ability to be geared towards achieving objectives, over 2,200 employees having participated.

With the objective of furthering the managers' and senior managers' knowledge in the areas of Leadership, Management, Finance, Logistics and Marketing, the 4th edition of the General Management Programme was implemented in partnership with Kozminski University, in which 25 employees participated.

Through the Biedronka Virtual School, over 3,586 employees had access to online training solutions.

Hebe launched HebePRO, a new development programme devised for store managers with potential for growth within the Organisation. This include leadership content and formats for sharing knowledge with other employees from different functional areas.

Colombia

We reinforced our Retail School in Colombia, by implementing the 1st edition of the General Management Programme for managers and senior managers, in partnership with EDIME, Unidad de Gerencia Media – INALDE Business School, one of this country's benchmark management schools.

Furthermore, the 2nd and 3rd editions of the Introduction to Retail Programme for non-managers were implemented in partnership with CESA – Colégio de Estúdios Superiores de Administración. These initiatives covered a total of 98 employees from different areas and regions.

8.4. Remuneration

We are an international Group that is geared towards obtaining results and with a vocation for growth built on a relationship of trust and of commitment to all our employees.

Aware that the retribution strategy is a determining factor for attracting, motivating and retaining our talent, we seek to adopt competitive and balanced policies, which reflect our values and foster a culture of meritocracy, recognising individual and collective performance.

We value the dedication of our people, by sharing the overall results achieved, so that everyone feels part of a common goal.

Variable remuneration is a crucial pillar in the Group's retribution policy and is the element that promotes alignment between individual contribution and the business objectives. In 2018, we reinforced the role of variable remuneration in the Companies' retribution strategy, adjusting the bonus models to the current challenges and particular market environment. The total sum of bonuses paid amounted to 110 million euros.

We foster equal opportunities and fairness in the way we remunerate our people. In 2018, when analysing the gender pay gap, in a Group with more than 100,000 people, 76% of whom are women, we register a ratio of 91%[41]. We shall therefore continue to develop policies that ensure and promote non-discrimination and gender equality, as well as equality of race, ethnicity, social standing or any other criterion.

8.5. Employee Engagement

8.5.1. Internal Social Responsibility

We maintained our contribution towards the continuous improvement to the quality of life of our employees, as well as their families. Based on three strategic pillars – Health, Education and Family Well-Being – the various programmes that have been implemented in Portugal and in Poland represent an investment in excess of 19.5 million euros. In Poland, 99% of the amount invested in these programmes is supported by the Social Fund, pursuant to the local law.

[41] This indicator gauges the salary difference between women and men within the universe of Jerónimo Martins employees, based on comparable realities. It is expressed considering women's average salary as a percentage of men's average salary, being 100% the pay ratio that represents full equality among genders.

All the initiatives and programmes developed by Internal Social Responsibility (ISR) are communicated to employees through multiple channels, namely the internal websites.

Health

Health was one of the areas with the largest investment – amounting to 1.8 million euros – by focusing on encouraging healthy lifestyles and on initiatives geared towards health prevention, in line with the guidelines of the WHO – World Health Organization.

Portugal

We highlight the launch of the 4th edition of the SOS Dentist programme, which supports employees who need dental treatment. 479 employees finished their treatment, meaning that since it began, this programme has encompassed 3,345 employees. Moreover, the SOS Junior Dentist programme, for employees' children, enabled 107 children to conclude their treatment.

Within the scope of the Mais Vida (More Life) programme we supported employees and their direct family members (spouses and children) suffering from cancer, through different facilities, such as a second opinion consultation, transport for treatment, help at home and psychological support. This programme, which was developed in partnership with Fundação Chapalimaud and the Portuguese Red Cross, supported 45 families in 2018.

The Lusíadas Saúde protocol enables our employees and their direct family members (spouses and children) to have access to discounts on consulting a specialist and on ancillary diagnostic tests. In 2019, this protocol will be extended to employees' parents and to employees following their retirement.

Poland

The Razem Zadbajmy o Zdrowie (Let's Take Care of our Health Together) programme makes it possible to have free check-ups and screening, as well as sports activities, among others. Linked to the celebration of the centenary of Poland's regained independence, a special edition of Wyzwanie Sportowe Biedronki (Biedronka Running and Bicycle Challenge) was carried out. In total, 3,143 employees benefited from these two programmes.

The Mali Bohaterowie (Little Heroes) programme has the objective of supporting employees whose children suffer from serious health problems or who have a disability, by providing financial aid for purchasing medicines, medical services, personal care products and rehabilitation equipment and also for participating in rehabilitation centres. 228 children were supported within the scope of this programme.

Besides support for sports activities, the employees have access to over 4,000 gyms and sports facilities throughout the country, through the Karta Multisport (Multisports Card). Over 9,800 employees benefited from this card.

Education

Education is fundamental for promoting our employees' long-term quality of life and that of their families, and so it is a cornerstone of the Group's ISR activity strategy, which was reflected in an investment in excess of 1.5 million euros.

Portugal

The Scholarships programme envisages attributing annual scholarships to employees or their children who wish to pursue their studies and that have not obtained State support. In 2018, we attributed 103 scholarships.

The Back-to-School programme encompasses a set of support measures for our families, notably a school kit offered to 794 children who started primary school, as well as discounts and special payment terms for textbooks and school materials. Textbooks are given free of charge to large families with low incomes.

Making quality use of the school holiday period is a worry for our employees who are parents. In this regard, for almost a decade, the Group has been organising Holiday Camps for children between the ages of 6 and 17, suited to the different age groups, promoting activities related to sport, education, art and culture, on a residential and non-residential basis. We highlight the initiative "Adventure in England", which besides a course taught by native English-speaking teachers, includes sightseeing and cultural visits. In 2018, more than 1,600 children participated in these holiday camps.

Poland

The Do Szkoły z Biedronką/Hebe (Back to School with Biedronka/Hebe) programme continued, whereby financial support is provided to employees with school-aged children and low incomes. In 2018, we offered school kits to the 3,034 who started their schooling and made more than 134,000 euros available on pre-paid cards, supporting a total of 7,529 children.

The Wakacje z Biedronką/Hebe (Holidays with Biedronka/Hebe) programme includes various activities and endeavours to develop creativity and broaden the interests of children between the ages of 8 and 13. For our employees' children between the ages of 14 and 17, we have developed the Hello Biedronka/Hebe programme, during which the participants attend an English course with native English-speaking teachers. More than 1,260 children enjoyed our Holiday Camps in Poland.

Family Well-Being

As we believe it is fundamental to create programmes that improve the quality of life and family well-being of our employees, we invested over 16.2 million euros in this third strategic pillar.

In Portugal and in Poland, initiatives are developed to celebrate important moments in the lives of our employees and their families: Children's Day and Christmas. In total, 129,549 presents were distributed among our employees' children.

The Baby Kit is also attributed to employees who become parents, which is a gift seeking to lighten the expenses of the first few months of their children's lives. In 2018, 4,436 families received a kit.

Portugal

Created in 2011, the Social Emergency Fund aims to contribute towards an improvement to the quality of life of employees and their family members who are socially vulnerable and at risk. This work is carried out by a team of six social workers who make a diagnosis of the family, economic, social, professional and educational situation of the employees supported, aiming to draw up integrated, structural intervention plans.

The support is given – individually or jointly – in five areas: food, health, education, legal advice and financial guidance. The respective intervention is achieved through internal measures from the Social Emergency Fund or referral and liaison with entities within the community. In 2018, we gave support to 726 employees, in an investment of over 640,000 euros.

Reflecting our concern for promoting healthy lifestyles, within the scope of the "Children's Day" initiative, all the 13,771 toys given to our employees' children aimed to encourage them to do physical exercise.

Poland

Through the Możesz Liczyć na Biedronką (You can Count on Biedronka) programme we support employees who are in financial difficulties or who have been affected by natural disasters such as fires and floods. This year, we supported more than 9,000 employees by way of financial subsidies and no-interest loans for housing purposes.

With the concern for guarding against financial problems resulting from the transition to retirement, we presented our employees with the Biedronka dla Seniora (Biedronka Seniors) programme, which consists of attributing monetary support, through a pre-paid card, which benefited 44 pensioners.

8.5.2. Internal Communication

Clear communication, adapted to the different target audiences is a valuable instrument for aligning the organisational culture, principles and values and is present in each stage of the employee's life cycle.

Continuous focus on a multi-channel strategy, by creating more inclusive content for all the Companies, countries and business formats, has enabled us to reach an increasing number of employees, regardless of their place of work or job, ensuring they have access to information and are involved in the Group's challenges and strategy.

In an increasingly global context, adopting new technologies is essential for simplifying and boosting agility to processes, as well as bringing employees closer when they are geographically distant. As such, within the scope of the Workplace Going Digital project, conditions were created so that employees work ever more collaboratively.

In Portugal, we highlight the launch of the Por Nós (For Us) website, available for all employees and completely dedicated to the actions developed by the Internal Social Responsibility area. The magazine "A Nossa Gente" (Our People) was elected "Best Internal Communication Magazine" of 2018 by the publication "Meios & Publicidade" (Media & Advertising).

8.5.3. Employee Assistance Services

The Employee Assistance Service, which is in place in the three countries, enables all employees to clarify any labour issues or requests for social support, benefiting its users with the guarantee of confidentiality, independence and impartiality.

2018 marks the start of this service in Colombia and the creation of the Employee Assistance Services' Global Operating Policy, in order to streamline practices and procedures. We recorded the following contacts:

	Employee Assistance Service	
	No. of Contacts/Procedures Initiated	% of Procedures Concluded
Portugal	21,490	99%
Poland	4,479*	94%
Colombia	8,637	94%

*Not including contacts related to payroll/administrative issues and requests for Social Fund support.

In Poland, we highlight the Anti-Mobbing and Sexual Harassment Committee, which is for resolving complaints of this nature.

In Colombia too, in accordance with the applicable legislation, the Committee for Labour Coexistence is for receiving and resolving employees' complaints, including cases of possible discrimination.

8.5.4. Organisational Climate Surveys

With the objective of fostering our employees' engagement, commitment and motivation, we have formalised an opinion-hearing strategy, aligning processes throughout the Companies. The Group has defined its Employee Opinion Policy, based on a bi-annual cycle.

In the first year, we apply the Global Survey, aimed at all employees from the Companies and in the second, the Pulse Survey, applied locally by the Companies to a sample of employees, to assess specific topics.

An engagement objective was once again included in the managers' performance appraisal cycle, which reflects the importance of this topic in the Group's human resources strategy.

8.6. Occupational Health and Safety

We provide safe infrastructures and equipment, implementing procedures that reinforce the safety of our employees. We also actively promote safety campaigns based on encouraging the prevention of behaviour linked to the risks of workplace accidents and occupational diseases.

Portugal

We segmented the Safety in the Workplace and Prevention Management areas, giving them more effective follow-up by the operations. The new Prevention Management area has the mission of finding the best safety solutions, liaising with the Technical Department and other functional areas, and participates in the planning phase of new infrastructures, in the refurbishing of existing ones and in improving the conditions of the workstations.

Considering that the majority of workplace accidents occur due to unsafe behaviour, we develop initiatives fostering prevention and raising the awareness of the employees of the need to change their behaviour, especially the "Safety Meeting", with the participation of the Safety Delegates.

The Alcohol and Drug Consumption Prevention programme was implemented in various workplaces, aiming to increase the level of our employees' safety and that of others, to foster healthy day-to-day habits and help employees who are sick.

In Portugal, the opinion of all employees in Portugal was heard regarding the Occupational Health and Safety conditions, in order to obtain their participation in promoting a safer working environment.

Within the scope of monitoring the Group employees' health, 1,131 eye tests and 1,129 hearing tests were performed.

Poland

We reduced the frequency of workplace accidents, after having implemented programmes dedicated to preventing the most common causes – Areas of Particular Hazard – such as movement within the store, operating transport cars, handling ovens and cutting objects.

Biedronkowa Akademia Zdrowia (Biedronka Health Academy) was developed, which is a programme for preventing occupational diseases, directed at employees from the DCs and the Head Offices. Periodically, 34 physiotherapists gave training in occupational health and safety, teaching people how to avoid muscular-skeletal problems. In the DCs, labour gymnastics exercises are performed prior to carrying out the tasks, and in the offices, employees can receive massages in rooms that are fully equipped for that purpose. Also, in this context, employees from the Head Offices can take part in coaching sessions.

Since 2016, Biedronka has been the only retail banner in Poland to be certified according to the OHSAS 18001 standard regarding its Occupational Health and Safety Management System, confirming our operations' commitment to safety. In 2018, we once again decided to award the stores in this country who paid special attention to the topics related to a culture of safety and employee involvement.

Colombia

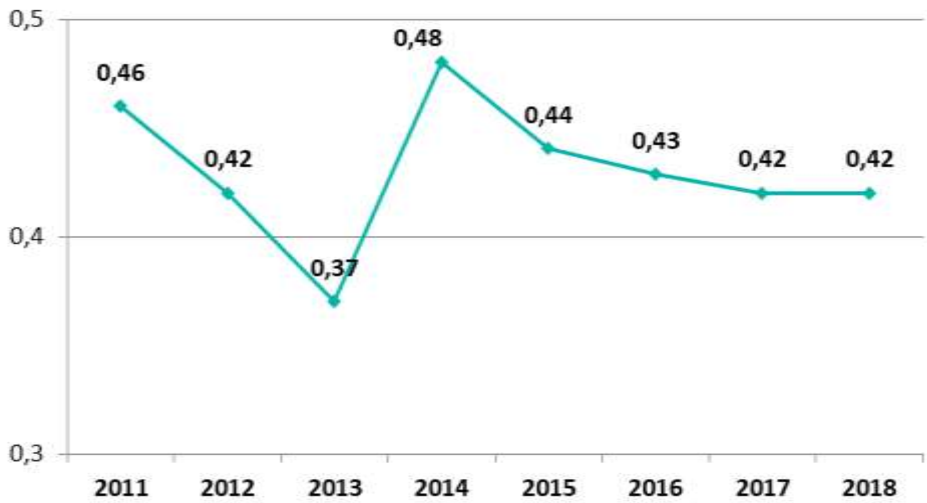
We reduced the workplace accident frequency indicators due to implementing different programmes throughout the year, namely Ara Safe League, which spread greater awareness of the importance of adopting safe behaviour in the operations.

Of particular note was the employee training in important Health and Safety topics, namely mechanical hazards, working at height, safe operation procedures, chemical hazard and emergency management, among others.

An intervention plan, aimed at healthy lifestyles was also implemented, which includes activities related to health care and prevention. The 2nd edition of the Health Day also took place, which encouraged people to receive the flu vaccine and to donate blood.

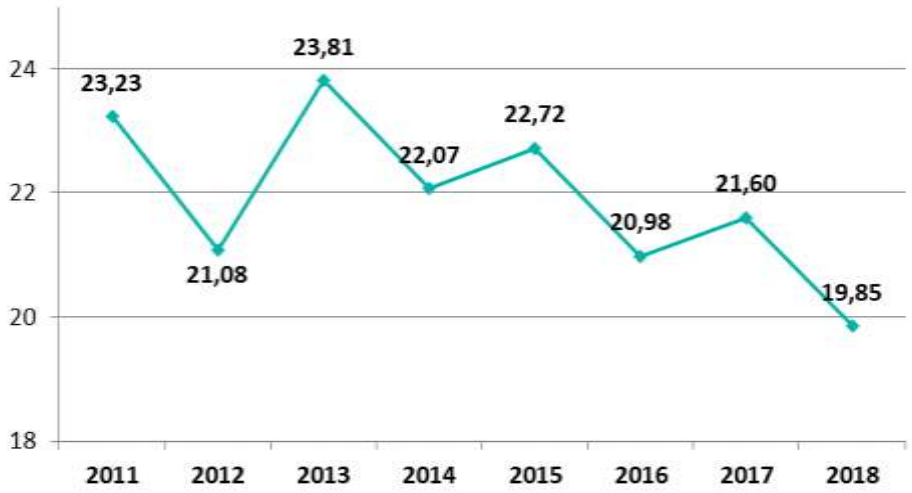
Aggregate Health and Safety Indicators

Severity Rate



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



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 x 10^6

Scope	Training Hours	Emergency Drills	Audits
Portugal	14,910	244	719
Poland	34,449	1,678	1,050
Colombia	15,688	277	387

In addition, 29,864 medical exams were carried out in Portugal, 75,504 in Poland and 6,061 in Colombia.

9. Commitments for 2018-2020

Action Pillars	Commitments for 2018-2020	Progress
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.	**Achieved**. The equivalent of 575 tonnes of fat, 81 tonnes of saturated fat, 8 tonnes of salt and 88 tonnes of sugar were removed from Private Brand products in the three geographies, and Meal Solutions in Portugal.
	Continue to develop programmes promoting the Mediterranean Diet and healthy nutritional habits based on recommendations by local experts and raise consumer awareness about reading food labels.	**Achieved**. At Pingo Doce, we have maintained the principles of the Mediterranean Diet in the development of Meal Solutions and Private Brand products and as a differentiating element in communicating with our public. The bimonthly magazine "Sabe Bem", with an average circulation of 150 thousand copies, has remained one of the preferred means of communication on this diet, through the publication of recipes that also encourage the reutilization of food and the fight against food waste. The Pingo Doce website has remained a support to this priority, playing an incentive role in the adoption of this diet. In Poland, commercial and information leaflets were developed, for the most part with the collaboration of a specialist from the Polish Food and Nutrition Institute and the Polish Vegetarian Association. 55 articles were published in various media describing the nutritional profiles and quality of Biedronka products and their health benefits. There were also 38 articles published through internal channels directed to employees.
	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.	**Partially achieved**. In Portugal, the increase in references without lactose was 18% and gluten-free was 8%. In Poland, there was a decrease of 57% and an increase of 100%, respectively. Globally, lactose-free references decreased 4% while those without gluten increased by 10%.
	In Portugal and in Poland, develop food solutions without any animal protein, aimed at consumers with specific dietary needs/preferences.	**Achieved**. The offer of products for vegans and vegetarians in Poland has been strengthened, with 29 references being released. In Portugal, both the oat cookies and the oat with black chocolate of the Go Bio range are also suitable for vegetarians and vegans, presenting the V-Label certification.
	In Portugal and in Poland, ensure that products intended for children have a higher nutritional profile than the benchmark.	**Partially Achieved.** Some of the products launched in Poland could not be compared due to the lack of a benchmark, such as: the Miami yogurt which had added calcium and vitamin D, no colorants, no glucose/fructose syrups and only natural flavours; the Miami Hopki Duo cereals, whose composition excludes palm oil; three Go Bio references of fruit mousses for infants from 6 months of age. Other products had differences compared to the benchmark, such as the Go Bio range in Poland – fruit juices had organic fruit as a raw material and no added concentrates.
	In all the countries, continue analysing Private Brand products as to their raw materials, using external laboratories, ensuring their authenticity and fighting food fraud.	**Achieved**. We performed 10,180 internal audits of the Group's infrastructures, complemented by 110,620 analyses on work surfaces and manipulators, among others, and 50,300 product analyses.
	In all the countries, ensure the use of voluntary "Without GMO" labelling for all references that could contain genetically modified ingredients.	**In progress**. 14% of the total Private Brand references in Portugal, potentially containing these ingredients, presented voluntarily this symbol.

Jerónimo Martins

Action Pillars	Commitments for 2018-2020	Progress
	In all countries, facilitate responsible consumption through voluntary labelling with regard to nutritional aspects and alcohol information.	**Partially achieved**. 100% of the references of alcoholic beverages of Private Brand in Portugal presented caloric icon. The adoption of symbology that discourages pregnant women from consuming alcoholic beverages covered 47% of Private Brand references in Portugal, an increase of 150% compared to 2017, and 15% of references in Poland. In Poland, highlight to the symbol of responsible driving, which covered 46% of the references.
	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.	**In progress**. We provide information in the packaging about the average time of consumption after opening, helping consumers in the management of their products. These are the most perishable products such as mayonnaise, milks and fruit pastries. The "one-date only" option is being under evaluation.
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.	**In progress.** In 2018, the Group's carbon footprint reduced by 17.2% (per €1,000 of sales), compared to 2017.
	Reduce water consumption annually by 2% (per € 1,000 of sales).	**Not achieved.** Water consumption, per €1,000 of sales, reduced 1.2%, compared to 2017.
	Reduce electricity consumption annually by 2% (per € 1,000 of sales).	**Not achieved.** Electricity consumption, per €1,000 of sales, reduced 1.3%, compared to 2017.
	Reduce the quantity of waste sent to landfill by 5 p.p. during the 2018-2020 three-year period, compared to 2017.	**In progress.** The recovery rate increased by 0.3 p.p., compared to 2017.
	Complete at least 20 ecodesign projects for Private Brand product packaging every year.	**Achieved.** In 2018, 30 Private Brand ecodesign projects were carried out.
	Reduce the Group's food waste by 10% during the 2018-2020 three-year period, compared to 2016.	**In progress.** In 2018, the Group's food waste increased by 20.2% compared to 2016.
	Increase the number of locations with environmental certification (at least 25).	**In progress.** At the end of 2018, 19 Distribution Centres were environmentally certified according to ISO 14001.
Sourcing Responsibly	Guarantee that 80% of the Jerónimo Martins Group's purchases of food products, are sourced from local suppliers.	**In progress.** In 2018, about 90% of the food products sold by the Group were purchased from local suppliers contributing to the goal of maintaining this ratio above 80%.
	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.	**In progress.** In 2018, over 290 references with sustainability certificates were launched: ▪ 132 references with organic certification in Poland (94) and Portugal (38); ▪ 50 references with UTZ certified cocoa as an ingredient (Biedronka); ▪ 46 references with V-label certification in Poland (44) and Portugal (2); ▪ 31 Private Brand references with Programme for the Endorsement of Forest Certification (PEFC) – either in product packaging or paper and timber incorporated in products – in Portugal (25) and in Poland (6); ▪ 18 Private Brand references with Forest Stewardship Council (FSC) certification – either in product packaging or paper and timber incorporated in products – in Portugal (14), Poland (2) and Colombia (2); ▪ 11 new references with Marine Stewardship Council (MSC) certification

Action Pillars	Commitments for 2018-2020	Progress
		(Biedronka); ▪ 4 tea references with Rainforest Alliance certification (Biedronka); ▪ 1 Fairtrade certified reference for the ingredient cocoa (Biedronka).
	Contribute towards achieving the Zero Net Deforestation goal by 2020, as defined by The Consumer Goods Forum, namely through active management of palm oil, soy, beef, and wood and paper.	**In progress.** The developments in the consumption of these ingredients in our Private Brand and Perishables products, their origin and sustainable production certification, as well as other initiatives of the Group to fight deforestation are described in subchapter 6. “Sourcing Responsibly”, section 6.4. “Commitment: Promotion of More Sustainable Production Practices”.
	Carry out at least 50 environmental audits every year on suppliers of Private Brand and Perishables.	**Achieved.** 79 environmental audits were carried out on Perishables and Private Brand suppliers in Portugal, an increase of 30% compared to 2017. In 2018, the level of environmental performance was as follows: 8% classified as “Excellent”, 10% as “Good”, 52% as “Sufficient” and 30% as “Inadequate”.
	Carry out at least 40 environmental audits every year on service providers.	**Achieved.** In 2018, 27 environmental audits on service providers in Portugal and 26 in Poland were carried out, a 20% increase when compared with 2017. The level of environmental performance was as follows: 28% classified as “Excellent”, 21% as “Good”, 43% as “Sufficient” and 8% as “Inadequate”.
Supporting Surrounding Communities	Monitoring and disclosure of the social impacts resulting from the support offered, according to the London Benchmarking Group (LBG) model.	**Achieved**. The monitoring and disclosure of the impacts resulting from the support offered by the Group, according to this model, is published in this document at the Chap. V “Corporate Responsibility in Value Creation”, section 7. “Supporting Surrounding Communities”, subsection 7.2. “Managing the Policy”, and at the “Responsibility” channel, page “Supporting Local Communities”, in the corporate website www.jeronimomartins.com.
	In Portugal, start at least one project of community investment per year, aimed at children, young people or elderly people from vulnerable environments.	**Not achieved**. Although it did not initiate any community investment project in this country, the “Mercado Social” (Social Market) initiative was developed to provide an opportunity to contribute to the financial sustainability of social institutions that run a social business. The Casa de Sto. António (House of Sto. António) and the Mercearia Semear (Semear Grocery) were the institutions whose products were sold at Pingo Doce, without any profit for the banner.
	In Poland, strengthen the involvement in social projects, focused on children, young people and elderly people from vulnerable environments.	**Achieved**. Examples include the Śniadanie Daje Moc (Breakfast Gives You Strength) and Zielona Kraina (Green Land) programmes, both in the promotion of healthy eating; and the Pomagamy Na 100 programme (We Help at 100), a financial assistance initiative designed for the senior population – in situations of great vulnerability - of small towns or villages in the stores’ surrounding areas.
	In Poland, expand the programme for direct food donations from the stores to local non-governmental organizations. Reach 1,500 stores by 2020.	**In progress**. The stores that had protocol with local institutions for the transportation of foodstuffs totalled 1,063.
	In partnership with Caritas Polska, launch a programme supporting vulnerable senior citizens, hoping to have an impact on at least	**Achieved**. The Pomagamy Na 100 (We Help at 100) programme covered more than 5,300 vulnerable elderly people who had access to

Action Pillars	Commitments for 2018-2020	Progress
	4,000 people every year.	prepaid Biedronka monthly cards, allowing them additional help with their budget. The investment was 2.5 million euros.
	In Colombia, maintain the involvement in social projects such as Aldeas Infantiles SOS Colombia (SOS Children's Villages Colombia), and Abaco - Asociación de Bancos de Alimentos de Colombia (Colombian Association of Food Banks) for the donation of foodstuffs.	**Achieved**. Under the new protocol with the Instituto de Bienestar Familiar (Institute of Family Welfare) to support day care centres, we supported 9,458 children under the age of five from families and neighbourhoods with very few financial resources, with products such as toothbrushes, toothpaste, bath gels and hand wipes, with a total of more than 8,800 euros. We have also donated more than 51 tonnes of food, an equivalent to more than 100,000 euros to Abaco. The rounding of purchases by clients totalling more than 110,000 euros has reverted to programmes in the areas of education (offer of teaching materials, sports and cultural programmes), health (medical support programmes), food and accommodation to the SOS Children's Villages Colombia.
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.	**Achieved.** The investment in support initiatives to employees under the areas of Health, Education and Family Well-Being amounted to 19.5 million euros, an increase of 4%. In Poland, through the "Możesz Liczyć na Biedronkę" programme (You Can Count on Biedronka), financial support was given to more than 9,000 employees in vulnerable situations. In Portugal, the Social Emergency Fund, which counts on the collaboration of social workers, allowed the support of 726 employees.
	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.	**Achieved**. This year, the Labour Fundamental Guidelines were created with the objective of allowing a simpler access to the legislation applicable in this scope and respect for Human Rights, which should be observed by the Group Companies in relation to their employees. In line with the legislation and the Code of Conduct, we highlight the value of diversity, the principle of equality and non-discrimination, the responsibility to keep the Group free of forced labour or child labour, the right to rest, the right to a fair remuneration, the right of association and collective bargaining, the right to a safe and healthy environment, right to privacy and personal/family life, and the responsibility of the Companies to implement measures that materialize these Fundamental Principles – including the means that promote their implementation and remediation mechanisms. The Group also undertakes training on its Code of Conduct.
	Foster diversity in talent attraction.	**Achieved**. Several formats of talent attraction were implemented such as directly through the stores, or through universities. We have strengthened our communication channels for recruiting by investing in the recruitment websites of the different Companies and consolidating our presence in social networks, such as Linkedin. By the end of 2018 this network had more than 140,000 followers. The Young Talent Jerónimo Martins page was also reinforced, which was focused on the university target audience, ending the year with more than 5,400 followers. There was also another edition of the "Management Trainee Programme",

Action Pillars	Commitments for 2018-2020	Progress
		which registered 9,575 candidates. During the year, more than 37,700 external recruitments were carried out. In addition, we promote the employability of people in situations of special vulnerability in access to the labour market, through the inclusion of people with disabilities, migrants or refugees and people exposed to social risk.

10. Table of Indicators

The following table of indicators follows the methodology of the Global Reporting Initiative Standards.

GRI No.	Description	Evidence	United Nations Global Compact Principles / Sustainable Development Goals
102-1	Name of the organization.	Jerónimo Martins, SGPS, S.A.	---
102-2	Activities, brands, products, and services.	Refer to Chapter I. "The Jerónimo Martins Group".	---
102-3	Location of headquarters.	Rua Actor António Silva n. º 7, 1649-033 Lisboa	---
102-4	Location of operations.	Refer to Chapter I. "The Jerónimo Martins Group".	---
102-5	Ownership and legal form.		---
102-6	Markets served.		---
102-7	Scale of the organization.		---
102-8	Information on employees and other workers.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.1. "Our People".	Principle 6 8
102-9	Supply chain.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapters 1. "Our Approach" and 6. "Sourcing Responsibly" and to Chapter III. "Consolidated Financial Statements".	
102-10	Significant changes to the organization and its supply chain.	Non-applicable.	---
102-11	Precautionary Principle or approach.	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".	---
102-12	External initiatives.	See channel "About Us", page "Organisations to Which We Belong" and channel "Responsibility", page "Our Responsibility Strategy", subpage "Stakeholder Engagement" on the website www.jeronimomartins.com.	---
102-13	Membership of associations.		---
102-14	Statement from senior decision-maker.	Refer to "Message from the Chairman".	
102-15	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".	
102-16	Values, principles, standards, and norms of behaviour.	See channel "Responsibility", page "Corporate Responsibility Publications" to consult the Code of Conduct and Code of Conduct for Suppliers on the website www.jeronimomartins.com. See channel "Investors", page "Corporate Governance", subpage "Specialised Committees" on the website www.jeronimomartins.com.	Principle 10 16
102-17	Mechanisms for advice and concerns about ethics.		16
102-18	Governance structure.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance.	
102-19	Delegating authority.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, sections A and B.	
102-20	Executive-level responsibility for economic, environmental, and social topics.		
102-21	Consulting stakeholders on economic, environmental, and social topics.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 2. "Stakeholder Engagement".	16
102-22	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.	5 | 16
102-23	Chair of the highest governance body.		16
102-24	Nominating and selecting the highest governance body.		5 | 16
102-25	Conflicts of interest.	See channel "Responsibility", page "Corporate Responsibility Publications" to consult the Code of Conduct and Code of Conduct for Suppliers on the website	16

GRI No.	Description	Evidence	United Nations Global Compact Principles / Sustainable Development Goals
		www.jeronimomartins.com. See channel "Investors", page "Corporate Governance", subpage "Specialised Committees" on the website www.jeronimomartins.com.	
102-26	Role of highest governance body in setting purpose, values, and strategy.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, sections A, B and C.	
102-27	Collective knowledge of highest governance body.	The Group carries out activities (e.g. internal and external training sessions, 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".	4
102-28	Evaluating the highest governance body's performance.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section D.	
102-29	Identifying and managing economic, environmental, and social impacts.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section C.	16
102-30	Effectiveness of risk management processes.		
102-31	Review of economic, environmental, and social topics.		
102-32	Highest governance body's role in sustainability reporting.	The approval of the Corporate Responsibility Report, included in the Annual Report, is a responsibility of the Shareholders' General Meeting.	
102-33	Communicating critical concerns.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance.	
102-35	Remuneration policies.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section D.	
102-36	Process for determining remuneration.		
102-37	Stakeholders' involvement in remuneration.		16
102-38	Annual total compensation ratio.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section D. "Remuneration", subsection IV – "Remuneration Disclosure".	
102-40	List of stakeholder groups.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 1. "Our Approach" and subchapter 2. "Stakeholder Engagement". See channel "Responsibility", page "Our Responsibility Strategy", subpage "Stakeholder Engagement" on the website www.jeronimomartins.com.	
102-41	Collective bargaining agreements.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values", subsection 8.2.1. "Respect for Human and Workers' Rights".	Principle 3 8 | 10
102-42	Identifying and selecting stakeholders.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 1. "Our Approach" and subchapter 2. "Stakeholder Engagement". See channel "Responsibility", page "Our Responsibility Strategy", subpage "Stakeholder Engagement" on the website www.jeronimomartins.com.	
102-43	Approach to stakeholder engagement.		
102-44	Key topics and concerns raised.		
102-45	Entities included in the consolidated financial statements.	Refer to Chapter I. "The Jerónimo Martins Group", Chapter III. "Consolidated Financial Statements" and Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance.	
102-46	Defining report content and topic Boundaries.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 2. "Stakeholder Engagement".	
102-47	List of material topics.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 1. "Our Approach" and subchapter 2. "Stakeholder Engagement".	

GRI No.	Description	Evidence	United Nations Global Compact Principles / Sustainable Development Goals
102-50	Reporting period.	This Jerónimo Martins Group's annual report covers the activities carried out between January 1st and December 31st 2018.	
102-51	Date of most recent report.	The previous Jerónimo Martins Group's annual report referred to 2017.	
102-52	Reporting cycle.	The Corporate Responsibility Report (included in the Annual Report) has an annual periodicity.	
102-53	Contact point for questions regarding the report.	comunicacao@jeronimo-martins.com	
102-54	Claims of reporting in accordance with the Standards. ✓	This report has been prepared in accordance with the Standards: Core option.	
102-55	content index.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 11. "Table of Indicators".	
102-56	External assurance. ✓	The information contained and marked in this table has been verified by an external third party – PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.	
MATERIAL ASPECTS			
103-1	Explanation of the material topic and its Boundary.	List of the Jerónimo Martins Group material aspects: 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; 11. Client support services; 12. Innovative products and services; 13. Reduction of packaging materials; 14. Attraction, talent retention, training and career development. Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 1. "Our Approach" and subchapter 2. "Stakeholder Engagement". See channel "Responsibility", page "Our Responsibility Strategy" on the website www.jeronimomartins.com.	
103-2	The management approach and its components.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapters 4 to 8 and see channel "Responsibility", page "Our Responsibility Strategy" on the website www.jeronimomartins.com.	1 | 5 | 8 | 16
103-3	Evaluation of the management approach.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 9. "Our Commitments 2018-2020" and see channel "Responsibility", page "Our Commitments and Progress" on the website www.jeronimomartins.com.	
ECONOMIC PERFORMANCE			
201-1	Direct economic value generated and distributed.	Refer to Chapter III. "Consolidated Financial Statements" and indicator 203-1.	2 | 5 | 7 | 8 | 9
201-2	Financial implications and other risks and opportunities due to climate change.	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", 53. "Details and Description of the Major Economic, Financial and Legal Risks to which the Company is Exposed in Pursuing Its Business Activity".	Principle 6 13
201-3	Defined benefit plan obligations and other retirement plans.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section D. "Remuneration". Refer to Chapter III. "Consolidated Financial Statements".	
201-4	Financial assistance received from government.	The Jerónimo Martins Group didn't receive any financial assistance from the Portuguese, Polish or Colombian governments during 2018.	
MARKET PRESENCE			
202-2	Proportion of senior management hired ✓	82% of employees with senior positions are hired locally.	Principle 6

GRI No.	Description		Evidence	United Nations Global Compact Principles / Sustainable Development Goals
	from the local community.			8 | 10
INDIRECT ECONOMIC IMPACTS				
203-1	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 Surrounding Communities" on the website www.jeronimomartins.com.	2 | 5 | 7 | 9 | 11
203-2	Significant indirect economic impacts.			1 | 2 | 3 | 8 10 | 17
PROCUREMENT PRACTICES				
204-1	Proportion of spending on local suppliers.	✓	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 6. "Sourcing Responsibly".	
ANTI-CORRUPTION				
205-1	Operations assessed for risks related to corruption.		Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section C. "Internal Organisation".	Principle 10 16
205-2	Communication and training about anti-corruption policies and procedures.		The Group conducts training sessions on its Code of Conduct in its Companies which includes the prevention of corruption theme. See channel "Responsibility", page "Corporate Responsibility Publications" to consult the Code of Conduct and the channel "Investors", page "Corporte Governance", subpage "Specialized Commitees" for information about the Ethics Committee, on the website www.jeronimomartins.com.	Principle 10 16
MATERIALS				
301-1	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 and Waste Management".	Principles 7 and 8 8 | 12
301-2	Recycled input materials used.			8 | 12
301-3	Reclaimed products and their packaging materials.		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. "Materials Consumption and Waste Management".	Principle 8 8 | 12
ENERGY				
302-1	Energy consumption within the organization.	✓	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change".	Principles 7 and 8 7 | 8 | 12 | 13
302-2	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.	7 | 8 | 12 | 13
302-3	Energy intensity.	✓	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change".	Principle 8 7 | 8 | 12 | 13
302-4	Reduction of energy consumption.			Principles 8 and 9 7 | 8 | 12 | 13
302-5	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. "Materials Consumption and Waste Management".	Principles 8 and 9 7 | 8 | 12 | 13
WATER				
303-1	Water withdrawal by source.	✓	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change".	Principles 7 and 8 6
303-2	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 (irrigation and cooling systems, for example), the Group holds the necessary licenses.	6
303-3	Water recycled and reused.		Less than 2%.	Principle 8

GRI No.	Description		Evidence	United Nations Global Compact Principles / Sustainable Development Goals
				6 | 8 | 12
BIODIVERSITY				
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.		The Jerónimo Martins Group infrastructures comply with legal requirements concerning environmental matters and are mostly 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.	Principle 8 6 | 14 | 15
304-2	Significant impacts of activities, products, and services on biodiversity.		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".	Principle 8 6 | 14 | 15
304-3	Habitats protected or restored.		Non-applicable to the Group's activities in 2018. Nevertheless, the Group collaborates with a number of habitat and ecosystem conservation initiatives such as Green Heart of Cork (WWF) and Eco-Locais (LPN).	Principle 8 6 | 14 | 15
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations.		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".	6 | 14 | 15
EMISSIONS				
305-1	Direct (Scope 1) GHG emissions.	✓	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change".	Principles 7 and 8 3 | 12 | 13 | 14 | 15
305-2	Energy indirect (Scope 2) GHG emissions.	✓		Principles 7 and 8 3 | 12 | 13 | 14 | 15
305-3	Other indirect (Scope 3) GHG emissions.	✓		Principles 7 and 8 3 | 12 | 13 | 14 | 15
305-4	GHG emissions intensity.	✓		Principle 8 13 | 14 | 15
305-5	Reduction of GHG emissions.	✓		Principles 8 and 9 13 | 14 | 15
305-6	Emissions of ozone-depleting substances (ODS).		In 2018, an emission of 1.1 kg of CFC-11 eq., associated to the use of gas R141b, was verified in air conditioning equipment in Colombia, which is part of the fixed assets of the acquired stores. These represent about 0.2% of the total of this type of equipment used in the Group's Companies.	Principles 7 and 8 3 | 12 | 13
305-7	Nitrogen oxides (NOX), sulphur oxides (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).	Principles 7 and 8 3 | 12 | 13 | 14 | 15
EFFLUENTS AND WASTE				
306-1	Water discharge by quality and destination.		Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change" and 5.4. "Materials Consumption and Waste Management".	Principle 8 3 | 6 | 12 | 14
306-2	Waste by type and disposal method.	✓		Principle 8 3 | 6 | 12 | 14
306-3	Significant spills.		In 2018, there were no spills with significant environmental impacts.	Principle 8 3 | 6 | 12 | 14 | 15
306-5	Water bodies affected by water discharges and/or runoff.		This aspect is not material. It has a residual expression in the Group's activities (around 3%). See Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change".	6 | 14 | 15
SUPPLIER ENVIRONMENTAL ASSESSMENT				
308-1	New suppliers that were screened using environmental criteria.	✓	In 2018, the Group audited 302 new suppliers and 98% of these were screened using environmental criteria. Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 6. "Sourcing Responsibly", section 6.5. "Supplier Audits".	Principle 8
308-2	Negative environmental		Refer to Chapter V. "Corporate Responsibility in Value	

GRI No.	Description		Evidence	United Nations Global Compact Principles / Sustainable Development Goals
	impacts in the supply chain and actions taken.		Creation", subchapter 5. "Respecting the Environment", section 5.2. "Biodiversity" and subchapter 6. "Sourcing Responsibly", section 6.5. "Supplier Audits".	
EMPLOYMENT				
401-1*	New employee hires and employee turnover.	✔	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.1. "Our People".	Principle 6 4 | 5 | 8
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees.		All benefits are applied to employees, regardless of their contract.	8 | 10
401-3	Parental leave.		Jerónimo Martins is improving its information systems in order to report this indicator in 2019.	Principle 6 5 | 8
LABOUR/MANAGEMENT RELATIONS				
402-1	Minimum notice periods regarding operational changes.	✔	We follow the notice periods established by the law in what regards changes of an operational nature.	8 | 10
OCCUPATIONAL HEALTH AND SAFETY				
403-1	Workers representation in formal joint management–worker health and safety committees.		Despite the participation of Employees in Health and Safety, there are no formal joint management–worker health and safety committees.	8
403-2*	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	✔	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 8.6. "Health and Safety at Work".	Principle 1 3 | 8 | 10
403-3	Workers with high incidence or high risk of diseases related to their occupation.		Not applicable.	3 | 8
403-4	Health and safety topics covered in formal agreements with trade unions.		Not applicable.	8
TRAINING AND EDUCATION				
404-1	Average hours of training per year per employee.	✔	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.3. "Attraction, Development and Talent Retention ", subsection 8.3.5. "Training".	Principle 6 4 | 5 | 8
404-2	Programs for upgrading employee skills and transition assistance programs.			8
404-3	Percentage of employees receiving regular performance and career development reviews.		All employees are covered by the performance assessment system according to internally defined criteria. However, we are improving the information systems in order to be able to report the respective overall percentage.	Principle 6 5 | 8
DIVERSITY AND EQUAL OPPORTUNITY				
405-1*	Diversity of governance bodies and employees.	✔	The Jerónimo Martins' team is described in Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.1. "Our People".	Principle 6 5 | 8 | 10
405-2	Ratio of basic salary and remuneration of women to men.	✔	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.4. "Remuneration".	Principle 6 5 | 8 | 10
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.		Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values" and subchapter 6. "Sourcing Responsibly", section 6.3. "Commitment: Human and Workers' Rights".	Principle 3 8
CHILD LABOR				
408-1	Operations and suppliers at significant risk for incidents of		Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer",	Principle 5

GRI No.	Description		Evidence	United Nations Global Compact Principles / Sustainable Development Goals
	child labour.		section 8.2. “Principles and Values” and subchapter 6. “Sourcing Responsibly”, section 6.3. “Commitment: Human and Workers' Rights”.	8 | 16
FORCED OR COMPULSORY LABOR				
409-1	Operations and suppliers at significant risk for incidents 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 subchapter 6. “Sourcing Responsibly”, section 6.3. “Commitment: Human and Workers' Rights”.	Principle 4 8
SECURITY PRACTICES				
410-1	Security personnel trained in human rights policies or procedures.		We are improving our information systems so that we can report this indicator.	16
HUMAN RIGHTS ASSESSMENT				
412-1	Operations that have been subject to human rights reviews or impact assessments.		Refer to Chapter V. “Corporate Responsibility in Value Creation”, subchapter 8. “Being a Benchmark Employer”, section 8.2. “Principles and Values”, subsection 8.2.1. “Respect for Human and Workers' Rights”.	Principle 1
412-2	Employee training on human rights policies or procedures.	✓	We have developed training courses on this subject in the context of the Code of Conduct or labour legislation, and we have developed the Labour Fundamental Guidelines. See the "Responsibility" channel, page "Corporate Responsibility Publications" to consult the Code of Conduct on the website www.jeronimomartins.com and Chapter V. "Corporate Responsibility in Creating Value", subchapter 8. "Being a Reference Employer", section 8.2. "Principles and Values", subsection 8.2.1. "Respect for Human and Worker Rights".	Principle 1 8 | 10
412-3	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
LOCAL COMMUNITIES				
413-1	Operations with 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".	Principle 1
SUPPLIER SOCIAL ASSESSMENT				
414-1	New suppliers that were screened using social criteria.	✓	In 2018, the Group audited 302 new Private Label and Perishable suppliers, 97% of which were also evaluated concerning labour 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 8 5 | 8 | 16
414-2	Negative social impacts in the supply chain and actions taken.	✓	In 2018, 1,541 Private and Perishable Brand suppliers were audited. Of these, 16 (1%) 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 6 (37.5% of nonconformities) committed to implement corrective measures. Of the remaining 10 (62.5% of nonconformities), the Group terminated its business relationship due to non-compliance with several aspects, which also included those related to labour.	5 | 8 | 16
PUBLIC POLICY				
415-1	Political contributions.		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.	16

GRI No.	Description		Evidence	United Nations Global Compact Principles / Sustainable Development Goals
			See channel "Responsibility", page "Corporate Responsibility Publications" to consult the Code of Conduct on the website www.jeronimomartins.com.	
CUSTOMER HEALTH AND SAFETY				
416-1	Assessment of the health and safety impacts of product and service categories.	✓	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".	
MARKETING AND LABELING				
417-1	Requirements for product and service information and labelling.		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 | 16
JERÓNIMO MARTINS INDICATORS				
---	Further improve the nutritional profile of both the Private Brand products, through product innovation and reformulation, and in Meal Solutions.	✓	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 4. "Promoting Good Health through Food", section 4.2. "Quality and Diversity".	2 | 3 | 10 | 12
---	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.	✓	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 9. "Commitments 2018-2020".	3 | 10 | 12
---	Calculation of the consumption of deforestation commodities (palm oil, soy, beef and paper and wood) in Private Brand products and Perishables.	✓	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 12 | 13 | 15
---	Monitoring and disclosure of the social impacts resulting from the support offered, according to the London Benchmarking Group (LBG) 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.	2 | 3 | 4 | 10 | 17
---	Food waste generated in Group operations (kg/tonnes of product sold).	✓	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.4. "Materials Consumption and Waste Management".	Principle 7 2 | 12 | 13
---	Reduce the Group's food waste by 10% during the 2018-2020 three-year period, compared to 2016.	✓		Principle 7 2 | 12 | 13
---	Reduce water consumption annually by 2% (per €1.000 of sales).	✓	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change".	Principle 7 7 | 12 | 13 | 14

GRI No.	Description		Evidence	United Nations Global Compact Principles / Sustainable Development Goals
---	Reduce electricity consumption annually by 2% (per €1.000 of sales).	✓		Principle 7 7 | 12 | 13
---	Complete at least 20 ecodesign projects for Private Brand product packaging every year.	✓	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.4. "Materials Consumption and Waste Management".	12 | 13
---	Number of locations with environmental certification (at least 25 by 2020).	✓	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.1. "Introduction".	Principle 8 7 | 12 | 13
---	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.	✓	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 6. "Sourcing Responsibly", section 6.4. "Commitment: Promotion of More Sustainable Production Practices".	Principle 8 12
---	Carry out at least 50 environmental audits every year on suppliers of Private Brand and Perishables.	✓	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 6. "Sourcing Responsibly", section 6.5. "Supplier Audits".	Principle 8 12 | 13 | 15
---	Carry out at least 40 environmental audits every year on service providers.	✓		Principle 8 12 | 13 | 15
---	Verify compliance to the Group's Sustainable Fishing Strategy.	✓	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 6. "Sourcing Responsibly", section 6.4. "Commitment: Promotion of More Sustainable Production Practices".	12 | 14
---	In Poland, expand the programme for direct food donations from the stores to local non-governmental organizations. Reach 1.500 stores by 2020.	✓	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 7. "Supporting Surrounding Communities", section 7.3. "Direct Support".	1 | 2 | 10 | 17

Table caption:

✓ Indicator verified by an independent external third party.

* Partially reported indicator. verified by an independent 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.

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

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INDIVIDUAL FINANCIAL STATEMENTS

Individual Financial Statements

Index to the Notes to the Individual Financial Statements — Page

Jerónimo Martins

INCOME STATEMENT BY FUNCTIONS
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

Euro thousand

	Notes	2018	2017
Services rendered	27	16,732	21,069
Cost of the services rendered	3	(14,444)	(14,289)
Gross profit		**2,288**	**6,780**
Other operating revenues	3	413	707
Administrative costs	3	(18,242)	(17,880)
Other operating costs	3	(20,420)	(12,469)
Operating profit		**(35,961)**	**(22,862)**
Net financial costs	5	(2,042)	(597)
Gains (losses) in subsidiaries	8	781,892	569,220
Gains (losses) in other investments	9	197	197
Profit (loss) before taxes		**744,086**	**545,958**
Income taxes	7.1	15,399	(6,742)
Net profit (loss)		**759,485**	**539,216**
Basic and diluted earnings per share – euros	19	1.209	0.858

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

Euro thousand

	Notes	2018	2017
Net profit (loss)		**759,485**	**539,216**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	4.2	98	(1,257)
Related tax	7.3	(22)	283
		76	**(974)**
Items that may be reclassified to profit or loss			
		-	-
Other comprehensive income, net of taxes		**76**	**(974)**
Total comprehensive income for the year		**759,561**	**538,242**

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

Jerónimo Martins

BALANCE SHEET AS AT 31 DECEMBER 2018 AND 2017

Euro thousand

	Notes	2018	2017
Assets			
Tangible assets	10	1,101	1,137
Intangible assets	11	5,241	4,347
Investment property	12	2,470	2,470
Investments in subsidiaries	13	665,016	665,016
Loans to subsidiaries	14	1,468,145	652,370
Deferred tax assets	7.3	7,637	4,677
Other debtors	15	19,440	19,367
Total non-current assets		**2,169,050**	**1,349,384**
Income tax receivable	7.4	-	1,090
Loans to subsidiaries	14	116,980	192,880
Trade debtors, accrued income and deferred costs	15	18,478	17,535
Cash and cash equivalents	16	559	35,451
Total current assets		**136,017**	**246,956**
Total assets		**2,305,067**	**1,596,340**
Shareholders' equity and liabilities			
Share capital	18.1	629,293	629,293
Share premium	18.1	22,452	22,452
Own shares	18.2	(6,060)	(6,060)
Retained earnings	18.3	1,278,184	903,853
Total shareholders' equity		**1,923,869**	**1,549,538**
Employees benefits	4.2	17,212	18,899
Provisions for risks and contingencies	21	21,506	13,403
Deferred tax liabilities	7.3	169	1,250
Total non-current liabilities		**38,887**	**33,552**
Trade creditors, accrued costs and deferred income	22	13,756	13,249
Borrowings	20	327,500	1
Income tax payable	7.4	1,055	-
Total current liabilities		**342,311**	**13,250**
Total shareholders' equity and liabilities		**2,305,067**	**1,596,340**

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

Euro thousand

	Notes	Share capital	Share premium	Own shares	Retained earnings	Shareholders' equity
Balance as at 1st January 2017		**629,293**	**22,452**	**(6,060)**	**745,814**	**1,391,499**
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	18.4				(380,203)	(380,203)
Balance as at 31st December 2017		**629,293**	**22,452**	**(6,060)**	**903,853**	**1,549,538**
Remeasurements of post-employment benefit obligations						
- Gross amount	4.2				98	98
- Deferred tax	7.3				(22)	(22)
Other comprehensive income		**-**	**-**	**-**	**76**	**76**
Net profit in 2018					759,485	759,485
Total comprehensive income		**-**	**-**	**-**	**759,561**	**759,561**
Dividend payment	18.4				(385,230)	(385,230)
Balance as at 31st December 2018		**629,293**	**22,452**	**(6,060)**	**1,278,184**	**1,923,869**

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

CASH FLOW STATEMENT

FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

Euro thousand

	Notes	2018	2017
Operating activities			
Cash received from customers and other debtors		22,912	22,896
Cash paid to suppliers and other creditors		(27,044)	(27,355)
Cash paid to employees		(17,108)	(16,343)
Cash generated from operations	**17**	**(21,240)**	**(20,802)**
Interest and other similar costs paid	5	(1,977)	(839)
Income taxes		5,404	2,269
Cash flow from operating activities		**(17,813)**	**(19,372)**
Investment activities			
Repayment of loans and capital contributions from subsidiaries	14	140,480	12,595
Disposals of other financial investments		-	187
Interest received	8	1,947	1,840
Dividends received	8	780,000	567,309
Loans and capital contributions given to subsidiaries	14	(880,355)	(263,560)
Acquisition of tangible assets	10	(209)	(627)
Acquisition of intangible assets	11	(1,556)	(3,899)
Acquisition of other financial assets		-	(105)
Cash flow from investment activities		**40,307**	**313,740**
Financing activities			
Received from loans	20	327,500	1
Interest and similar income received	5	345	375
Repayment of loans	20	(1)	-
Dividends paid	18.4	(385,230)	(380,203)
Cash flow from financing activities		**(57,386)**	**(379,827)**
Net changes in cash and cash equivalents		**(34,892)**	**(85,459)**
Cash and cash equivalents changes			
Cash and cash equivalents at the beginning of the year		35,451	120,910
Net changes in cash and cash equivalents		(34,892)	(85,459)
Cash and cash equivalents at the end of the year	**16**	**559**	**35,451**

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 2018 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 26 February 2019.

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 endorsed by the European Union (EU), as at 31 December 2018.

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

Between October 2016 and March 2018, the EU issued the following Regulations, which were adopted by JMH from January 1, 2018:

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. 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
Regulation no. 289/2018	IFRS 2 Share-based Payment: Classification and Measurement of Transactions (amendment)	June 2016	1 January 2018
Regulation no. 400/2018	IAS 40 Investment Property: Transfers (amendment)	December 2016	1 January 2018
Regulation no. 519/2018	IFRIC 22 Foreign Currency Transactions and Advance Consideration (new)	December 2016	1 January 2018

JMH adopted the amendments and interpretation with no significant impact on its Individual Financial Statements. JMH also adopted for the first time the new standards IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments, with no restatement of the comparative Financial Statements. As required by the standards, the nature and effect of these changes are the following:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. According with the standard, revenue is recognized in the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

JMH adopted this new standard from 1 January 2018, using the modified retrospective method, with the cumulative effect of the adoption of this standard recognized in the JMH's Retained Earnings at that date. No impact was registered in the JMH's Retained Earnings from its adoption. The comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

According with the modified retrospective method, IFRS 15 was applied only to contracts that were not completed at the date of initial adoption, the practical expedient related with contract modifications was not used.

The application of IFRS 15 did not had a significant impact on how JMH recognizes the revenue from services rendered to customers.

IFRS 9 Financial Instruments

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

JMH adopted this new standard using the retrospective method from 1 January 2018, date when the standard become effective, without restatement of comparative information, nor any effect being recognized in the JMH Retained Earnings at that date. The comparative information continues to be reported under IAS 39.

i. Classification and measurement

The application of the classification and measurement requirements of IFRS 9, did not have any significant impact on JMH Individual Financial Statements.

ii. Impairment

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

Considering that all JMH's services rendered are made with Group companies, with payment terms lower than 30 days, the application of this new impairment recognition model did not have any material impact on its Individual Financial Statements.

iii. Hedge accounting

JMH does not hold any financial instrument able to be designated as hedge accounting.

2.1.2 New standards, amendments and interpretations endorsed by EU but not effective for the financial year beginning 1 January 2018 and not early adopted

The EU endorsed, between November 2017 and October 2018, a new standard, interpretation 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. 1986/2017	IFRS 16 Leases (new)	January 2016	1 January 2019
Regulation no. 498/2018	IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation (amendments)	October 2017	1 January 2019
Regulation no. 1595/2018	IFRIC 23 Uncertainty over Income Tax Treatments (new)	June 2017	1 January 2019

This new standard, interpretation and amendments are effective for annual periods beginning on or after January 1, 2019 and have not been applied in preparing these Individual Financial Statements. None of these changes are expected to have a significant impact on the JMH's Individual 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 in the Balance Sheet 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.

This standard will apply from the mandatory date of adoption of 1 January 2019, however, no decision has yet been taken as to which method will be applied in the transition (full retrospective or modified retrospective method).

JMH will elect to use the exemptions proposed by the standard for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The option to separate lease and non-lease components (service) and consider only the lease component when applying this standard was chosen.

During 2018, JMH analysed the impacts of its adoption, and expects that it will have no significant impact on the JMH's Individual Financial Statements, as a result of the incorporation of the assets which are currently held under operating leases and their respective responsibilities.

In respect to current commitments regarding operating leases, if JMH decides to apply the modified retrospective method, at the adoption date 1 January 2019, it is estimated the recognition of an amount of right-of-use assets and lease liabilities in the range of EUR 500 thousand and EUR 1,000 thousand.

When comparing with the same items of the Income Statement if these standard were not adopted, it is estimated that EBITDA (Earnings Before Interests, Taxes, Depreciations and Amortizations) will be higher, since operating costs of leases are not recognised. In other hand, the net results should be lower, as they incorporate the amortizations of rights of use and interest on the total liabilities booked on 1st January 2019.

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

IASB issued between May 2017 and October 2018 the following standard and amendments that are still pending endorsement by the EU:

IASB Standard or IFRIC Interpretation	Issued in	Mandatory for financial years beginning on or after
IFRS 17 Insurance Contracts (new)	May 2017	1 January 2021
IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures (amendments)	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 (amendments)	December 2017	1 January 2019
IAS 19: Plan Amendment, Curtailment or Settlement (amendments)	February 2018	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards (amendments)	March 2018	1 January 2020
IFRS 3 Business Combinations: Definition of a Business (amendments)	October 2018	1 January 2020
IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material (amendments)	October 2018	1 January 2020

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

2.1.4 Change of accounting policies

In addition to the above, JMH has not changed its accounting policies during 2018, 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 other financial investments, 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 instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are offset, and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.4.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), fair value through profit or loss (FVTPL), or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the JMH's model adopted for managing them. With the exception of trade receivables, JMH initially measures a financial asset at its fair value plus transaction costs, in the case of a financial asset not measured at fair value through profit or loss. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Trade receivables are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The model adopted by JMH for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The model adopted determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, as described below:

i. Financial assets at amortised cost

JMH measures financial assets at amortised cost if held within the adopted model, with the objective to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment tests. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

JMH's financial assets at amortised cost includes mostly loans to subsidiaries and trade receivables.

ii. Financial assets at fair value through OCI

JMH measures financial assets at fair value through OCI if held within the adopted model, with the objective of both holding to collect contractual cash flows and selling, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

JMH does not have any financial assets under this category.

iii. Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, JMH can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets previously recognized in OCI are never recycled to profit or loss. Dividends are recognised as financial income in the income statement when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

JMH does not have any financial assets under this category.

iv. Financial assets at fair value through profit or loss

This category corresponds to the financial assets that do not meet the criteria for amortised cost or fair value through OCI and include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the short term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the adopted model. Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognised in the income statement.

This category includes the contributions to public Work Compensation Fund (FCT – “Fundo de Compensação do Trabalho”).

Derecognition

Financial assets are derecognised when: i. JMH's contractual rights to receive their cash flows expire; ii. JMH has substantially transferred all the risks and rewards of ownership; or iii. although it retains a portion but not substantially all the risks and rewards of ownership, JMH has transferred control over the assets.

2.4.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

JMH’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

i. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the short term. This category also includes derivative financial instruments entered into by JMH that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Gains or losses on liabilities held for trading are recognised in the income statement.

ii. Financial liabilities at amortised cost

After initial recognition, trade and other creditors, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

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

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.

Customers, debtors and other financial assets

JMH recognises an impairment for expected credit losses (ECLs) for financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that JMH expects to receive, discounted base on estimation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, JMH applies a simplified approach in calculating ECLs, not tracking changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. When performing the loss allowance assessment, JMH takes into consideration the historical credit loss experience, adjusted to forward looking factors specific to the debtors or the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 1p.p.	270	62

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, changes in the client's payment terms and forward-looking factors specific to the debtors and the economic environment. 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 [1.20% - 1.60%]
- Extended range [1.00% - 1.80%]

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

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	1.40%	0.50%	(640)	682
Salary growth rate	3.00%	0.50%	29	(28)
Pension growth rate	3.00%	0.50%	652	(612)
Life expectancy	TV 88/90	1 year	1,118	(1,046)

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.

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;
- 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;
- 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.

	2018	Level 1	Level 2	Level 3
Assets measured at fair value				
Investment property	2,470	-	-	2,470
Total assets	**2,470**	**-**	**-**	**2,470**
Liabilities measured at fair value				
Total liabilities	**-**	**-**	**-**	**-**

	2017	Level 1	Level 2	Level 3
Assets measured at fair value				
Investment property	2,470	-	-	2,470
Total assets	2,470	-	-	2,470
Liabilities measured at fair value				
Total liabilities	-	-	-	-

2.11 Financial instruments by category

2018	Financial assets at amortized cost	Financial assets at fair value through profit and losss	Financial liabilities at amortized cost	Total financial assets and liabilities	Other non financial assets or liabilities	Total assets and liabilities
Assets						
Cash and cash equivalents	559	-	-	**559**	-	**559**
Loans to subsidiaries	1,585,125	-	-	**1,585,125**	-	**1,585,125**
Trade debtors, accrued income and deferred costs	36,327	73	-	**36,400**	1,518	**37,918**
Other non-financial assets	-	-	-	**-**	681,465	**681,465**
Total assets	**1,622,011**	**73**	**-**	**1,622,084**	**682,983**	**2,305,067**
Liabilities						
Borrowings	-	-	327,500	**327,500**	-	**327,500**
Trade creditors, accrued costs and deferred income	-	-	6,887	**6,887**	6,869	**13,756**
Other non-financial liabilities	-	-	-	**-**	39,942	**39,942**
Total liabilities	**-**	**-**	**334,387**	**334,387**	**46,811**	**381,198**

Since JMH adopted the new standard IFRS 9 from 1 January 2018 without restatement of comparative information, in the following table the financial instruments are classified as applied in the 2017 Individual Financial Statements:

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**
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**

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 include 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

	2018	2017
Supplies and services	18,381	21,464
Rents	1,232	1,214
Staff costs	31,137	15,873
Depreciations and amortizations	1,052	570
Other operational (profit) loss	891	4,810
Total	**52,693**	**43,931**

4. Employees

4.1 Staff costs

	2018	2017
Wages and salaries	11,607	10,183
Social security	2,065	1,885
Employee benefits (see note 4.2)	351	835
Other staff costs	17,114	2,970
Total	**31,137**	**15,873**

Other staff costs include labour accident insurance, social responsibility costs, training costs, and indemnities, among others. In 2018 includes also an amount of EUR 15,000 thousand regarding compensation and benefits plans to Group employees, which are in the implementation phase.

The number of employees at the end of 2018 was 159 (2017 was 139). The average number of employees during the year was 151 (134 in 2017).

4.2 Employees benefits

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, considering 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:

	2018	2017
Retirement benefits - Defined contribution plan	-	-
Retirement benefits - Defined benefit plan paid for by the Company	16,576	17,927
Seniority awards	636	972
Total	**17,212**	**18,899**

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

	Income statement		Other comprehensive income	
	2018	2017	2018	2017
Retirement benefits - Defined contribution plan	457	445	-	-
Retirement benefits - Defined benefit plan paid for by the Company	223	240	(98)	1,257
Seniority awards	(329)	150	-	-
Total	**351**	**835**	**(98)**	**1,257**

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	
	2018	2017	2018	2017	2018	2017
Balance as at 1 January	**-**	**-**	**17,927**	**17,894**	**972**	**851**
Interest costs	-	-	223	240	14	13
Current service cost	457	445	-	-	74	4
Actuarial (gains) losses						
Changes in demographic assumptions	-	-	-	-	-	-
Changes in financial assumptions	-	-	(127)	819	(6)	41
Changes in experience	-	-	29	438	(411)	92
Contributions or retirement pensions paid	(457)	(445)	(1,476)	(1,464)	(7)	(29)
Balance as at 31 December	**-**	**-**	**16,576**	**17,927**	**636**	**972**

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

	2018	2017
Mortality table	TV 88/90	TV 88/90
Discount rate	1.40%	1.30%
Pension and salaries growth rate	3.00%	3.00%

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	1,324	4,636	4,022
Seniority awards	37	174	325
Total	**1,361**	**4,810**	**4,347**

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.

	2018	2017
Interest expense	(1,572)	-
Interest received	149	180
Fair value of financial instruments that do not qualify to hedge accounting	-	(470)
Other financial costs and gains	(619)	(307)
Net financial costs	**(2,042)**	**(597)**

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:

	2018	2017
Buildings – third parties	64	64
Buildings – group	483	475
Vehicles – third parties	601	587
IT equipment – third parties	37	27
Total	**1,185**	**1,153**

Apart from the costs above, there were occasional rentals throughout the year that amounted EUR 47 thousand (2017: EUR 61 thousand).

Real estate operating leases are short-term in nature, with annual renewals and no mandatory minimum lease payments.

Vehicle and IT equipment lease contracts used 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:

	2018	2017
Payments in less than 1 year	407	373
Payments between 1 and 5 years	407	476
Total future payments	**814**	**849**

All the contracts may be cancelled upon the payment of a penalty. At the end of 2018, the liabilities arising from penalty clauses were EUR 98 thousand (2017: EUR 66 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

	2018	2017
Current tax		
Current tax of the year	4,600	3,450
Adjustment to prior year estimation	27	20
	4,627	**3,470**
Deferred tax		
Temporary differences originated or reversed in the year	4,063	(1,872)
	4,063	**(1,872)**
Other Gains (losses) related with taxes		
Impact of changes in estimates for tax litigations	6,709	(8,340)
	6,709	**(8,340)**
Total income tax	**15,399**	**(6,742)**

As in previous years all tax litigation lawsuits were reassessed in detail. Considering the decisions pronounced in the meantime by the Courts in similar cases or in relation to the same facts, a reduction of provisions was made, in 2018, in the amount of EUR 6,826 thousand.

7.2 Reconciliation of effective tax rate

	2018	2017
Profit/loss before taxes	744,086	545,958
Income tax 22.5% rate	(167,419)	(122,841)
Tax effect from:		
Non-taxable or non-recoverable results	176,915	125,588
Changes in estimates for tax litigations	6,709	(8,340)
Non-deductible expenses	(564)	(499)
Change in income tax rate	-	-
Adjustment to prior year estimation	27	20
Results subject to special taxation	(269)	(670)
Income tax for the year	**15,399**	**(6,742)**
Effective tax rate	**(2.07%)**	**1.23%**

In 2018, the Corporate Income Tax rate (CIT) applied to companies operating in Portugal was 21% (in 2017 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 9%, for taxable profits higher than EUR 1,500 thousand, EUR 7,500 thousand and EUR 35,000 thousand respectively (in 2017 state tax was 7%, for taxable profits higher than EUR 35,000 thousand).

JMH's effective tax rate is significantly influenced by the fiscal effect of the dividend income received from subsidiaries. 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:

	2018	2017
Deferred tax assets	7,637	4,677
Deferred tax liabilities	(169)	(1,250)
Total	**7,468**	**3,427**

	01/01/2018	Impact on results	Impact on equity	31/12/2018
Deferred tax assets				
Employee benefits	4,252	(357)	(22)	3,873
Provisions and adjustments above tax limits	425	3,339	-	3,764
	4,677	**2,982**	**(22)**	**7,637**
Deferred tax liabilities				
Update of assets to fair value	(175)	6	-	(169)
Other temporary differences	(1,075)	1,075	-	-
	(1,250)	**1,081**	**-**	**(169)**
Net change in deferred tax	**3,427**	**4,063**	**(22)**	**7,468**

	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**

7.4 Receivable or payable income tax

Income tax reflected on the balance sheet is as follows:

	2018	2017
Income tax receivable	-	1,090
Income tax payable	(1,055)	-
Total	**(1,055)**	**1,090**

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.
- Terra Alegre Lacticínios, S.A.
- Best-Farmer – Actividades Agro-pecuárias, S.A.
- Seaculture – Aquicultura, S.A.
- João Gomes Camacho, S.A.
- Jerónimo Martins – Restauração e Serviços, 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	2018	2017
2022	746	1,331
Total	**746**	**1,331**

8. Gains (losses) in subsidiaries

	2018	2017
Dividends received	780,000	567,309
Interest from loans granted	1,892	1,911
Total	**781,892**	**569,220**

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.

	2018	2017
Rents from investment property	197	195
Fair value adjustment in other financial investments	-	2
Total	**197**	**197**

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

	01/01/2018 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2018 Closing balance
Buildings and other constructions	622	42	-	-	664
Transport equipment	88	-	-	-	88
Tools and utensils	2	-	-	-	2
Office equipment	2,932	70	-	1	3,003
Other tangible assets	392	-	-	-	392
Tangible assets in progress	-	97	-	-	97
	4,036	**209**	**-**	**1**	**4,246**

Accumulated depreciation and impairment

	01/01/2018 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2018 Closing balance
Buildings and other constructions	171	62	-	-	233
Transport equipment	77	11	-	-	88
Tools and utensils	2	-	-	-	2
Office equipment	2,323	173	-	-	2,496
Other tangible assets	326	-	-	-	326
	2,899	**246**	**-**	**-**	**3,145**
Net book value	**1,137**				**1,101**

10.2 Changes occurred in the previous 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**

10.3 Equipment under financial lease

At the end of 2018 and 2017, 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

	01/01/2018 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2018 Closing balance
Development expenses	2,399	1,205	-	2,751	6,355
Intangible assets in progress	3,621	496	-	(2,752)	1,365
	6,020	**1,701**	**-**	**(1)**	**7,720**

Accumulated amortisation and impairment

	01/01/2018 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2018 Closing balance
Development expenses	1,673	806	-	-	2,479
	1,673	**806**	**-**	**-**	**2,479**
Net book value	**4,347**				**5,241**

11.2 Changes occurred in the previous 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**

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 197 thousand (2017: EUR 195 thousand). This property is valued at its market value, according to an independent valuation, and is recorded at EUR 2.470 thousand (2017: EUR 2.470 thousand).

In 2018, JMH incurred expenses regarding this property in the amount of EUR 4 thousand (2017: EUR 4 thousand), recognised in results in other operating costs.

13. Investments in subsidiaries

The equity holdings in subsidiaries correspondes to investments in the acquisition of shareholdings in the companies listed in note 25, with an amount of EUR 665,016 thousand (2017: EUR 665,016 thousand).

14. Loans to subsidiaries

Non-current loans	**2018**	2017
Net value as at 1 January	**652,370**	**500,840**
Increases	878,575	154,050
Decreases	(62,800)	(2,520)
Net value as at 31 December	**1,468,145**	**652,370**

Non-current loans are granted as supplementary capital contributions (which do not bear interest).

Current loans	2018	2017
Net value as at 1 January	**192,880**	**93,445**
Increases	1,780	109,510
Decreases	(77,680)	(10,075)
Net value as at 31 December	**116,980**	**192,880**

Current loans are granted as treasury operations (remunerated at normal market rates)

15. 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 (notes 2.4.1 and 2.5.2).

	2018	2017
Non current		
Other debtors (work compensation fund - FCT)	73	-
Other debtors (collateral deposits)	19,367	19,367
Total	**19,440**	**19,367**
Current		
Subsidiaries	10,474	11,025
Other debtors	1,598	432
Taxes receivable	1,103	1,100
Accrued income	4,212	4,523
Deferred costs	1,091	455
Total	**18,478**	**17,535**

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 695 thousand (2017: EUR 3,708 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 9,697 thousand (2017: EUR 7,180 thousand).

Accrued income refers mainly to EUR 4,059 thousand (2017: EUR 4,425 thousand) regarding the rendering of technical and administrative services to subsidiaries not yet invoiced and EUR 70 thousand (2017: EUR 70 thousand) of interest receivable.

Deferred costs include EUR 7 thousand (2017: EUR 43 thousand) of issuance costs of commercial paper, and EUR 1,084 thousand (2017: EUR 412 thousand) of other costs relating to future periods, paid in 2018 or when not paid, already charged by the competent entities.

16. 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.

	2018	2017
Bank deposits	547	35,441
Cash and cash equivalents	12	10
Total	**559**	**35,451**

17. Cash generated from operations

	2018	2017
Net results	**759,485**	**539,216**
Adjustments for:		
Income tax	(15,399)	6,742
Depreciation and amortization	1,052	570
Net financial costs	2,042	597
(Gains) losses on subsidiaries	(781,892)	(569,220)
(Gains) losses on other investments	(197)	(197)
	(34,909)	**(22,292)**
Changes in working capital:		
Trade debtors, accrued income and deferred costs	1,509	(1,457)
Trade creditors, accrued costs and deferred income	(1,064)	4,451
Provisions and employee benefits	13,224	(1,504)
Cash generated from operations	**(21,240)**	**(20,802)**

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 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.

18.1 Share capital and share premium account

The authorised share capital is represented by 629,293,220 ordinary shares (2017: 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 2018, no changes occurred in the amount of EUR 22,452 thousand showed in share premium in 2017.

18.2 Own shares

At 31 December 2018, JMH held 859,000 own shares, acquired in 1999 at an average price of 7.06 euros per share. There were no transactions in 2018.

18.3 Retained earnings

As at 31 December 2018 the total amount of retained earnings was EUR 1,278,184 thousand (2017: EUR 903,853 thousand), resulting from profit generated in the financial year and previous years.

Of this amount. EUR 315,823 thousand (2017: EUR 315,747 thousand) are not able to be distributed, as provided in articles 32, 218, 295, 296 and 324 of the Commercial Companies Code.

18.4 Dividends

According with the decision made at the April 12th 2018 General Shareholders Meeting, the amount of EUR 385,230 thousand was distributed to Jerónimo Martins shareholders in May 2018. 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 204,241 thousand, which corresponds to a dividend per share of EUR 0.325 (excluding own shares in the portfolio).

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

	2018	2017
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)	**759,485**	**539,216**
Basic and diluted earnings per share – euros	**1.209**	**0.858**

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 (note 2.4.2).

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 28.

20.1 Current and non-current loans

	2018	2017
Non-current loans		
Bank loans – commercial paper	-	-
Total	**-**	-
Current loans		
Loans from Group companies	327,500	-
Bank loans – commercial paper	-	-
Bank loans	-	1
Total	**327,500**	1

20.2 Loan terms and maturities

	Average rate	2018	Payable in less than 1 year	Payable between 1 and 5 years
Loans from Group companies		327,500	327,500	-
Bank loans		-	-	-
Bank loans – commercial paper		-	-	-
Total	0.71%	**327,500**	327,500	**-**

	Average rate	2017	Payable in less than 1 year	Payable between 1 and 5 years
Loans from Group companies		1	1	-
Bank loans		-	-	-
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 114,750 thousand (2017: EUR 115,994 thousand).

20.3 Bank loans: commercial paper

There are several issued bank loans in the form of a commercial paper programme, in the global amount of EUR 155,000 thousand (2017: EUR 235,000 thousand), with variable interest rate. At the end of 2018, no amount of these credit lines was being used (2017: EUR 0 was being used).

20.4 Financial net debt

	2018	2017
Non-current loans	-	-
Current loans	327,500	1
Interest accruals and deferrals	133	(113)
Bank deposits	(547)	(35,441)
Total	**327,086**	**(35,553)**

21. 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.

2018	Opening balance	Set up and reinforced	Used and reversed	Closing balance
Other financial investments	-	-	-	-
Total adjustments to the net realisable value	**-**	**-**	**-**	**-**
Other risks and contingencies	13,403	15,000	(6,897)	21,506
Total provisions	**13,403**	**15,000**	**(6,897)**	**21,506**

2017	Opening balance	Set up and reinforced	Used and reversed	Closing balance
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**

The adjustment for available-for-sale financial assets was reduced in 2017, considering the disposal of Millennium BCP shares.

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.

In 2018, a provision for other risks and contingencies was set up, in the amount of EUR 15,000 thousand, regarding compensation and benefits plans to Group employees, which are in the implementation phase.

As in previous years, in 2018, all tax litigation lawsuits were reassessed. Considering the decisions pronounced in the meantime by the Courts in similar cases or in relation to the same facts, a reduction of provisions was made, in the amount of EUR 6,826 thousand.

22. 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 (note 2.4.2).

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.

	2018	2017
Subsidiaries	3,016	1,662
Other trade creditors	1,678	2,690
Other non-trade creditors	18	48
Taxes payable	514	687
Accrued costs	8,513	8,146
Deferred income	17	16
Total	**13,756**	**13,249**

The currente accrued costs includes salaries and wages payable in the amount of EUR 6,338 thousand (2017: EUR 5,689 thousand), and EUR 2,175 thousand (2017: EUR 2,457 thousand) regarding various costs (utilities, insurances, consultants, rents, among others), relating to 2018 and not invoiced by the respective entities prior to the end of the year.

23. Guarantees

The bank guarantees are as follows:

	2018	**2017**
Guarantees for the Tax Authority	14,404	14,404
Financing bank guarantees	231,350	16,676
Other guarantees provided	1,367	1,432
Total	**247,121**	**32,512**

The financing bank guarantees respect to financial loans obtained by the subsidiary Jerónimo Martins Colombia, SAS. These guarantees will be released following the guaranteed loans reimbursement.

24. 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 21):

- 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 the capital losses 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.

25. Subsidiaries

The direct investments owned by JMH, as at 31 December 2018, 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	288	259	100
Jerónimo Martins Serviços. S.A.	a)	Lisbon	100.00%	50	7,635	434	(16)
Eva – Soc. Invest. Mobiliários e Imobiliários. Lda.	a)	Funchal	5.61%	28	2,136	2,116	69
Friedman – Soc. Invest. Mobiliários e Imobiliários. Lda.	a)	Funchal	100.00%	5	182	161	(1)
Warta – Retail & Services Investments B.V.	a)	Amsterdam	100.00%	18	1,360,164	1,360,025	406,735
Tagus – Retail & Services Investments B.V.	a)	Amsterdam	100.00%	18	421,458	421,432	498,897
New World Investments B.V.	a)	Amsterdam	100.00%	18	367,583	367,488	(23,686)
Origins – Agro Business Investments B.V.	a)	Amsterdam	100.00%	18	91,120	91,116	(18)

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.

26. 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 2018 are those mentioned in notes 26 and 28 of Chapter III of the Group Consolidated Annual Report.

27. 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.

27.1 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 2018, nor are there any open amounts between them as at 31 December 2018.

27.2 Transactions with other related parties

27.2.1 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 2018 to EUR 14,683 thousand (2017: EUR 19,095 thousand).

27.2.2 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 1,551 thousand in 2018 (2017: EUR 1,469 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 498 thousand in 2018 (2017: EUR 505 thousand).

27.2.3 Lease of property

JMH develops its activity in premises rented from subsidiaries, which represented in 2018 costs of EUR 483 thousand (2017: EUR 475 thousand).

As mentioned in note 12, JMH owns a property which is partially rented out to a Group Company, and generated profits in 2018 in the amount of EUR 197 thousand (2017: EUR 195 thousand).

27.2.4 Treasury operations (current loans)

JMH granted treasury operations to subsidiaries, which generated interest in 2018 in the amount of EUR 1,892 thousand (2017: EUR 1,911 thousand).

27.2.5 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 2018, total costs incurred with services rendered by personnel from other companies amounted to EUR 8,077 thousand (2017: EUR 8,079 thousand).

27.2.6 Open balances as at 31st December 2018

Company	Current loans granted	Non-current loans granted	Current loans received	Accounts receivable	Accrued income	Deferred income	Accounts payable	Accrued costs
Subsidiary Companies								
Best-Farmer - Actividades Agro-Pecuárias, S.A.	4,655	-	-	5	7	-	474	-
Caterplus – Com. Dist. Produtos Consumo, Lda.	-	-	-	43	1	-	-	-
Desimo – Desenv. Gestão Imobiliária, Lda.	-	-	-	30	-	-	-	-
Escola de Formação Jerónimo Martins, S.A.	-	-	-	1	-	-	-	-
EVA - Soc. Invest. Mobiliário Imobiliários, Lda.	-	-	-	1	-	-	-	-
Friedman - Soc. Inv. Mobiliários e Imobiliários, Lda.	-	170	-	-	-	-	-	-
Hussel Ibéria – Chocolates e Confeitaria, S.A.	-	-	-	1	-	-	-	-
Imocash – Imobiliário de Distribuição, S.A.	-	-	-	1,069	-	-	-	-
Imoretalho – Gestão de Imóveis, S.A.	-	-	-	2	48	-	36	-
João Gomes Camacho, S.A.	-	-	-	5	4	-	-	-
Jerónimo Martins - Agro-Alimentar, S.A.	2,460	-	-	82	3	-	165	-
Jeronimo Martins Colombia, S.A.S.	-	-	-	4	-	-	-	-
Jeronimo Martins Polska S.A.	-	-	-	76	1,667	-	59	-
Jerónimo Martins – Restauração e Serviços, S.A.	2,500	-	-	33	2	-	-	-
Jerónimo Martins Serviços, S.A.	-	500	-	70	-	-	-	2,941
JMR – Gestão Empresas Retalho, SGPS, S.A.	88,105	-	-	57	156	-	-	-
JMR - Prestação Serviços para a Distribuição, S.A.	-	-	-	162	21	-	58	-
Larantigo - Sociedade de Construções, S.A.	-	-	-	1	-	-	39	-
Lidinvest - Gestão de Imóveis, S.A.	-	-	-	-	1	-	-	-
Lidosol II – Distrib. Produtos Alimentares, S.A.	-	-	-	47	9	-	-	-
Masterchef, S.A.	-	-	-	-	-	-	10	-
New World Investments B.V.	-	423,450	-	-	-	-	-	-
Origins - Agro Business Investments B.V.	-	91,195	-	-	-	-	-	-
Pingo Doce – Distribuição Alimentar, S.A.	-	-	-	140	1,669	-	57	-
Recheio - Cash & Carry, S.A.	-	-	327,500	7,241	437	17	209	-
Recheio, SGPS, S.A.	-	-	-	1,354	-	-	-	-
Seaculture - Aquicultura, S.A.	3,395	-	-	3	4	-	231	-
Tagus - Retail & Services Investments B.V.	-	950	-	-	-	-	-	-
Terra Alegre - Lacticínios, S.A.	15,865	-	-	45	23	-	1,678	-
Warta - Retail & Services Investments B.V.	-	951,880	-	-	-	-	-	-
Subtotal	116,980	1,468,145	327,500	10,474	4,059	17	3,016	2,941
Other related parties								
JMDB - Repr. e Distribuição Marcas, Lda.	-	-		-	-	-	1	-
Marismar Aquicultura Marinha S.A.	-	-		6	-	-	-	-
Unilever Fima, Lda	-	-		-	-	-	5	-
Subtotal	-	-		6	-	-	6	-
Total	**116,980**	**1,468,145**	**327,500**	**10,480**	**4,059**	**17**	**3,022**	**2,941**

27.2.7 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**

27.2.8 Remuneration paid to Directors

	2018	2017
Salaries and cash awards	1,320	1,329
Retirement benefits	284	299
	1,604	**1,628**

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 (2017: EUR 60 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.

28. Financial risks

JMH is exposed to various financial risks, namely market risk (which includes interest rate 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.

28.1 Interest rate risk

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.

28.2 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 2018 and 2017:

		2018	2017
Rating company	***Rating***	**Balance**	**Balance**
Standard & Poor's	[A+ : AA]	-	20
Standard & Poor's	[BBB+ : A]	172	7
Standard & Poor's	[BB+ : BBB]	302	1,286
Standard & Poor's	[B+ : BB]	10	23
Standard & Poor's	[B]	-	10
Moody's	[Caa2 : Caa1]	46	43
Fitch	[A- : A+]	-	34,023
Fitch	[BBB- : BBB+]	-	16
Fitch	[B- : BB-]	17	13
Total		**547**	**35,441**

The ratings shown correspond to those given by Standard and Poor's, Moody's and Fitch. The maximum exposure to credit risk at 31 December 2018 and 2017 is the financial assets carrying value.

28.3 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			
2018	Less than 1 year	1 to 5 years	More than 5 years
Borrowings			
Loans granted by Group companies	328,205	-	-
Commercial paper	33	115	25
Creditors	4,712	-	-
Operational lease liabilities	407	407	-
Total	**333,357**	**522**	**25**
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**	**-**

The cash flows presented for commercial paper programs include fixed expenses incurred with these programs, whether they are being used or not.

29. 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 2018 was EUR 100 thousand, of which EUR 90 thousand correspond to statutory audit of the accounts, while the remaining EUR 10 thousand are related to human resources support services;

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

30. 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, 26 February 2019

The Certified Accountant **The Board of Directors**

Building a better working world

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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 2018 (showing a total of 2.305.067 thousand euros and total equity of 1.923.869 thousand euros, including a net profit for the year of 759.485 thousand euros), the Income Statement by Functions, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity and the Cash Flow Statement 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 2018, 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 investments in subsidiaries and loans to subsidiaries recognized in the separate financial statements of Jerónimo Martins, S.G.P.S., S.A., as at 31 December 2018, amounts to 2.133.161 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 are analysed at each balance sheet date	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; ▶ Performing analyses, with the support of internal specialists, of the assumptions and methodologies used by the

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, is supported by 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 was a material matter for the purposes of our audit.	management, namely the impairment testing 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 assessment 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 to 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 Nº 4 and Nº 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, Nº 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 misstatements.

Pursuant to article 451, paragraph 7 of the Companies Code, this opinion is not applicable to the non-financial statement included in the Management Report.

On the non-financial information set out in article 508-G of the Commercial Companies Code

Pursuant to article 451, Nº 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 508-G of the Commercial Companies Code.

On the Corporate Governance Report

Pursuant to article 451, Nº 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) Nº 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 at the shareholders' general meeting held on 6 April 2017 for the current mandate from 2017 to 2018;
- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred with 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 25, 2019; and
- We declare that we have not provided any prohibited services as described in article 77, Nº 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Entity in conducting the audit.

Lisbon, 7 March 2019

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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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 V. "Corporate Responsibility in Value Creation" of the Annual Report 2018, for the year ended in December 31, 2018, 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 V. "Corporate Responsibility in Value Creation" of the Annual Report 2018, in accordance with the sustainability reporting guidelines Global Reporting Initiative, "GRI Standards", for the option "In accordance – Core" and with the instructions and criteria disclosed in the Report, as well as for the maintenance of an appropriate internal control system that enables 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 10. "Table of Indicators", of Chapter V. "Corporate Responsibility in Value Creation" of the Annual Report 2018, 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;

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(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, 2018;

(vii) Analysis of the process for defining the materiality of the sustainability issues, based on the materiality principle of GRI Standards, according to methodology described by the Company in the Report;

(viii) Verification that sustainability information included in the Report complies with the requirements of GRI Standards, for the option "In Accordance - Core".

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 V. "Corporate Responsibility in Value Creation" of the Annual Report 2018, relating to the year ended in December 31, 2018, were not prepared, in all material respects, in accordance with GRI Standards requirements and with the instructions and criteria disclosed in the Report and that the Company has not applied, in the sustainability information included in the Report, the GRI Standards guidelines, for the option "In accordance – Core".

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 V. "Corporate Responsibility in Value Creation" of the Annual Report 2018, 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 2018.

March 7, 2019

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

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