

2012

ANNUAL REPORT



• 1792-2012 ➤•

BUILDING THE FUTURE
SINCE 1792



JERÓNIMO MARTINS

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Message from the Chairman

Dear Shareholders and other stakeholders interested in Jerónimo Martins' performance,

The mandate of the Board of Directors, which I chair, ended on 31st December 2012, and was the first mandate to have been completed within the scope of the organisational structure defined in 2010 and which led to the Group adopting a model with a Chief Executive Office, a position entrusted to Pedro Soares dos Santos.

Despite the severity of the socio-economic situation in Portugal and the more recent slow-down in the Polish economy's growth rate, these three years saw significant value creation, consolidation and a reinforcement of our leadership in the markets where we operate, with a strong commitment to investment, while remaining focused on financial solidity and on preparing the future sustainability of the Group's businesses.

Between the end of 2009 and the end of 2012, consolidated sales increased by over 3.550 billion euros, posting a healthy CAGR of around 14% for the period. Jerónimo Martins' operation in Poland made a decisive contribution towards this performance, where we increased sales by 80% in three years. Today, Poland represents 60% of the Group's sales, having benefited, between 2010 and 2012, from a value of investment of close to one billion euros.

We feel naturally proud of the work that, through our Biedronka chain, we have been developing in Poland, and of the contribution we have been making to the social and economic development of the greatest Eastern Europe country integrated in the European Union.

We owe mostly to Biedronka's growth the fact that Jerónimo Martins holds the 76th place amongst the 250 largest worldwide retailers, a jump of five positions compared to the previous edition. According to the *2013 Global Powers of Retailing* ranking from the consultants Deloitte, in partnership with "Stores" magazine, and based on the 2011 financial information. Considering the group of the 50 retailers with the highest growth over the last five years, Jerónimo Martins comes in 22nd place in that ranking.

In the period of the 2010-2012 mandate, we managed to increase by 80% the net profit. Also between the end of 2009 and the end of 2012, Jerónimo Martins' share price had a cumulative increase of 109%, from 4.396 billion euros to 9.188 billion euros. This performance even managed to surpass, if only just, the cumulative performance of the previous three-year term (105.4%).

This is a remarkable evolution on all levels, which only stimulates and encourages us to continue. And this has even more meaning considering the fact that this was achieved in a period in which we significantly decreased our debt (from 692 million euros at the end of 2009, to 359 million euros at the close of 2012) and in which we significantly reinforced our corporate responsibility policies and practices, developed in a more deep and systematised way.

In fact, between 2010 and 2012, we built a framework applicable to all the countries in which the Group operates, especially the development and implementation of the Nutritional Policy, the Sustainable Sourcing Policy and the Policy for Supporting Surrounding Communities. These policies aim to ensure a uniform approach by the

various Group Companies regarding fundamental Corporate Responsibility topics, by establishing guidelines and defining strategic priorities that the Companies must observe when carrying out their activities.

It would be too comprehensive for me to provide details in this message of all the efforts deployed in the various aspects of our activity (see Chapter V of this Report), which are proof of our sense of responsibility when conducting our businesses.

As we are essentially a food Group, it gives me particular satisfaction that we have been contributing towards the fight against diet-related illnesses, through an ambitious programme for the nutritional reformulation of our private brand products. In 2011 and 2012 alone we removed over 1,700 tonnes of sugar, over 65 tonnes of fat and over 45 tonnes of salt from our products, whilst guaranteeing that their organoleptic quality was preserved. We believe that as such, we are consolidating our commitment to promoting health through diet, providing our consumers with healthier options, and for that very reason, more sustainable ones.

In the last three years, the Group also maintained and furthered its investment in a sourcing policy which, in equal circumstances and whenever possible, favours local and regional sourcing, as a means of actively contributing towards the socio-economic development of the regions where it operates, whilst at the same time reducing transport cycles, thereby avoiding unnecessary carbon dioxide emissions.

As such, in Portugal, over 80% of the products sold were purchased from local suppliers, whilst in Poland, over 90% of the food products sold in Biedronka stores were purchased from Polish suppliers. The earnestness of our commitment to stimulating the business and productive environment of the countries where we carry out our operations can be clearly seen in the work that we have been developing in order to establish differentiated relations with the Colombian suppliers, especially those for our Private Brand.

With regard to the support given by the Jerónimo Martins Group to surrounding communities, in material terms, food donations - which we book at cost price - continue to represent the vast majority of our donations. Whereas the overall donations made in 2011 by the Group Companies totalled 6.8 million euros, in 2012 that figure rose to 11.2 million euros.

However, it is with regard to the support to the Group's employees that I think our action has a more relevant impact. Between the end of 2009 and the end of 2012, the total number of the Group's employees increased by around 30%, which is largely due to the pace of Biedronka's expansion. Today there are around 70 thousand of us working for the Group, half of whom are in Poland.

Even when taking into consideration our clear gain in size in the last few years, we have maintained our commitment to contributing towards the increase in the value of the average salaries in the countries where we do business, namely through increasing the minimum wages in the Group's distribution companies. Thus, the Companies have been increasing the gap between their minimum wages and the minimum wages practiced in the countries. After reviewing and increasing our minimum wages in 2010 and 2011, we did so again in 2012, whilst continuing to ensure that performance bonuses were paid.

From an internal social responsibility point of view, apart from the regular programmes, we also endeavoured to respond to the exceptional personal and family needs of our store and distribution centre employees, in Portugal and in Poland. Due

to their material value, the following deserve a special mention: in Portugal, the Social Emergency Fund, created in September 2011 to overcome the extremely negative impacts of the Portuguese socio-economic situation of our less privileged employees and to which we allocated over two million euros, directed at financial, food, legal and/or medical support, in a total of over 5,700 support measures that have already been implemented; in Poland, the "You can count on Biedronka" programme, which in 2012 alone, provided financial support to over three thousand employees.

Protecting our people and developing our human capital, by preferably investing in internal promotions together with ongoing investment in training, are our fundamental strategic priorities. This is especially true today, when we are Group that celebrated its 220 years of history in 2012 and is still growing.

By the end of 2015, the year we are estimating to close with around 60 thousand employees in Poland alone, we shall comply with our commitment to having three thousand Biedronka stores, which will imply a huge additional effort in attracting, developing and retaining human resources.

Along with carrying out the ambitious expansion plan we have for Biedronka, we will have to know how to cultivate and perpetuate the two future growth seeds that are being left to us by the mandate now ending: Hebe, in Poland and Ara, in Colombia. We firmly believe in the potential of these two promising projects, which are proof of Jerónimo Martins' concern for preparing the future and preserving the dynamics of the Group's growth.

In order to conclude successfully this mission, as always, we shall count on our people, whose delivery, dedication and sense of belonging I sincerely thank, and whose example will inspire those who will join us in the future. Only so can we keep writing this story of learning and achievements.

For their valuable contributions towards the careful analyses of our action and the quality of our decisions, I express my full appreciation and thanks to the Members of the Board of Jerónimo Martins who have shared these last three years in which our market shares and results have so significantly been reinforced.

On 2nd January 2013, I completed 45 years of service with Jerónimo Martins. Since the company was listed on the Stock Exchange, 23 years ago, consolidated sales have multiplied by over 43 times and net profit by exactly 41 times.

Finally, I must share my deep gratitude for the trust and support that the Shareholders of Jerónimo Martins have always placed in the leadership of the Group.

My sincerest thanks to you all.

Alexandre Soares dos Santos

Lisbon, 14th February, 2013

Message from the Chief Executive Officer

As I take stock of the tough year in 2012, it is very satisfying to note that the results we achieved confirm the capacity of our Companies to rapidly respond to the changes and alterations in the competitive environment in which they operate and in consumer purchasing behaviour.

This was achieved at the same time as we overcame the challenges we had set ourselves, such as preparing for the start-up of the operation in Colombia and converting the majority of the Biedronka stores into a new layout, which places greater value on perishables (which we call fresh focus).

In effect, in the two countries in which we operate, we achieved our ambition of growing above the market and reinforcing our leadership.

In 2012, consolidated sales increased to 10.9 billion euros, an increase of 10.5% compared to the previous year and EBITDA was up 6%, reaching 765 million euros. The net results attributable to Jerónimo Martins were slightly over 360 million euros, whilst consolidated net debt closed the year at 359 million euros, proving the robustness of our financial situation.

Biedronka was responsible for 6.7 billion euros of the Group's sales, which represents an increase of 17.9% (in zloty) compared to 2011. If we look at consolidated EBITDA, 72.2% was generated by Biedronka, which therefore continues to strengthen its position as the Group's main growth and profitability driver.

The strong and increasing geographical coverage naturally contributes toward these figures as the banner, once again, scrupulously complied, in 2012, with our commitment to a challenging expansion plan, by opening 263 stores and strengthening its presence in the large cities.

In Poland, within a macro-economic environment of decreasing growth, higher unemployment and a slowdown in consumption, the Food Retail market grew by 4.4%, a growth that was exceeded by Biedronka's like-for-like sales performance of +6.4%.

At the same time, Biedronka continued to invest in its response to the emerging consumption trends, having identified Perishables as an area for strategic investment within the scope of the evolution of the food basket in the country and of the continuous strengthening of differentiation. This vision determined the effort of converting over 1,700 stores into the new layout, in the first nine months of the year. Carrying out the remodelling at a pace of 45 stores per week, Biedronka led the Group's biggest project of the year, which involved an investment of around 100 million euros. As such, the Company also turned its focus to Perishables, which in 2012 already represented 16.3% of sales (14.8% in 2011).

The assertiveness and speed with which the store transformation process was carried out is proof of the operational teams' high level of execution, although a slowdown in the in&out campaigns could not be prevented during the entire conversion process, ultimately having an unfavourable impact on the like-for-like sales, which would recover in the fourth quarter.

Irrespective of this recognition, the fact that Biedronka did not cling to the comfort of its leadership and its permanent desire to innovate and increase the distance that separates it from its competitors, are proof of its personality and attitude, having closed the year with over a billion visits to its stores. In fact, according to the PRM 2012 survey, 42% of Poles consider Biedronka to be their main store, whilst 73% regularly do their shopping there and 93% have shopped there at least once.

These are indicators that demonstrate the strength and vitality of a brand which has become an integral part of the life of the Polish people – who perceive it to be synonymous with price-leadership – and which is now the Jerónimo Martins Group's most valuable brand.

The opening of Biedronka's 2,000th store (and another two Distribution Centres) was an important landmark in the year and a step towards our long-acknowledged goal of having 3,000 stores in the chain in Poland by the end of 2015.

If expansion in Poland has been and will continue to be the motto, in Portugal we are facing a highly recessive socio-economic environment, which deteriorated throughout the year, more than initially estimated. Sales in Food Retail dropped 1.6% compared to 2011, with consumers being increasingly price-sensitive, which helped to increase the weight of the Private Brand to 42% of Pingo Doce's sales.

Pingo Doce's swift grasp of the context, the decision to invest – as from 1st May – in strengthening its competitive position and pooling efforts within the Company, with a view to protecting the top line's level, led to a growth in sales in 2012 reaching 3,063 million euros (+2.4%), which in turn strengthened the market share. Even if it was not possible to avoid a marginal decrease of 0.6% in like-for-like sales in the year, I am proud of Pingo Doce's fighting spirit, as it was able to direct its teams towards a commercial policy which started offering, on a weekly basis, new opportunities for Portuguese consumers to make immediate savings.

The decision to invest in price, which generated a 1.3% deflation in the basket, had a negative effect on the Company's margin, with its EBITDA falling to around 171 million euros, but enabled it to vigorously and sustainably invert the downward trend in market share, which had been seen in the first months of the year.

We shall continue to defend Pingo Doce's market share and to create conditions for its future sustainability, which will largely happen through the success with which we will be able to implement the restructuring programme we laid out and through the necessary efficiency gains. We know that the socio-economic situation will not significantly change in 2013 and that the Portuguese market will continue to have a negative performance. But, as a Group, we are not going to give up on our businesses in Portugal.

Despite the strong slowdown both in the Traditional Retail segment and the HoReCa channel, Recheio also managed to maintain stable sales compared to the previous year – with a volume of 792 million euros – by winning new customers, to offset what it was unable to prevent losing on the average purchase.

The resilience shown by the Company and the solidity of its business model encouraged us to decide to explore new international growth opportunities for Recheio, which in 2012, celebrated its 40 years of activity.

In Manufacturing, sales remained in line with the previous year, resisting the adverse environment, whilst in the area of Marketing, Representations and Restaurant Services we posted a 2.1% decrease in sales.

A few final words about our new businesses: Hebe and the operation in Colombia.

The work carried out in 2012 enabled us to confirm Hebe's potential, and so we shall now be focused on the final fine-tuning of the business model, to then commence rolling it out.

In Colombia, it was a year of hard work, full of enthusiasm. This is the first time that we have designed a business model and a food store from the outset and without any partnerships, in a market that until very recently was completely unknown to us.

It has been a gratifying experience and a huge challenge to our entrepreneurship capacities and ability to build relationships, infrastructures and processes from scratch. We know that the opening of the first store and first Distribution Centre will not be a finishing line, but truly a starting point for knowing the Colombian consumers, whose trust and preference we are determined to win.

At the end of what was my first mandate as Chief Executive Officer of Jerónimo Martins, I should like to thank the members of the Managing Committee for their support and contribution, and the dedication and commitment of almost 70 thousand employees who make up the Group today.

I wish to express to the Board of Directors my heart-felt appreciation of the strictness and accuracy used in evaluating the Management's performance and of the trust and support shown at all times.

Pedro Soares dos Santos
Chief Executive Officer

Lisbon, 14th February, 2013

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1. Profile & Structure

1.1. Identity & Responsibilities

Asset Portfolio

Jerónimo Martins is a Food Distribution Group, with market leadership positions in Poland and Portugal. In 2012 it achieved sales of 10.9 billion euros (62% in Poland and 38% in Portugal), an EBITDA of 765 million euros (72% in Poland and 28% in Portugal), employing a total of 69,443 people and ended the year with a market capitalisation of 9.2 billion euros on the NYSE Euronext Lisbon.



In Poland, **Biedronka**, a chain of food stores whose positioning combines the quality of its assortment and store environment with the practice of everyday low prices, is the Retail Food sales leader through a presence which is reflected in 2,125 stores spread across the entire Polish territory. At the end of 2012, the Company reached 6.7 billion euros of sales, recording around 1.1 billion customer tickets. In Poland, the Group also operates a pharmacy network under the **Apteka Na Zdrowie** banner, which at the end of 2012 had 36 units. Also in Poland, since May 2011, the Group has had a new project in the drugstore sector under the **Hebe** banner, which has 32 stores. This new business concept is based on the offer of high quality services at very competitive prices. This service quality is based on a combination of a pleasant store environment with the best reference brand products, and specialised advice in various areas.



In Portugal, the Jerónimo Martins Group holds a leading position in Food Distribution, having reached a combined turnover of 3.9 billion euros in 2012. It operates under the banners **Pingo Doce** (359 supermarkets in mainland Portugal and 13 on the island of Madeira) and **Recheio** (36 cash & carries and three Food Service platforms in mainland Portugal and one cash & carry and one food Service platform on the island of Madeira), and is the market leader in Supermarkets and Cash & Carries, both in terms of turnover and sales area. Moreover, Jerónimo Martins has been investing in the development of new projects in Portugal that are complementary to the Food Retail business, through its **Refeições No Sítio do Costume** Restaurants and Take Away within Pingo Doce, as well as its network of petrol stations, its **Bem-Estar** stores and through the banners **New Code** (adults' and children's clothing) and **Spot** (shoes and accessories).



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



Also within the area of Manufacturing, the partnership with Unilever is extended to **Gallo Worldwide**, operating in the Olive Oil and Vegetable Oil business. During 2012, Gallo Worldwide sold to 30 countries, including Portugal, and became the 3rd largest olive oil brand in the world.

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



Jerónimo Martins Distribuição de Produtos de Consumo, which is the representative in Portugal of international food brands (some of which are market leaders in fast-moving consumer food) and Food Service, through Caterplus, selective cosmetics and fast-moving cosmetics, through its partnership with the Puig group.



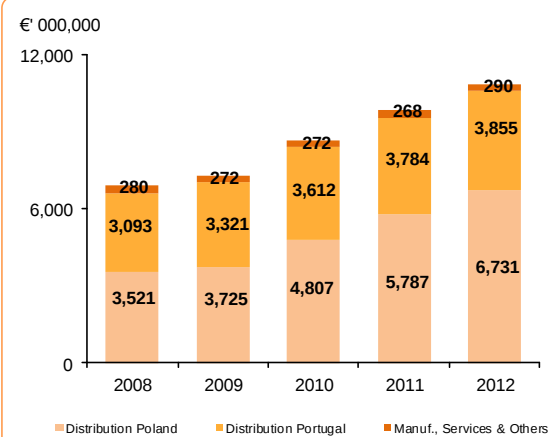
Hussel, a Specialised Retail chain selling chocolates and confectionary, with 25 stores at the end of 2012;



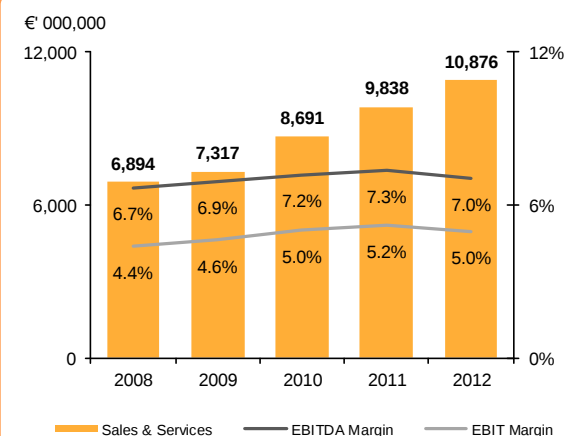
Jerónimo Martins Restauração e Serviços is engaged in projects in the Restaurant Services sector and at the end of 2012 included the Jeronymo chain of coffee shops with 17 points of sale; the Olá chain of ice-cream parlours, with 34 stores, five of which are franchised; and a Jeronymo Food with Friends restaurant, a concept that was renewed in 2012.

1.2. Operating & Financial Highlights

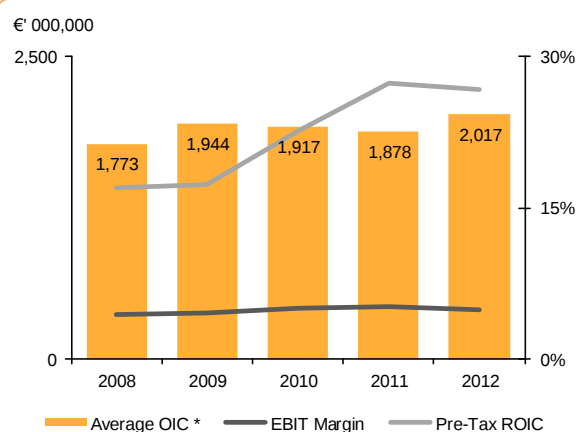
Sales & Services



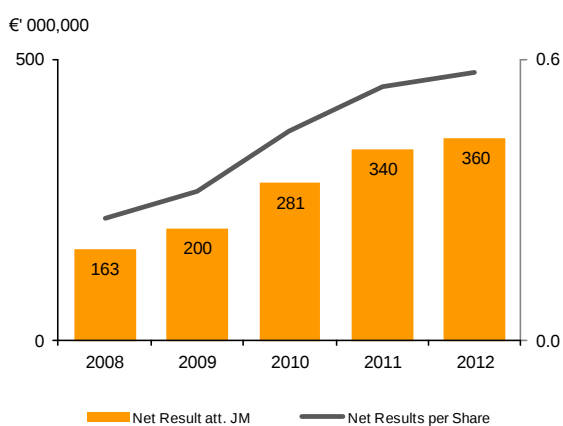
Sales, EBITDA Margin & EBIT Margin



Pre-Tax ROIC

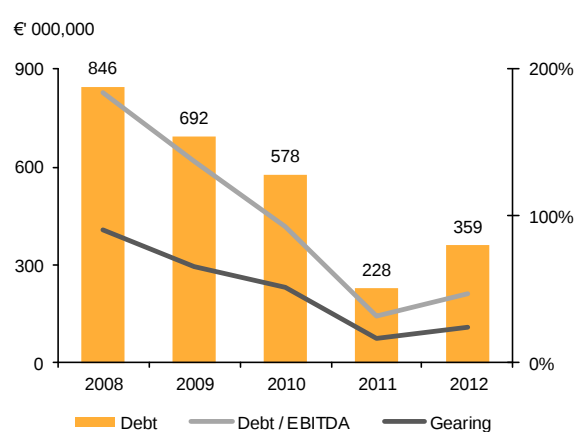


Net Results and Net Results per Share

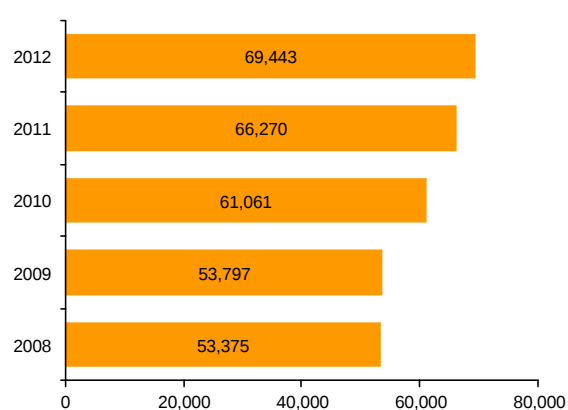


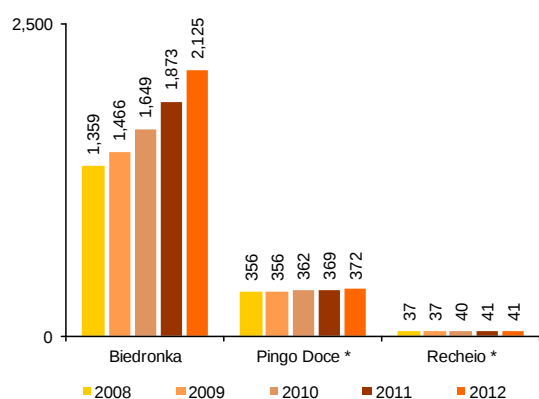
* Restated value - see details in Note 1.

Net Debt

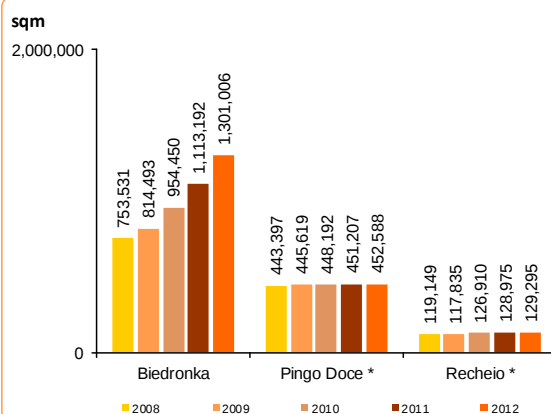


Employees

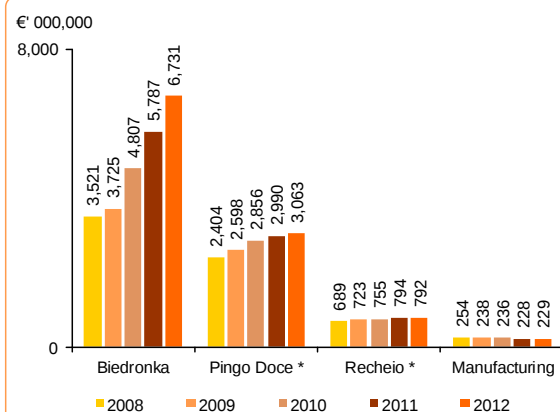


Number of Stores


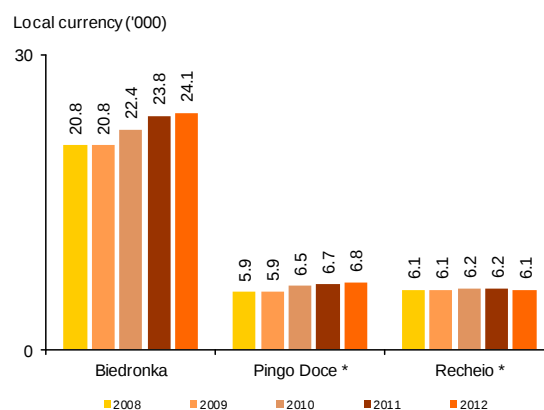
* The numbers reported include the operation at Madeira Island.

Sales Area


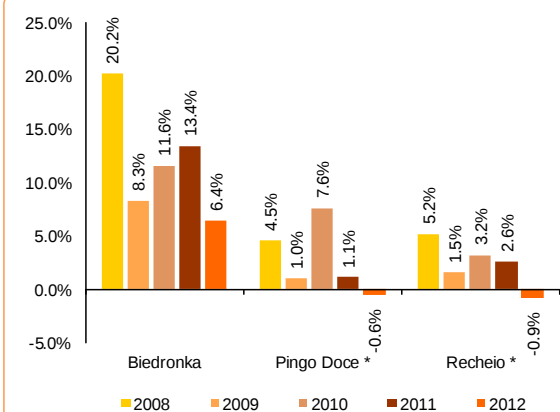
* The numbers reported include the operation at Madeira Island.

Sales


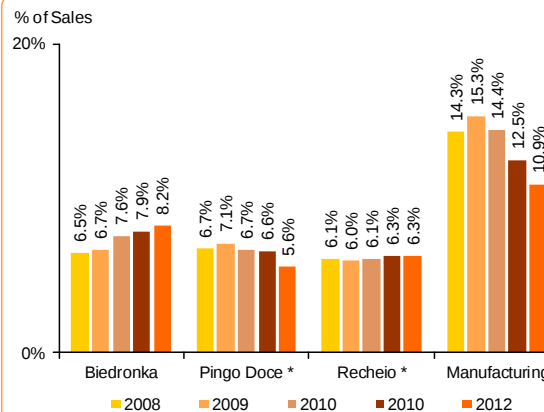
* The numbers reported include the operation at Madeira Island.

Sales / sqm


* The numbers reported include the operation at Madeira Island.

LFL Sales Growth


* The numbers reported include the operation at Madeira Island.

EBITDA Margin


* The numbers reported include the operation at Madeira Island.

Note 1 – An adjustment was made in Working Capital eliminating the value of long-term assets that are not allocated to the operating units. In the Balance Sheet, these values are included in the line 'Others', keeping unchanged the Invested Capital value. Regarding the calculation of profitability ratios, the Operational Invested Capital (OIC) also reflects this adjustment.

1.3. Statutory Bodies & Structure

1.3.1. Statutory Bodies

Election date: 9th April 2010

Composition of the Board of Directors elected for the term 2010-2012

Chairman of the Board of Directors

Elísio Alexandre Soares dos Santos

- 78 years of age
- **Chairman of the Evaluation and Nominations Committee since April 2010**
- **Chairman of the Group since 1996**

Chief Executive Officer

Pedro Manuel de Castro Soares dos Santos

- 53 years of age
- **Chief Executive Officer of the Group since April 2010**
- **Member of the Board of Directors since 1995**

Alan Johnson

- 57 years of age
- **Chief Financial Officer since January 2012**
- **Member of the Board of Directors since March 2012**

António Mendo Castel-Branco Borges

- 63 years of age
- **Member of the Board of Directors since March 2012**

António Pedro Carvalho Viana-Baptista

- 55 years of age
- **Member of the Audit Committee since April 2010**
- **Member of the Committee on Corporate Responsibility since April 2010**
- **Member of the Board of Directors since April 2010**

Artur Eduardo Brochado dos Santos Silva

- 71 years of age
- **Member of the Evaluation and Nominations Committee since April 2010**
- **Member of the Board of Directors since 2004**
- **Member of the Audit Committee since April 2011**

Hans Eggerstedt

- 74 years of age
- **Chairman of the Audit Committee since 2007**
- **Member of the Board of Directors since 2001**

José Manuel da Silveira e Castro Soares dos Santos

- 50 years of age
- **Member of the Committee on Corporate Responsibility since April 2010**
- **Member of the Evaluation and Nominations Committee since April 2010**
- **Member of the Board of Directors since 2004**

Luís Maria Viana Palha da Silva

- 57 years of age
- **Chairman of the Committee on Corporate Responsibility since April 2010;**
- **Member of the Evaluation and Nominations Committee since April 2010**
- **Member of the Board of Directors since 2001**

Marcel Lucien Corstjens

- 62 years of age
- **Member of the Board of Directors since 2009**

Nicolaas Pronk

- 51 years of age
- **Member of the Board of Directors since 2007**

Statutory Auditor and External Auditor

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

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

Represented by:

Abdul Nasser Abdul Sattar, R.O.C.

Substitute:

José Manuel Henriques Bernardo

Company Secretary

Henrique Manuel da Silveira e Castro Soares dos Santos

Substitute:

Carlos Miguel Martins Ferreira

Chairman of the General Shareholders' Meeting

João Vieira de Castro

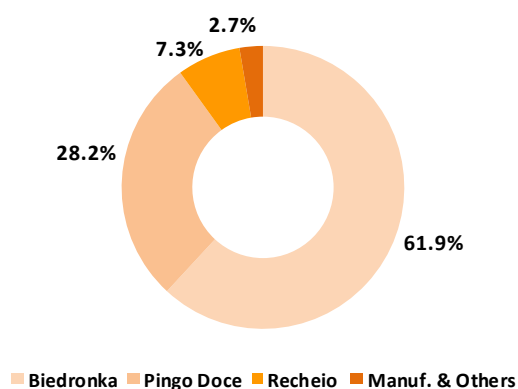
Secretary of the General Shareholders' Meeting

Tiago Ferreira de Lemos

1.3.2. Business Structure



Sales by Business Area 2012



EBITDA by Business Area 2012

	EBITDA	% Total
Biedronka	552	72.2%
Pingo Doce	171	22.4%
Recheio	50	6.5%
Manuf. & Others	-9	-1.2%
JM	765	100.0%

1.3.3. Management Structure

Leading the management structure of Jerónimo Martins, SGPS, S.A. is the Board of Directors, comprised of its Chairman and 10 Directors, one of whom is the Chief Executive Officer.

Supporting the Chief Executive Officer in the daily management of the company's businesses is a Managing Committee comprised of the Chief Executive officer himself, the Chief Financial Officer - Alan Johnson and five directors who represent the following areas: Strategy and International Expansion - Nuno Abrantes; Operations - Pedro Silva (also the Country Manager for Poland); Human Resources - Marta Maia; Corporate Communication and Responsibility - Sara Miranda and Legal Affairs - Carlos Martins Ferreira.

Also part of the structure of Jerónimo Martins, SGPS, S.A., the Group's holding, are the Functional Divisions which provide support and advice to the Board of Directors, the Managing Committee, the Audit Committee, the Corporate Responsibility Committee and the Evaluation and Nominations Committee, as well as to the remaining Group companies.

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

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

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

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

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

The management structure of Unilever Jerónimo Martins is based on a Management Board, comprised of managers nominated by the partners Jerónimo Martins, SGPS, S.A. and Unilever. Reporting to this entity is a Managing Committee which is made up of the Business Units' Food, Personal Care and Home Care and Out-of-Home Divisions, as well as the Functional Divisions of Sales, Human Resources, Supply Chain (which

encompasses Purchasing, Planning, Logistics, Customer Service, Quality Control and Productive Units), Financial, Legal, Communications and Information Systems.

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

Included in the Services segment are Jerónimo Martins Distribuição de Produtos de Consumo, which includes the partnership with Caterplus, Jerónimo Martins Restauração e Serviços and Hussel. The Companies guarantee all the operational and management side of the business, whilst Jerónimo Martins Distribuição de Produtos de Consumo provides its sister companies with Financial, Information Systems, Human Resources and Logistics services.

2. Strategic Positioning

2.1. Mission

Jerónimo Martins is a Portugal-based international Group operating in Food Distribution and Food Manufacturing, with a view to satisfying 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, Jerónimo Martins adopts continuous and sustainable value creation and growth, within the scope of its approach to Corporate Responsibility.

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

2.2. Strategic Vision

Creating Value and Growth

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

1. Continuous strengthening of the balance sheet;
2. Risk management in preserving asset value;
3. Maximising the effect of scale and synergies;
4. Promoting innovation and a pioneering spirit as factors for developing competitive advantages.

These four aspects aim to achieve the following strategic objectives:

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

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

- Strengthening their price competitiveness and value proposition;
- Improving their operational efficiency;
- Incorporating cutting edge technology;
- Identifying opportunities for profitable growth.

2.3. Operating Profile

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

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

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

3. Awards & Recognition

Corporate

- **"Excellency in Leadership"** prize, awarded to Alexandre Soares dos Santos, Chairman of the Jerónimo Martins Group in the 22nd edition of "Exame 500 Biggest & Best" promoted by "Exame" magazine;
- **"Best Stock Performance in 2011"**, awarded at the 1st NYSE Euronext Lisbon Awards;
- **"Best Stock Exchange Performance"**, awarded at the 25th Investor Relations & Governance Awards, promoted by the consultants Deloitte, in partnership with the daily newspaper "Diário Económico";
- **"Best Investor Relations Officer" (Cláudia Falcão)**, awarded at the 25th Investor Relations & Governance Awards, promoted by the consultants Deloitte, in partnership with the daily newspaper "Diário Económico";
- **"APCE Grand Prize 2012 – Excellence in Communications"**, in the "Management Report" category, awarded to the Jerónimo Martins Group's 2011 Annual Report, by Associação Portuguesa de Comunicação Empresarial (Portuguese Business Communication Association).

Distribution Poland

Biedronka

- **Considered to be the 10th largest company in Central and Eastern Europe** in Coface's "TOP 500 CEE";
- **"Golden Trusted Brand"** award, attributed by the Reader's Digest, in the 12th European Trusted Brand ranking;
- **It held 4th place** in the ranking of the 500 largest companies, compiled by the daily newspaper "Rzeczpospolita" (in terms of turnover);
- **It held 3rd place** in the ranking of the most valuable Polish brands, compiled by the daily newspaper "Rzeczpospolita";
- **It held 4th place** in the ranking compiled by the weekly newspaper "Polityka" (in terms of turnover);
- **It held 4th place** in the ranking compiled by "Gazeta Finansowa" (in terms of turnover) and 1st place in the Retail sector;
- **"Superbrand"** award, from the Independent Brand Council;
- **"Eurobuild"** award in the "New Concept in Retail" category (change in the layout focusing on Perishables);
- **"2012 Service Quality"** award, attributed in the 5th edition of a study in which millions of consumers participated. Biedronka was also recognised as "Service Quality Leader", when it achieved this award for the fourth time;
- **"Effie"** award, in the "Retail" category, awarded to the campaign "We're all the Polish Team";

- **"Patrons of Polish Sport"** prize, awarded in a contest organised by Canal+ and the National Sports Chamber;
- **Partnership for Health** (which includes Biedronka, the Polish Institute of Mother and Child, Danone and Lubelle) obtained the following awards in 2012: **"Charity of 2011"**, in the "Strategic Investment Programmes in the Surrounding Communities" category; the **"Know Health"** award. The educational programme "Breakfast Gives You Strength" was also awarded the bronze **"Stevie Award"** and the silver **"Magellan"** award, by the League of American Communications Professionals.

Distribution Portugal

Pingo Doce

- Brand chosen as **"Superbrand"**, in the 8th edition of these awards which honour the Portuguese brands of excellence;
- **"Consumer's Choice"** award in the "Hypermarket" category;
- **"Silver Medal"**, awarded to Vinho Regional Alentejano Pingo Doce in the 2012 Portuguese Wine Competition;
- **"Prestige Medal"**, awarded to Vinho Moscatel de Setúbal Pingo Doce in the 2012 Portuguese Wine Competition.

Recheio

- **"Masters of Distribution" prize**, awarded to Recheio, in the "Banners - Wholesaler" category in the 21st edition of these awards promoted by the IFE Group and the magazine "Distribuição Hoje".

Manufacturing and Services

Unilever Jerónimo Martins

- **"Masters of Distribution"** prizes, awarded to the Unilever Jerónimo Martins brands in the 21st Masters of Distribution, organised by the IFE Group and the magazine "Distribuição Hoje", in the "Products" category: Butter-flavoured Planta (Cooking Fats and Spreads); Knorr Fresh Soups (Ready Meals); Carte D'Or Starry Night (Desserts and Ice-Creams); Sun Turbo Gel (Dishwasher Detergent);
- **"Trusted Brand"**, awarded to SKIP, chosen for the 11th consecutive year, in the "Laundry Detergent" category;
- **"Trusted Brand"**, awarded to Comfort, chosen for the 4th consecutive year, in the "Fabric Softeners" category;
- **"Trusted Brand"**, awarded to Becel, in the "Spreads" category;
- **"Product of the Year"** awards, attributed to Linic (Shampoo category) and Rexona Maximum Protection ("Roll-on Deodorant" category);

- **"Consumer's Choice"** award, in the "Easy Cooking Seasoning" category, awarded to Knorr Flavours in the Oven;
- **"GOLD Indian"** award, in the "Health and Beauty" category, awarded to the campaign to launch the Dove Men+Care deodorant, in the POPAI AWARDS Portugal 2012.

Gallo Worldwide

- **"Best Olive Oil in the World"** honour (86 points), awarded to Azeite Novo, in the Marco Oregia competition, which took place in Italy;
- **"Two Stars"**, awarded to Azeite Novo and Colheita ao Luar, in the Great Taste Awards 2011, which took place in England;
- **"Two Stars"**, awarded to Azeite Novo and Colheita ao Luar, by the International Taste & Quality Institute, in Belgium;
- **"Silver Medal"**, awarded to Colheita ao Luar, in the Los Angeles International Extra Virgin competition, which took place in the United States;
- **"Bronze Medal"**, awarded to Grande Escolha in the Los Angeles International Extra Virgin competition, which took place in the United States;
- **"Gold Prestige"** honour, awarded to Grande Escolha, in the International Olive Oil Challenge in Latin America – Olivinus, which took place in Argentina;
- **"Gran Prestigio Oro"** and **"Prémio Especial: Premio E. A. Tittarelli Portugal" Honours**, awarded to Azeite Novo, in the International Olive Oil Challenge in Latin America – Olivinus, which took place in Argentina;
- **"Silver Medal"**, awarded to Grande Escolha, in the China International Olive Oil Competition;
- **"Bronze Medal"**, awarded to Colheita ao Luar, in the China International Olive Oil Competition;
- **"Grand Mention" Honour**, awarded to Azeite Novo, in the China International Olive Oil Competition.

Jerónimo Martins Distribuição de Produtos de Consumo

- **"2012 Product of the Year" award**, attributed to Vivesoy, in the "Soya Beverages" category;
- **"2012 Product of the Year" prize**, awarded to Sunlover, in the "Functional Beverages" category;
- **The Kellogg's and Heinz brands held 29th and 46th places, respectively, in the "Best Global Brands" ranking**, compiled annually by Interbrand, which determines the 100 most valuable brands on a worldwide level;
- **Kellogg's held 35th place in the "Best Global Green Brands" ranking**, compiled annually by Interbrand in partnership with Deloitte, which determines the 50 brands which best combine performance with environmental awareness on a worldwide level.

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1. Key Facts of the Year

First Quarter

- Opening of 37 Biedronka stores
- Opening of two Hebe stores
- Conversion of a hypermarket into the new Pingo Doce concept, in Santa Maria da Feira

Second Quarter

- Opening of 39 Biedronka stores
- Opening of a new Biedronka Distribution Centre, in Ruda Śląska
- Launch of the Biedronka advertising campaign "Euro 2012", an event which the banner joined as the official sponsor of the Polish football team
- Opening of a new Head Office in Poland
- Opening of three Hebe stores
- Reduction by Pingo Doce of its payment terms down to 10 days to Portuguese Perishables suppliers
- New Pingo Doce communication policy and execution of the 1st May campaign
- Opening of two Pingo Doce stores
- Organized visit of potential Colombian Private Brand suppliers to both Poland and Portugal

Third Quarter

- Opening of 66 Biedronka stores
- Opening of 13 Hebe stores
- Opening of one Pingo Doce store
- JMDPC starts representing the Pringles, Evian and Tabasco brands
- Beginning of the construction of the first Distribution Centre in Colombia

Fourth Quarter

- Opening of 121 Biedronka stores
- Opening of the 2,000th Biedronka store, in Łódź
- Opening of a new Biedronka Distribution Centre, in Sieradz, which represents the expansion of the Company's operations to 10 regions
- Conclusion of the plan for changing the layout of all the Biedronka stores, reinforcing the visibility and importance of the Perishables operation
- Opening of seven Hebe stores
- Implementation of the SAP IT system at Recheio
- Beginning of construction for the first stores in Colombia
- 1st Private Brand Convention held in Colombia
- 3-Year bond issue of JMR Gestão de Empresas de Retalho, SGPS, S.A. in the amount of 250 million euros
- Payment of an extraordinary dividend to the shareholders of Jerónimo Martins SGPS, S.A. through the distribution of reserves

2. 2012 Environment

2.1. International Macroeconomic Environment

The International Monetary Fund (IMF) projections, published at the end of 2012, indicate 3.3% growth of the world economy in 2012, against 3.8% recorded in 2011. Global growth in 2012 was highly limited by a number of factors, such as: i. political uncertainty; ii. budgetary constraints; iii. tax increases (particularly in the United States); and iv. the slowdown of growth of the emerging and developing economies. Beyond these factors, there were also the effects of high unemployment, slow fiscal consolidation, continuing deleveraging of the banking sector, low levels of consumption and business confidence.

The world economy in 2012 was marked by a two-speed growth: while emerging and developing economies were the main driver of global growth, although affected to a certain degree by the decline of financial markets, the advanced economies were highly affected and recorded considerable slowdown. Even so, according to the indicators for the fourth quarter of 2012, the emerging economies of East Asia and the Pacific, Eastern Europe, Central and South Asia continued to record a steady growth, while the economies of Latin America and the Caribbean recorded a slowdown.

The majority of economies of the developed countries were subject to several austerity measures, including government spending cuts and reductions of social benefits, in an attempt to control the deficit. These measures sharply penalised economic growth. These economies as a whole grew 1.3% in 2012, against 1.6% in 2011. The emerging markets also showed signs of economic slowdown, as Gross Domestic Product (GDP) growth of emerging and developing economies stood at 5.3%, against 6.2% recorded in 2011.

Concerns about the sustainability of public finances, the fiscal imbalances and the public debt were foremost in 2012, a year marked by low growth, budget deficits, high financial liabilities, higher costs associated with population ageing and weak financial sectors. This combination of factors directly led not only to the devaluation of some ratings, but also high financial costs regarding loans, especially for some European countries. The public debt in advanced economies rose to the highest levels since World War II. In Japan, the United States and some European countries, public debt was greater than 100% of GDP.

The Eurozone economy shrank by 0.4% in 2012, compared with the 1.4% growth recorded in 2011. This performance was heavily affected by the fragile financial conditions and stricter fiscal policy, as a means of combating the high budget deficits.

In relation to monetary policy, according to the IMF, interest rates in emerging and developing economies remained relatively low, while the recorded credit rates remained high. The worsening of financing conditions contributed to a marked slowdown of bank lending.

Unemployment rates in emerging and developing countries recorded very high levels, particularly in the economies affected by the crisis. The unemployment rate in the Eurozone was 11.2%, with Greece (23.8%) and Spain (24.9%) worth of note. The unemployment rate in advanced economies averaged 8%, which is 1 p.p. up from 2011. Japan recorded the lowest unemployment rate, at 4.5%.

The vast majority of prices of agricultural commodities, such as maize, wheat and soy beans, rose in 2012. Nevertheless, the price volatility of most commodities has decreased over the last two years.

Overall, 2012 was marked by the sovereign debt crises, the reduction of costs by States, tax increases, weakness and volatility of the financial system, the resurgence of political risk in developed countries and political debate on possible tax increases and spending cuts in the United States.

2.2. Sector and Market Environment

2.2.1. Key Facts in the Food Distribution Sector

2012 was marked by the slowdown of the world economy. With most of Europe in recession, European demand for imported goods slowed. This affected the growth of many of the major world economies, given Europe's importance to global trade.

The decline of consumer confidence and consequent consumption decline, due to the impact of the fiscal consolidation measures implemented in several countries, contributed to the unemployment increase and continuing uncertainty regarding the stability of the financial system. The reduction of household consumption registered during the year additionally pressured most retailers, with many focused on defending profit margins.

The assortment reduction and optimisation and high focus on Private Brand, particularly on quality and price, continued to set the trend in 2012. This constant concern with adapting to the market, besides complying with the consumers' needs, also allows a profitability improvement since it drives an operating costs reduction and increased efficiency in the stock management.

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

The growth opportunities in the Food Distribution sector during 2012 were boosted by global expansion, in an attempt to compensate for stagnant or slow growth in domestic markets. For this purpose, retailers adopted different expansion strategies, including franchising or joint-ventures, as alternatives to the expansion of their own network.

2.2.2. Poland

Macroeconomic Environment

Between 2009 and 2011, Polish GDP growth was among the best of all European Union (EU) member countries, reaching 4.3% in 2011. In 2012, the Polish economy maintained its positive performance, but GDP growth decelerated to 2.4%, according to the average of the most recently available estimates. Despite continued improvement, the Polish GDP *per capita* still remains one of the lowest in the region.

The unemployment rate has been growing since 2008, reaching 12% in 2010 and the same percentage in 2011. It should exceed 13% in 2012, according to the latest estimates.

In terms of public debt, Poland has kept the Debt/GDP ratio below 53%, 50 b.p. lower than the previous year, benefiting from the strong devaluation of the zloty at the end of 2011.

In the foreign exchange market, the average exchange rate of the zloty against the Euro was 4.178 in 2012, compared to 4.120 in the previous year.

The inflation rate of the Polish economy reached 3.7% in 2012 and the inflation rate of food products was 4.3%. However, inflation slowed down during the second half of the year. This fact, combined with the slowdown in economic growth, led the Polish Monetary Council to reduce the benchmark interest rate of 4.75% twice, reaching 4.25% in December.

Modern Food Retail

Food Retail sales in 2012 increased 4.4% from 2011. According to a study by PMR¹, the growth of prices and the cost of living are increasingly affecting the Polish population. Consumers are more cautious and search for lower prices, maintaining their favourite products but avoiding impulse purchases. Real wages did not increase in 2012, due to the inflation in the economy.

It was a year of cautious expansion by Retail operators and of strong competition to attract consumers. In the Food Retail market, the number of Modern Distribution stores continued to increase, particularly in the Discount format. The Polish Retail Market is relatively fragmented, with the top 10 operators holding 48% of the market. The weight of franchising establishments increased and there are six chains with a network of more than 1,000 stores each. The 10 largest operators together have around 20,000 stores. Simultaneously, the total number of establishments operating in the Polish Food Market decreased by approximately 5% during the year, with most of these closures concerning independent stores.

The increased competition encourages the leaders to become more flexible, through the diversification of their supply and the development of different formats.

The Modern Distribution market continued to show signs of consolidation during the year. The main operation was the acquisition of Real by the Auchan group which, in 2013, will operate 80 hypermarkets in Poland, including the 54 hypermarkets previously owned by Real. This operation will push Auchan up from 5th to 3rd position in the market, immediately below the Schwarz group. The Jerónimo Martins Group remains the leader in Polish Food Distribution.

¹ PMR – December 2012.

2.2.3. Portugal

Macroeconomic Environment

According to the Winter Bulletin of Banco de Portugal (Portuguese Central Bank), the economic activity in Portugal fell by 3% in 2012, following a reduction of 1.7% in 2011. The adjustment process of the Portuguese economy, through the Economic and Financial Assistance Programme (PAEF), resulted in a significant reduction of public domestic demand (-4.5%) and private domestic demand (-5.5%). The reduction of domestic demand (-6.9%) was also driven by a strong reduction in investment (-14.4%). Despite the high uncertainty regarding the global economic situation, exports (+4.1%) have recorded significantly higher growth than imports (-6.9%), thereby allowing the net foreign demand to offset, to a certain degree, the shrinkage of domestic demand. This situation is expected to continue in 2013.

The cut in direct wages, in subsidies and increased direct and indirect taxes have caused the decreasing of households' disposable income, while savings have undergone record growth.

The confidence levels of consumers and different economic entities recorded the lowest figures in 2012 since records began, not only due to the worsening economic situation, but also the lack of prospects of an improvement to the financial situation of the country and households in the short and medium-term.

Unit labour costs reduced sharply as a result of the decrease in average wages per worker.

Access to bank loans remained difficult during 2012, with banks demanding much greater guarantees than those required in the recent past. On the other hand, the historical minimums in the Euribor interest rate, allowed households with bank loans to reduce the cost of their average instalment.

The number of bankruptcies in Portugal in 2012 almost quadrupled, encompassing more than 6,200 companies according to Instituto Informador Comercial (IIC).

In this macroeconomic environment there was a significant increase in unemployment, to levels never seen before in Portugal, registering over 920,000 people in the fourth quarter of 2012, according to the Portuguese National Statistics Institute (INE). The unemployment rate among the youth population is estimated at around 40%. The emigration figures were very high, just as in 2011.

The inflation rate in Portugal in 2012 was 2.8% (3.7% in 2011). This deceleration was primarily due to the smaller increase of energy product prices (falling from 12.7% in 2011 to 9.6% in 2012). The inflation growth of food products (3.2% vs. 2.1%) reflects the increase in Value Added Tax (VAT) rates on some goods and services, in particular the changes introduced in January 2012. The higher average annual growth of services' prices than that observed for the price of goods is also due to the acceleration of Restaurants' prices where VAT increased from 13% to 23%.

The Government estimates a general government deficit for 2012 of 5.0% of GDP, compared to 4.4% in 2011. By 2012, general government debt should reach 119.1% of GDP, following on from 108.1% recorded in 2011.

The interest rates associated with the Portuguese public debt in the different maturities recorded a downward trend throughout 2012. The 10-year maturity

recorded interest rates below 7% in December, the lowest since December 2010 and in line with the limit level required to access markets.

Modern Food Retail

The difficult economic environment of 2012 impacted on real private consumption which showed a sharp decline in 2012, particularly in the Non-Food segment, although the decline also hit consumption in the Food segment.

Due to the reasons mentioned above, some of the consumer trends already initiated in 2011 intensified. The most significant were:

- i. More rational consumer behaviour, such as postponing the purchase of products considered superfluous and following the shopping list more prudently;
- ii. The return to a basket composed of essential items, opting for lower priced products and particularly reinforcing the choice of Private Brand products over others;
- iii. Greater attention to the price factor and the different promotional trends of the Food Retail banners.

All these factors led to a negative evolution of retail trade turnover in 2012, recording another year-on-year decrease. Food Retail also suffered the impact of the current economic climate, albeit less severe than Non-Food Retail.

The dynamism of the Modern Food Retail sector was, nonetheless, remarkable, especially through the increase of promotional and loyalty initiatives of the leading banners on the market. The opening of new stores remained limited to about 50, as in 2011.

Wholesale Market

In 2012, as a result of the recessive economic environment, there was a significant decrease in turnover among the wholesalers players, estimated at over 5%. This negative trend is the result of the losses recorded in the two main customer segments of the operators of this sector: Traditional Retail and HoReCa channel. In 2012, Makro closed one store in Aveiro and two Arcol stores opened, one in Faro and the other in Cacém.

According to data by Nielsen (Nielsen Scan Trends), Traditional Retail recorded a -5.8% sales decrease, compared to the same period of 2011, continuing the trend of share loss in the fast-moving consumer goods (FMCG) that has been recorded in recent years.

The HoReCa channel underwent sharp decline right at the start of 2012 after the VAT increase, worsening along the year with the purchasing power reduction of the Portuguese consumer, especially with regard to "Out-of-Home" food consumption and the hotel industry. According to INE, services turnover in the accommodation, restaurants and similar segment recorded a decrease, accrued to November, of 10.5% from 2011.

Sources

IMF World Economic Outlook; Eurostat; Bank of Portugal Economic Bulletins; Portuguese Ministry of Finance; National Statistics Institute (INE); National Bank of Poland Economic Bulletins; Central Statistical Office (GUS); Planet Retail; Deloitte; TNS; Nielsen and PMR.

3. Group Performance

3.1. Main Projects of 2012

2012 was a year of strong performance for the various business areas of the Group both in Poland and in Portugal, especially in light of the challenges related to the macroeconomic environment. All the established strategies and objectives were, in general, implemented and achieved by the management teams, with the appropriate monitoring of the Board of Directors, who discharged their supervisory activity of management activities without any constraints.

In a context of an anticipated consumption decline in Portugal and the risk of a slowdown in growth rates in Poland, which did in fact occur, the Group maintained its ambition of growth and strengthening its leadership in the markets where it operates. A new platform for growth was also launched in Colombia. The Management team set the following strategic priorities for 2012:

- i. Strengthening the Competitive Position in all Business Areas;
- ii. Execution of the Investment Programme;
- iii. Construction of the Foundations of a New Growth Pillar in Colombia.

3.1.1. Strengthening the Competitive Position in all Business Areas

In Poland, Biedronka had identified under its growth strategy the area of Perishables as a clear development opportunity. This opportunity arises in anticipation of the sophistication of the food basket in Poland, following the growth of the economy, which will lead to an increase in consumption in these categories growing higher than others.

Moreover, the entry of Biedronka into the big cities, where the consumer basket reflects more diverse consumption, with a greater weight of Perishables and categories of higher value added, reinforces the importance of this repositioning of the Company's value proposition.

Accordingly, in 2012, with logistics and the supply chain already in place Biedronka took the final step towards its differentiation in this area. The Company implemented a new store layout that gives greater visibility to Perishables categories, deploying new equipment that has endowed the stores with the ability to undertake this operation with quality and efficiency, thereby fostering a product range that is the price leader.

Biedronka completed, between January and September, the layout conversion of all the stores at a rate of approximately 45 stores per week, representing more than 1,700 converted stores in the nine months.

The conversion plan required the closure of stores for an average of two days per store in order to change the format. During the months when the programme was being implemented, the in&out campaigns, which have a specific impact on the Beverages and Non-Food categories, were suspended in order to reduce the risk of inventory losses due to the period of closure of stores.

The layout change was well received by consumers. A survey conducted by the Company indicated that consumers found the stores had a more pleasant environment and that Biedronka also had a good quality range of Fruit & Vegetables.

As expected, the improved sales performance of converted stores compared to those that had still not received the conversion investment was registered during the conversion process.

The Perishables categories as a whole increased of its weight in the sales of the Company from 14.8% to 16.3%.

Biedronka ended 2012 with a network of 2,125 stores all with a refurbished Perishables zone and many with new in-store bakery facilities, providing a strong competitive edge in the market and also the ability to benefit from the future development of food consumption in Poland.

Biedronka's like-for-like sales performance was 6.4% in a market that grew 4.4%. This was also a result of this innovation strategy, whose fast implementation allowed Biedronka to operate in the fourth quarter of the year with this programme already concluded.

The strengthening of the competitive position of Pingo Doce in Portugal encompassed reinforcing its pricing policy.

The intensification of the promotional environment has been registered from the fourth quarter of 2011 onwards, together with the deterioration of the consumer environment. Consumer price awareness and a clear trading down trend have been noted since the beginning of 2012.

Pingo Doce, recognising the lower dynamism of its sales performance in the first months of the year, began its price positioning reinforcement in May, based on strong promotions focused on key products. The Company's market share reacted positively to the pricing strategy and sales grew 2.4% in a market where retail sales fell by 1.6%².

The diagnosis, based on market surveys, showed that even though consumers recognised the quality of Pingo Doce's value proposition and its differentiation in terms of the quality of Perishables and Private Brand assortment, the brand still obtained a relatively weakened evaluation, regarding the opportunity to make savings.

Pingo Doce made the decision to maintain its competitive policy of everyday low prices and considering the risk to the sustainability of the business arising from the loss of customer numbers, it also decided to launch promotions in specific categories in order to reinforce consumer's price perception.

The quick diagnosis and immediate decision to invest in price allowed an immediate reversal of the negative trend of market share recorded in the first four months of the year. Pingo Doce has recorded steady market share gains since May.

² Source: INE - Index of Turnover in Retail Trade - Retail Sales of Food, Beverages and Tobacco.

3.1.2. Execution of the Investment Programme

The commitment to maximising value creation and the determination to guarantee leadership positions in the markets where the Group operates makes the investment programme central to the strategy of Jerónimo Martins.

Expansion continued to be the focus of the majority of the Group's investment. Around 89% of expansion investment was made in operations in Poland, where 263 Biedronka stores and 25 Hebe stores were opened, accounting for almost one-third of the EBITDA generated in the year.

The current economic situation in Portugal is not susceptible to investment. Nevertheless, three Pingo Doce stores, one Hussel store and one Olá store were opened.

The Group ended 2012 with 2,820 stores in Portugal and Poland, being the majority of these Food Retail stores (2,538).

	New Stores		Refurbished ¹		Closed Stores	
	2012	2011	2012	2011	2012	2011
Biedronka	263	239	106	99	11	15
Pingo Doce²	3	9	4	8	0	2
Recheio³	0	1	1	2	0	0
Other Businesses⁴	39	43	3	2	36	16

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

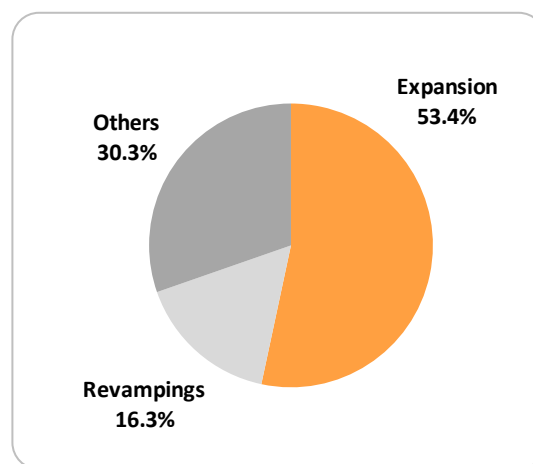
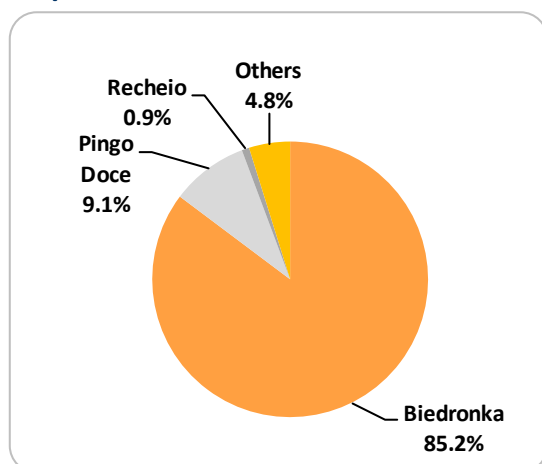
² Including Pingo Doce stores in Madeira.

³ Including Recheio store in Madeira.

⁴ Including the stores Apteka Na Zdrowie, Hebe, Kropka Relaks, New Code, Spot, ElectricCo, Bem Estar, Refeições no Sítio do Costume, Petrol Stations, Jeronimo, Olá, Hussel and Jeronimo Food with Friends.

A special highlight is given to the opening of the 2,000th Biedronka store at the end of September. Biedronka ended the year with a total of 2,125 stores. It was another year in which the Polish Company accelerated the number of store openings, taking advantage of an expansion team that operates with a regional presence.

Capex 2012



Biedronka was also the business area that absorbed most of the logistics investment, through the opening of two new Distribution Centres, one of which forms a new logistics region in the country.

Investment in maintenance and refurbishment continued to be another priority of Jerónimo Martins, with 218 million euros invested in this segment, 81% of which was invested in Poland. These investments play a key role in the sustainable growth of like-for-like sales by ensuring the continuous adaptation of the store environment and layout to new consumption trends.

It is important to remember that Biedronka, in addition to accelerating the number of stores opened during the year, also implemented the layout conversion of more than 1,700 stores, making 2012 a particularly demanding year in terms of investment programme implementation.

The conversion of the Biedronka stores was one of the year's most important projects, to which 100 million euros were allocated.

The majority of the investment made in Portugal was targeted at refurbishment and maintenance, ensuring that the store network maintains its high quality standards recognised by consumers as one of the elements of brand differentiation in the market.

(million euros)

Business Area	2012			2011		
	Expansion ¹	Others ²	Total	Expansion ¹	Others ²	Total
Biedronka	222	175	398	227	85	312
Stores	182	163	345	182	71	253
Logistics and Head Office	41	12	53	45	14	59
Pingo Doce	13	30	42	33	75	108
Stores	10	28	39	33	72	105
Logistics and Head Office	2	1	4	0	3	3
Recheio	0	4	4	2	11	13
Food Distribution Portugal	13	34	46	35	86	121
Total Food Distribution	235	209	444	262	171	433
Manufacturing & Others	14	9	22	1	14	16
Total JM	249	218	466	263	186	449
%do EBITDA	32.5%	28.5%	61.0%	36.5%	25.7%	62.2%

¹ New Stores and New Distribution Centres.

² Refurbishing, Maintenance and Others.

The focus on growth and development of new opportunities does not neglect the thorough and ongoing analysis of the profitability of each store or business, in stand-alone terms. Accordingly, a number of stores in the Restaurant Services and Electrical Appliances segments were closed for not meeting the Jerónimo Martins value creation *criteria* and/or for not being part of the core business where the Companies decided to operate.

3.1.3. Construction of the Foundations of a New Growth Pillar in Colombia

The proposal to start operations in the Colombian market was approved by the Board of Directors in October 2011 and in November of that year the management team was established in the country.

The priority for this project during 2012 was to define the business model in detail, including: i. store size and layout; ii. product assortment; iii. brand; iv. price positioning; v. communication policy; and vi. logistics model.

The understanding regarding the business opportunity in Colombia, constructed during the year preceding the approval of market entry, has been tested and proven throughout 2012 by the team on the ground, which has confirmed its belief in the market potential and opportunity for differentiation based on Jerónimo Martins' operational strength.

The Group Company in Colombia ended 2012 with a team of 95 people, as a result of the recruitment process undertaken in the country during the year.

After an exhaustive test, the product assortment that will form the basis for the start-up of the stores was defined. The supply chain will be almost entirely local and potential partnerships for the supply of Private Brand have been identified.

The first Distribution Centre is being adapted to support the initial stores whose locations are already secured and where preparatory work is being concluded.

The Group had the necessary business structure at the end of 2012, as well as a defined plan to proceed with the start-up of operations in March 2013.

3.2. Consolidated Activity in 2012

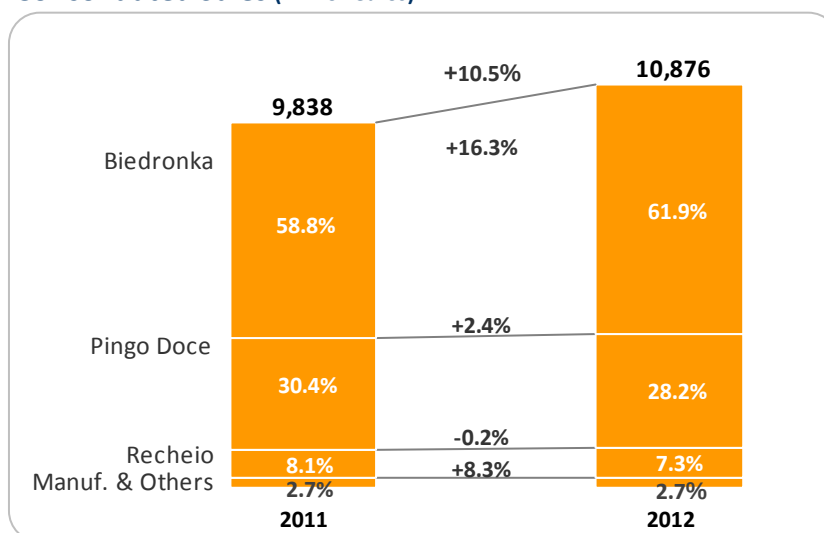
3.2.1. Consolidated Sales

Jerónimo Martins' sales in 2012 reached 10.9 billion euros, an increase of 10.5% from the previous year (+11.5% excluding the exchange rate effect of the negative devaluation of the zloty).

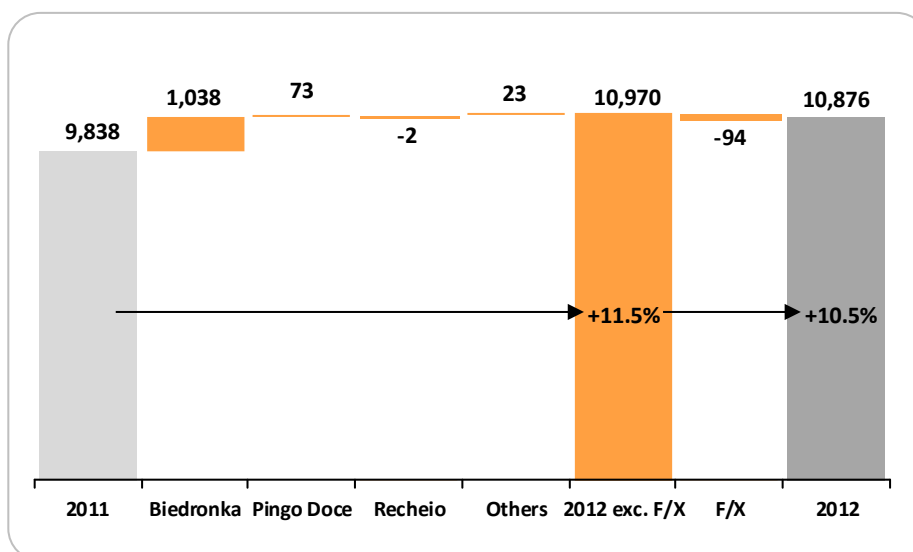
(million euros)	2012		2011		Δ %		LFL
	% total		% total		Zloty	Euro	
Sales & Services							
Biedronka	6,731	61.9%	5,787	58.8%	17.9%	16.3%	6.4%
Pingo Doce	3,346	30.8%	3,245	33.0%		3.1%	-0.6%
Recheio	792	7.3%	794	8.1%		-0.2%	-0.9%
Manufacturing	229	2.1%	228	2.3%		0.2%	0.2%
Mkt, Repr. and Rest. Services	87	0.8%	89	0.9%		-2.1%	-2.9%
Consolidated Adjustments	-309	-2.8%	-304	-3.1%		1.6%	n.a.
Total JM	10,876	100.0%	9,838	100.0%		10.5%	3.5%
p.m. Pingo Doce (store sales)	3,063		2,990			2.4%	

All Group Companies began 2012 with the clear goal of growing market shares. In much more difficult environments, both in Portugal and Poland, Biedronka, Pingo Doce, Recheio and Unilever Jerónimo Martins increased sales above their respective markets, increasing their market shares.

Consolidated Sales (million euros)



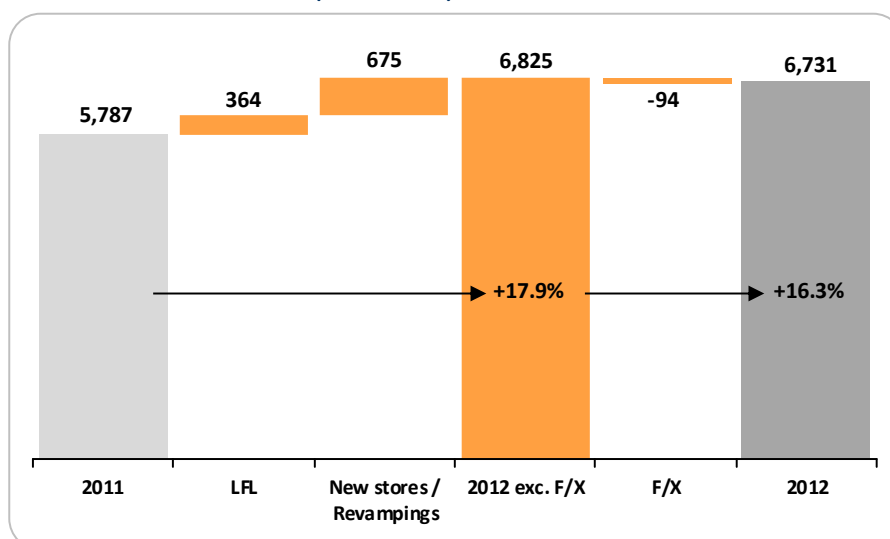
Contribution to Consolidated Sales Growth (million euros)



Sales growth was achieved with like-for-like sales performances ahead of their the sectors, in a year in which market contraction made it particularly difficult in Portugal, and in which there was a slowdown in economic growth in Poland.

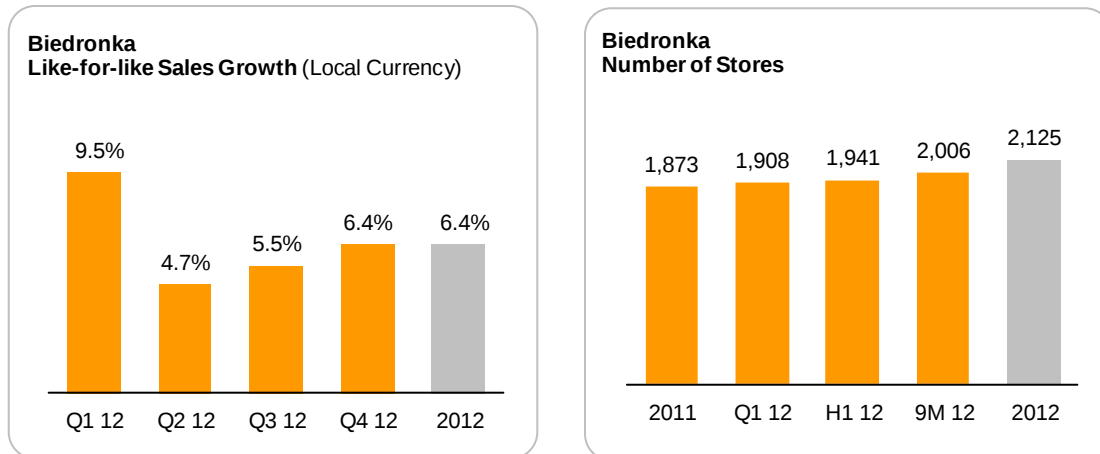
The growth of Food Retail in Poland gradually slowed over the year (+9.5% in the 1st quarter, +4.8% in the 2nd quarter, +3.3% in the 3rd quarter and +1.3% in the 4th quarter) as a result of more cautious behaviour among consumers and a reduction of disposable income.

Biedronka - Net Sales (million euros)



Biedronka recorded another strong year, with the implementation of its investment plan that included: i. the conversion of the layout of more than 1,700 stores; and ii. an expansion plan with 263 store openings.

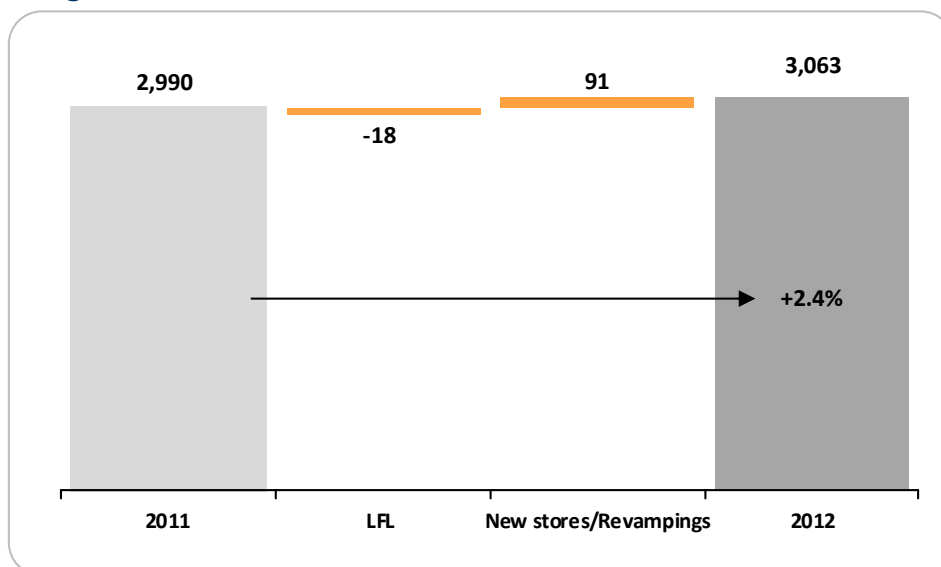
The Polish Company reached total sales of 6.7 billion euros, representing 17.9% growth in zloty (+16.3% in euros). This performance was driven by the implementation of the expansion plan, accounting for an increase of 16.9% in sales area in 2012 as well as solid growth, ahead of the market, in like-for-like sales, reaching 6.4% in the year, with a positive contribution from both the average basket and the number of visits.



The environment in Portugal deteriorated faster than initially expected and worsened over the year. Consumer price sensitivity increased and a clear trend for trading down was observed, which led to a fall in Food Retail sales of 1.6% compared to 2011.

Pingo Doce responded early and quickly to the worsening economic situation and ended the year with sales growth of 2.4%, increasing its market share.

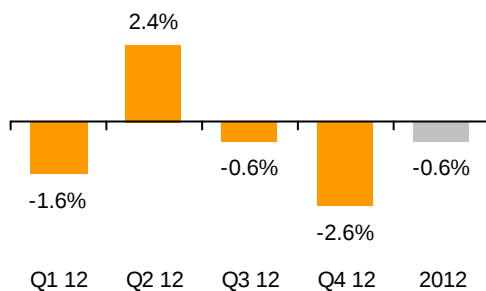
Pingo Doce - Net Sales (million euros)



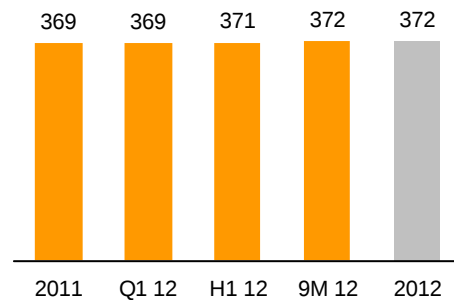
Promotional activity increased in the market from the fourth quarter of 2011 onwards and consumers became more responsive to price opportunities.

Pingo Doce began to adapt its commercial policy in May, based on strong promotions focused on key products. Company sales grew 2.4% and its market share reacted positively to the price reinforcement strategy. Like-for-like sales in 2012 were resilient, recording a fall of 0.6%.

Pingo Doce
Like-for-like Sales Growth

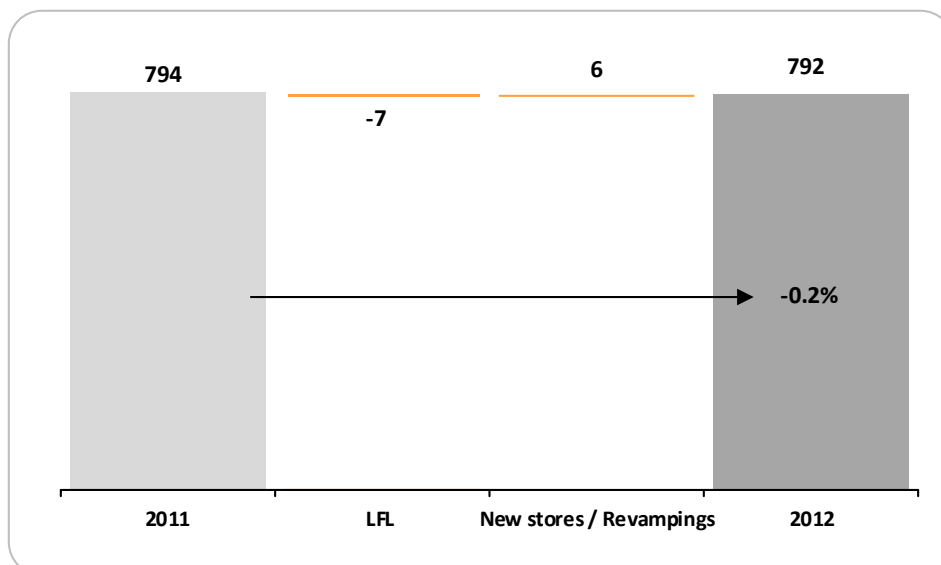


Pingo Doce
Number of Stores

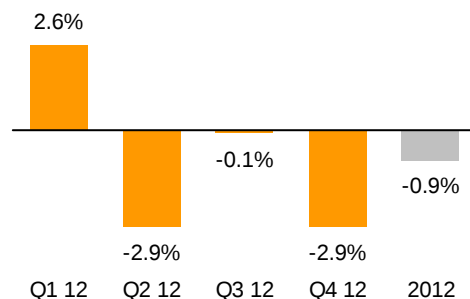


Recheio's sales remained stable compared to the previous year. Both the Traditional Retail and HoReCa segments underwent market contraction, but Recheio, given its strong competitive position, managed to increase the number of customers to offset the decline in the average purchase.

Recheio - Net Sales (million euros)



Recheio
Like-for-like Sales Growth



Sales in the Manufacturing area remained in line with the previous year, reaching, even in a very challenging environment, an increase of around 90 b.p. in the "In Home" market and of 30 b.p. in the "Out-of-Home" market.

Difficult market conditions led to a sales decrease of 2.1% in the Marketing, Representations and Restaurant Services area.

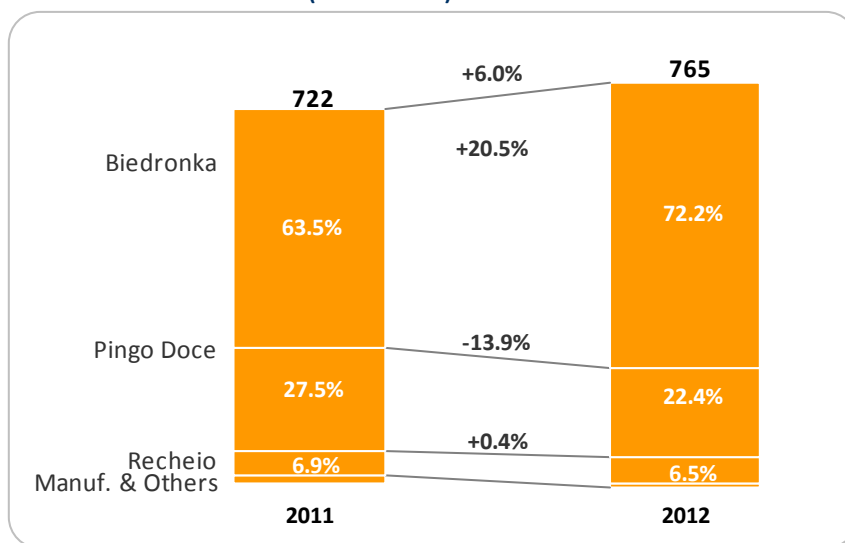
3.2.2. Consolidated Operating Results

(million euros)	2012		2011		12/11
		%		%	Δ%
Net Sales & Services	10,876		9,838		10.5%
Gross Margin	2,426	22.3%	2,244	22.8%	8.1%
Operating Costs	-1,661	-15.3%	-1,523	-15.5%	9.1%
EBITDA	765	7.0%	722	7.3%	6.0%
Depreciation	-225	-2.1%	-209	-2.1%	7.3%
EBIT *	540	5.0%	512	5.2%	5.4%

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

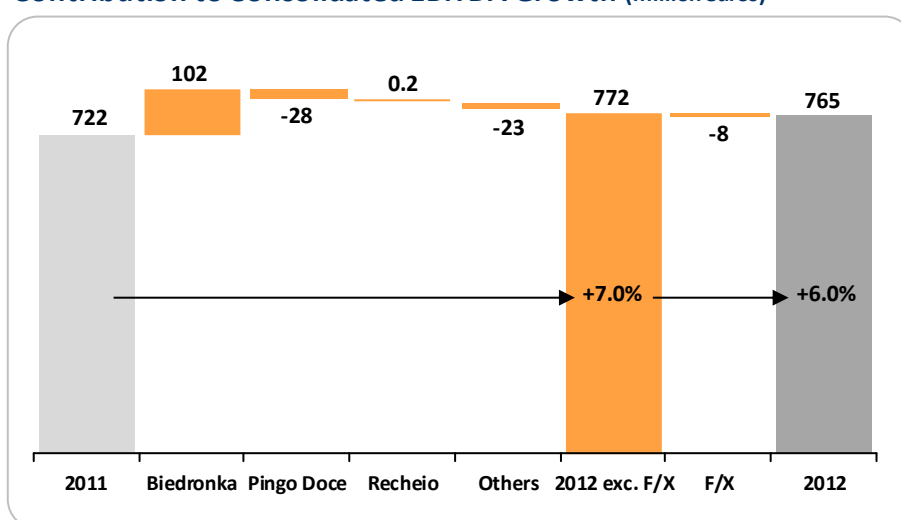
Consolidated EBITDA grew 6.0%, or 7.0% excluding the effect of the zloty devaluation, reaching 764.6 million euros.

Consolidated EBITDA (million euros)



The Group's EBITDA margin fell from 7.3% in 2011 to 7.0% in 2012, reflecting the price investment of Pingo Doce and the dilution caused by the start-up of the new businesses - Colombia and Hebe in Poland.

Contribution to Consolidated EBITDA Growth (million euros)



Biedronka generated 72.2% of the Group EBITDA, by recording an EBITDA growth of 22.2% in zloty and 20.5% in euros, with the respective margin rising 30 b.p. to 8.2% of sales.

The performance of Biedronka was particularly strong if placed in the context of a year in which the Company, besides the layout conversion project, also opened 263 new stores and two Distribution Centres, finishing the year with 2,125 stores and strengthened leadership in the Polish market.

The increase in the EBITDA margin of Biedronka was due to: i. economies of scale of the operations; ii. a positive effect from the margin mix recorded in the first half of the year; and iii. a strict control of operating costs.

In the final months of the year, already with the conversions plan completed and tackling a consumption environment in the sector that had been growing weaker throughout the year, Biedronka decided to strengthen its price proposition through in&out campaigns in the Non-Food area and also in some categories of the Food area.

Throughout the year Biedronka maintained its price leadership of the market, sustainably supported by its cost leadership.

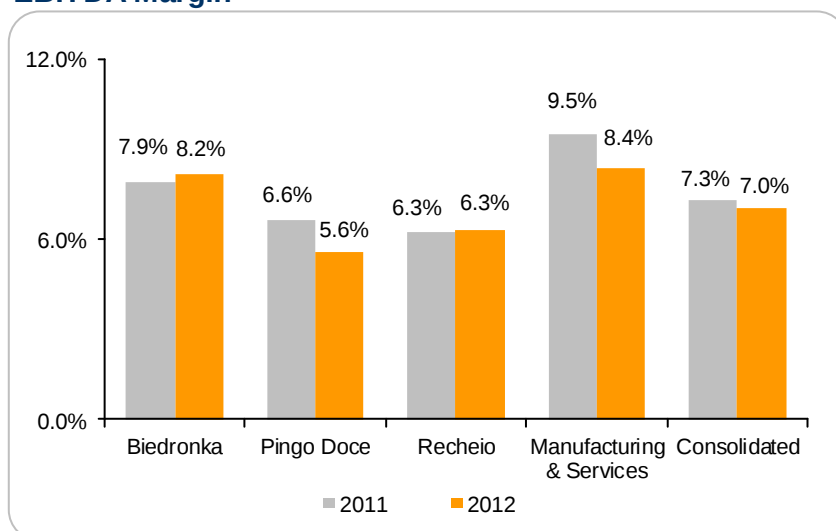
At Pingo Doce, the strengthening of price positioning from May involved a margin investment that led to 100 b.p. reduction of the Company's EBITDA margin to 5.6% in 2012, reaching 171.2 million euros.

The Company maintained strict cost control throughout the year which allowed it to mitigate as much as possible the impact on the EBITDA margin of the decision taken concerning promotional investment.

Recheio maintained its EBITDA margin stable at 6.3% through a tightly controlled cost structure.

In the Manufacturing area, the price repositioning of some categories together with the marketing investment to support key categories of the portfolio led to a reduction in the EBITDA margin of 160 b.p. to 10.5% of sales.

EBITDA Margin



3.2.3. Net Consolidated Result

(million euros)	2012		2011		12/11
		%		%	Δ%
EBIT*	540	5.0%	512	5.2%	5.4%
Net Financial Results **	-31	-0.3%	-30	-0.3%	2.4%
Non Recurrent Items ***	-22	-0.2%	-14	-0.1%	63.4%
EBT	487	4.5%	469	4.8%	3.9%
Taxes	-121	-1.1%	-111	-1.1%	8.4%
Net Profit	366	3.4%	357	3.6%	2.5%
Non Controlling Interest	-6	-0.1%	-17	-0.2%	-65.6%
Net Profit attr. to JM	360	3.3%	340	3.5%	5.9%
EPS (euro)	0.57		0.54		5.9%

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

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

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

The net result attributable to Jerónimo Martins grew 5.9% to 360.4 million euros, up 7.3% excluding non-recurring items.

Financial expenses amounted to 30.8 million euros, in line with the previous year.

Non-recurring items reached 22.4 million euros and these include, among others, restructuring costs in the Manufacturing, Retail and Restaurant Services areas in Portugal and also around 10 million euros related to one-off costs incurred by Pingo Doce, regarding the start of its promotional activity.

3.2.4. Cash Flow

The cash flow generated in the year by operations amounted to 627.8 million euros. The Group continues to generate strong cash flow, with Biedronka as the main driver.

(million euros)	2012	2011
EBITDA	765	722
Interest Payment	-36	-28
Income Tax	-101	-73
Funds From Operations	628	620
Capex Payment	-487	-375
Δ Working Capital	70	126
Others	-15	-5
Free Cash Flow	196	367

In a context of the strength of the balance sheet and the strong cash-generating capacity of the Group which is sufficient to fund the expansion plans in Poland and in Colombia, the Extraordinary General Meeting approved the proposal of the Board of Directors to distribute reserves of an amount of 150.2 million euros, paid in 2012.

This decision took into account the soundness of the Group's balance sheet as well as its ability to generate sufficient funds to meet the approved expansion plans for Poland and Colombia, while the Group dividend policy remained unchanged.

3.2.5. Consolidated Balance Sheet

(million euros)	2012	2011
Net Goodwill	748	721
Net Fixed Assets	2,740	2,411
Total Working Capital *	-1,624	-1,510
Others *	-3	28
Invested Capital	1,861	1,650
Total Borrowings	699	702
Leasings	18	38
Accrued Interest & Hedging	15	15
Marketable Sec. & Bank Deposits	-373	-527
Net Debt	359	228
Non Controlling Interests	290	301
Share Capital	629	629
Retained Earnings	582	492
Shareholders Funds	1,502	1,422
<i>Gearing</i>	<i>23.9%</i>	<i>16.0%</i>

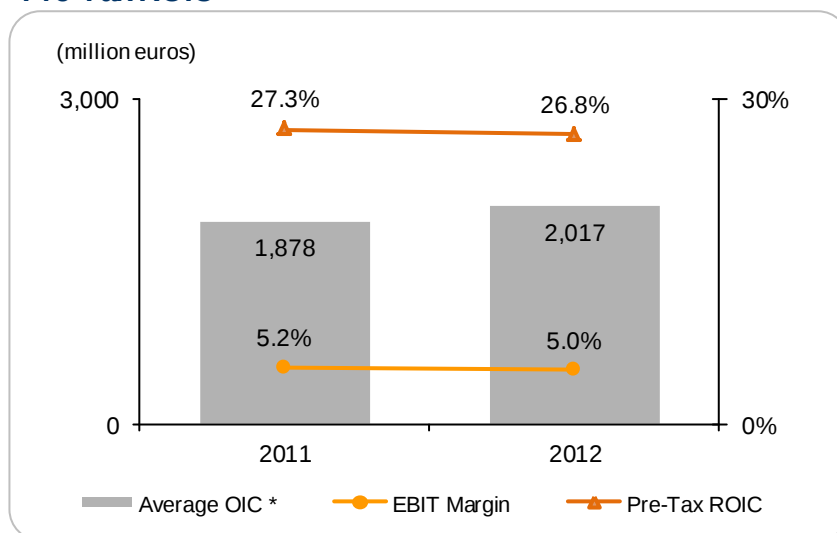
* Restated values - see details in Note 1.

The development of invested capital reflects, besides the depreciation for the year, the investment programme implemented in the various business areas.

3.2.6. Return on Invested Capital

In 2012, the Group's Pre-Tax ROIC reached 26.8%. Although the investment in price in Pingo Doce and start-up costs of new operations have led to a 20 b.p. reduction of EBIT margin, the strong sales performance of the Group led to the increase of capital turnover ratio, ensured the Group maintained a solid return on invested capital.

Pre-Tax ROIC



* Restated value - see details in Note 1.

3.2.7. Debt Breakdown

The good performance of results with strong cash flow generation allowed gearing to remain low, at 23.9% by the year's end, despite the payment of the extraordinary dividend.

(million euros)	2012	2011
Long Term Debt	565	368
as % of Total Borrowings	80.8%	52.5%
Average Maturity (years)	2.2	1.9
Bond Loans	403	205
Private Placement	81	81
Fair value adjustment	-3	-1
Commercial Paper	50	50
Other LT Debt	35	34
Short Term Debt	134	334
as % of Total Borrowings	19.2%	47.5%
Total Borrowings	699	702
Average Maturity (years)	2.0	1.8
Leasings	18	38
Accrued Interest & Hedging	15	15
Marketable Securities & Bank Deposits	-373	-527
Net Debt	359	228
% Debt in Euros (Financial Debt + Leasings)	93.4%	92.0%
% Debt in Zlotys (Financial Debt + Leasings)	6.6%	8.0%

80.8% of total borrowings is represented by long term debt, the maturity of which was extended to 2.2 years in 2012 due to the issue of a bond loan in the Retail area in Portugal to replace an issue that matured in 2012. The amount of the issue that matured was 200 million euros. The new bond issue was for 250 million euros, in anticipation of the maturity of a bond issue in the amount of 52.5 million euros in April 2013.

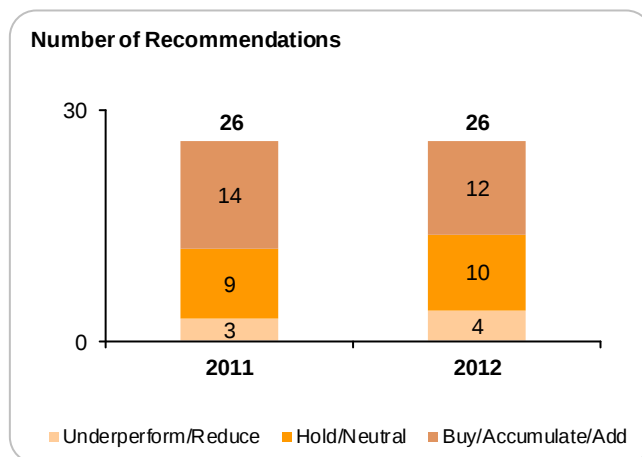
A bond issue in the amount of 35 million euros, in the Group's holding, also matured in 2012 and was repaid.

3.2.8. Jerónimo Martins in the Capital Markets

After a strong devaluation in 2011 (-27.6%), the main Portuguese stock index (PSI-20) registered an increase of 2.9% in 2012. The PSI-20, despite decreasing 14.7% in the first seven months of 2012, reversed the trend during the second half of the year, which allowed it to finish the year with a positive variation.

The Group's share price appreciated 14.2% in 2012, compared to the previous year. It was the eighth best performer of the PSI-20. Jerónimo Martins ended the year with a market capitalisation of 9.2 billion euros, accounting for 17.2% of the PSI-20 index. The valuation of Jerónimo Martins shares in 2012 was above the average of the companies considered as benchmarks - Ahold, BIM, Carrefour, Casino, Colruyt, Delhaize, Dia, Magnit, Metro, Sainsbury, Tesco, Walmart and X5 - which recorded an average appreciation of 11.2%.

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



In 2012, two investment houses began coverage of Jerónimo Martins (Cheuvreux and Redburn) and two others stopped covering the security (BANIF and ING). Thus, at the end of 2012, 26 analysts monitored Jerónimo Martins, in line with the previous year. However, it should be noted that only 22 actually had an up-to-date recommendation at the end of 2012. At the end of the year, 12 of the 26 analysts had a "Buy" recommendation for the shares, four recommended "Reduce" exposure to the shares, and the rest provided a "Neutral" recommendation.

Jerónimo Martins Financial Performance 2008-2012

(million euros)

	2012	2011	2010	2009	2008
Balance Sheet					
Net Goodwill	748	721	747	737	734
Net Fixed Assets	2,740	2,411	2,309	2,102	1,967
Total Working Capital *	-1,624	-1,510	-1,417	-1,194	-1,062
Others *	-3	28	70	113	138
Invested Capital	1,861	1,650	1,709	1,758	1,777
Net Debt	359	228	578	692	846
Total Borrowings	699	702	782	796	946
Leasings	18	38	72	85	102
Accrued Interest	15	15	25	31	22
Marketable Securities and Bank Deposits	-373	-527	-301	-220	-224
Non Controlling Interests	290	301	287	288	281
Equity	1,212	1,121	845	778	650

* Restated value - see details in Note 1

Income Statement					
Net Sales & Services	10,876	9,838	8,691	7,317	6,894
EBITDA	765	722	624	505	459
EBITDA margin	7.0%	7.3%	7.2%	6.9%	6.7%
Depreciation	-225	-209	-191	-168	-158
EBIT	540	512	434	337	302
EBIT margin	5.0%	5.2%	5.0%	4.6%	4.4%
Financial Results	-31	-30	-40	-48	-72
Non Recurrent Items *	-22	-14	-15	-10	-8
EBT	487	469	379	279	222
Taxes	-121	-111	-79	-56	-46
Net Income	366	357	300	223	176
Non Controlling Interests	-6	-17	-19	-23	-13
Net Income attributable to JM	360	340	281	200	163

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

Market Ratios					
Total Shares	629,293,220	629,293,220	629,293,220	629,293,220	629,293,220
Own Shares	859,000	859,000	859,000	859,000	859,000
EPS (EUR)	0.57	0.54	0.45	0.32	0.26
Share Price at the Lisbon Stock Exchange					
High (EUR)	15.62	14.34	12.58	7.05	6.40
Low (EUR)	11.87	10.64	6.33	3.07	3.22
Average (closing) (EUR)	13.71	12.33	8.63	4.97	4.92
Closing at year end (EUR)	14.60	12.79	11.40	6.99	3.97
Market Capitalisation (31Dec) (EUR 000.000)	9,188	8,049	7,174	4,396	2,498

Note 1 – An adjustment was made in Working Capital eliminating the value of long-term assets that are not allocated to the operating units. In the Balance Sheet, these values are included in the line 'Others', keeping unchanged the Invested Capital value. Regarding the calculation of profitability ratios, the Operational Invested Capital (OIC) also reflects this adjustment.

4. Business Areas Performance

4.1. Distribution Poland

4.1.1. Biedronka



Message from the Managing Director

2012 was a year of remarkable events for Biedronka, beyond the Company's strong performance in the Polish market. The opening of 2,000th store was an important milestone in the strategic goal of 3,000 stores by 2015. Moreover, the Company implemented its investment programme, opening two new Distribution Centres and successfully completing the conversion to the new layout in all stores. The new layout, together with the new corporate identity and the image campaign created a new standard of consumer communication in the Polish market, reinforcing the lowest price perception and adding the image of better quality. Biedronka's commitment to the Polish national team sponsorship in the European Football Championship strengthened brand awareness. It was considered the most recognised brand of the Poland and Ukraine European Football Championship. The Company's efforts was recognised both by consumers – one billion visits per year was achieved for the first time – and by critics – Biedronka was placed in the top three Polish brands.

The less favourable macroeconomic environment, together with the team's commitment to convert the stores, made 2012 a challenging year. However, despite the uncertainty in the Eurozone, the consumption and production slowdown and increasing price sensitivity among Polish consumers, the Company recorded solid double-digit sales growth and implemented its ambitious expansion plan.

2013 is expected to bring more challenges, including a weaker economy and increased competition in the Retail market. Biedronka ended 2012 as the fourth largest company in Poland and the largest private company, with modern and refurbished stores and a reference communication with the consumer, ensuring it remains two steps ahead of the competition and it is well prepared to achieve its goals for next year.

Mission

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

2012 Performance

The slowdown of private consumption growth in Poland and increasing consumer price sensitivity are the main factors to consider in the analysis of Biedronka's performance in 2012.

The overall market environment showed a trend of growing importance attributed to price by consumers, shifting consumption to cheaper products.

Biedronka, the price leader of the market, continued to benefit from consumer sensitivity to price and a clear preference for proximity formats, especially in a year of increased transportation costs due to high fuel prices.

Sales in 2012 grew 17.9% in zlotys and 6.4% like-for-like, which means that Biedronka grew well ahead of the Food Retail market in Poland, which recorded growth of 4.4% in 2012, thereby increasing the Company's market share.

The like-for-like posted by Biedronka was evidence of the strong competitive position of the Company, despite this being a year of economic growth slowdown and the execution of the layout conversion programme that involved a large number of stores. There was a smaller number of in&out campaigns in the stores undergoing conversion, in order to reduce the number of closed days and also to avoid stock losses in the category.

The conversion to the new layout was implemented to create a more attractive store entrance, with the focus on Perishables, which is a core competence of Biedronka. Over 1,700 stores were refurbished to the new layout in record time, with the stores closed for a period of about two days. The layout conversion was concluded in all the Company's stores by the end of September. This project positively contributed to increasing consumer perception of Biedronka's quality and service.

Perishables remain a focus of the Company, since this is a category steadily increasing in weight in the "standard basket" of the Polish consumer, as a result of changes in eating habits.

Exclusive Brand products – one of the Company's strategic pillars – have quality standards recognised by consumers and the focus on maintaining competitiveness through price is essential. In 2012 the weight on sales of Private Brand was 54.2%, in line with 2011.

In 2012, Biedronka continued with its commitment to improving the image and perception among consumers and other stakeholders. A new campaign was launched across all the traditional media (in-store communication, television, outdoors) and it was also broadcast on radio for the first time.

The Company implemented the planned re-branding of Biedronka. Besides the modernisation of its logo, a new marketing strategy was launched, based on the success already achieved, adding a larger and clearer perception of quality to the brand. The results of the initial market studies relative to this campaign were very positive in terms of awareness of the Biedronka brand among Polish consumers.

Another important aspect of the communication strategy was the official sponsorship of the Polish national team at the 2012 European Football Championship, used by the Company to enhance its image. The Company increased its marketing activities for the Euro 2012, with advertising in all stores, on television, outdoors, radio, in the press and on the internet.

In September, a campaign was launched for the opening of the 2,000th store, in which unbeatable prices were offered every day. Customers were invited to purchase a different product every day at the store, at a unique price on the market.

Innovation is one of Biedronka's strategic pillars. In this context, more than 15% of the assortment is changed every year and new products were introduced, as part of thematic initiatives or in&out campaigns. The Company launched an exclusive espresso coffee machine in October, with the "Italico" Private Brand capsules. This is the first Private Brand espresso machine to be launched by a retail chain in Poland.

The strong commitment to the Biedronka expansion plan resulted in the opening of 263 stores, equivalent to a net increase of 252 stores, as 11 stores were closed during 2012. About 27% of the new stores were opened in major cities and around 76% are leased. The Company had a total of 2,125 stores at year end.

Two new Distribution Centres were opened during 2012: one in Ruda Śląska, opened at the end of June and the other at Sieradz, which began operating in October, representing the Company's 10th region.

Biedronka is the fastest growing Retail Company in Poland. Its development is visible not only through the expansion of new stores and Distribution Centres, but also through its product range, communication, operation and management.

Following this trend and responding to the Company needs, the new headquarters was inaugurated in April, providing a suitable space of quality for employees. A new Biedronka store was also opened in the office building, which serves the population of Warsaw city centre, while also ensuring the employees have daily contact with operations, customers and the products.

The Company's EBITDA margin in 2012 was 8.2%, 30 b.p. up on the previous year, despite the impact on the operating costs from higher fuel and energy prices. Once again, Biedronka's scale and efficiency led to a strong cost dilution, while the gross margin remained stable for the year.

4.1.2. Apteka Na Zdrowie



After concluding the acquisition of the 50% shareholding held by the Portuguese National Pharmacy Association (ANF) in 2011, the Company focused on optimising its over-the-counter assortment in the 36 pharmacies operating under this banner in 2012, in order to achieve business synergies with the new Hebe concept.

All the pharmacies are located next to Biedronka stores, in separate and independent facilities, in accordance with the legal framework in force applicable to this sector in Poland.

4.1.3. Hebe



In May 2011, the Jerónimo Martins Group inaugurated its first drugstore.

This is a store focused on the daily needs of Polish female consumers, with an assortment consisting of Cosmetics, Perfumery, Make-up and Personal Care. This innovative space also provides a range of services for make-up and body care.

This new concept is built on the combination of high levels of service and advice, in line with the offer of a wide assortment of reference brand products at very competitive prices, within an attractive store environment.

In 2012, 25 stores were opened, ending the year with a total of 32 Hebe stores operating in Poland.

4.2. Distribution Portugal

4.2.1. Pingo Doce



Message from the Managing Director

Pingo Doce's main goal for 2012 was to grow and deliver a sales performance above the market, thereby increasing its market share. After carefully analysing the consumer behaviour trend and considering their actual needs, we adapted our commercial policy, whilst leaving the main strategic positioning pillars unchanged. We assumed a position of leadership and innovation, implementing a competitive promotions programme, which resulted in a significant amount of immediate savings for the consumer.

We were pioneering and determined in rationalising the means used in our communications strategy (concentrating particularly on word-of-mouth) as well as in our cost structure (of note was the rationalisation of the use of payment cards), thereby supporting the investment in price, which reinforced our competitive position in the market.

We included new products into our Private Brand assortment, as part of a programme that is in line with our concern for promoting healthy eating habits, and we innovated in projects essential for the brand, a fine example being the new Pingo Doce coffee machine.

2012 was also the year for strengthening our partnership with small suppliers, enabling them to have access to funding, by significantly decreasing their average payment terms.

Mission

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

2012 Performance

In Portugal, 2012 was marked by the implementation of additional austerity measures and changes in the Portuguese consumers' purchasing habits, as a result of their decreasing disposable income. Families reduced their expenditure in supermarkets, being more focused on savings, whilst being increasingly sensitive to prices and promotional campaigns.

Taking into consideration the new consumer trend patterns, Pingo Doce initiated the year focused on strengthening its price position and in the first quarter, various Family Baskets "Compare & Prove" were created, aiming to give the consumer the perception of an immediate saving when purchasing and guaranteeing cheaper, high quality products on Portuguese families' tables.

May was a turning point in Pingo Doce's communication, marked by innovative campaigns with the slogans "Save Half" and "Take Advantage". According to consumer studies, this change was well accepted by the customers, with a positive impact on sales.

These campaigns began with an initiative entirely focused on the consumer (50% discount on all products for one day), in which one day sales were the equivalent of Pingo Doce's average for a week. This campaign proved to be highly successful with the consumers and was essential in reinforcing the perception of the brand's pricing.

Thereafter, several campaigns with 50% discount on specific categories were introduced, namely on Fish and Meat, and initiatives were developed for boosting sales mostly in Perishables, which form the basis of the consumers' eating habits.

Thus, apart from the EDLP strategy (everyday low price), the banner strengthened its low price positioning towards the consumer. As such, Pingo Doce was able to associate the everyday low prices with a promotional activity that makes it more attractive at a time when price determines the purchase decision, and always from the perspective of immediate savings for the consumer.

Another important initiative that the Company carried out in 2012 was a partnership with a petrol company with joint initiatives and significant fuel discounts, in an environment with an accentuated increase in fuel costs.

The positive sales reaction to the dynamics used in the campaigns enabled the negative like-for-like trend to be reversed, with a concentration of purchases and a decrease in the number of tickets, which was offset by the increase in the value of the average ticket. This sales performance enabled Pingo Doce to obtain gains in market share across the year.

From a sustainable market growth perspective, it should be mentioned that Pingo Doce posted an increase in the number of core customers for whom Pingo Doce is their main store.

In 2012, the Company maintained its stance of innovation and leadership, reflected in all the strategic pillars.

With regard to Communication, in February 2012, Pingo Doce's website was redesigned (www.pingodoce.pt) with a new image and greater interactivity with the user and a wider variety of search options which lead to a significant increase in the number of viewings, increasing the brand's notoriety.

In 2012, despite the deflation in the sales price (-1.3%), the like-for-like sales performance (-0.6%) reflected the impact of the trading down and the significant increase in the weight of the Private Brand, which increased by 1.3 p.p. to 42% of sales (excluding Perishables, Fuel, Textiles and Pharmaceutical products), reflecting the consumer's preference for products with a lower unit price. The banner benefited from the consumers' trust and perception of quality towards its Private Brand products and its competitive prices.

The growth in the volumes sold by the Company is a sign of the banner's competitive strength and reflects its success in reaching the major strategic goal of increasing its market share.

In order to provide support to the change in promotional policy, plans for rationalising costs were put in place, which included the rationalisation of energy consumption and the renegotiation of supply contracts, namely with landlords.

Considering the high costs of processing electronic payments (through debit or credit cards) practiced by the financial service providers, it was decided that as from September, the electronic payment in Pingo Doce stores, would only be allowed for payments above 20 euros. This measure supported our investment in price, strengthening the banner's positioning.

The increase in the transportation costs, especially diesel, was once again one of the main challenges in 2012, which required us to implement a cost rationalisation policy by optimising routes, introducing speed limits for the fleet and limiting the use of roads with tolls, which led to a reduction in logistics costs, despite the increase in the transported volumes.

Taking into consideration the strong price investment made throughout the year, especially in the second-half, the Company's EBITDA margin decreased by 100 b.p. compared to the previous year.

With regard to Pingo Doce's store network, three new stores were opened in 2012, mainly located in urban areas under development. Two new petrol stations were also opened, a project that will be continued in 2013.

In 2012, four stores were remodelled, one of them a hypermarket in Santa Maria da Feira, which was closed in the first three months of the year and re-opened with the new format.

Taking into account the fact that the recessive environment has a greater impact in the Non-Food categories and with Pingo Doce even more focused on the Food Area, the complementary businesses GET (three stores) and ElectricCo (16 stores) were discontinued.

4.2.2. Recheio



Message from the Managing Director

We celebrated Recheio's 40th anniversary in 2012. Four decades of partnership with more than 100,000 professionals, who rely on us daily to ensure the success of their business through competitive pricing, quality products and a service focused on their needs.

We, employees and customers, celebrated together, confident that Recheio will continue to present the business model that best serves the goals of all its stakeholders. We started 2012 in celebration and maintained this strength and enthusiasm throughout the year. A year of hard work and energy at Recheio.

The Company was able, in a year with such a tough macroeconomic environment, to anticipate the developments in the markets in which it operates and attract close to 20,000 new customers compared to 2011. It also increased Traditional Retail sales. It achieved this while reinforcing its leadership position, allowing its customers to benefit most from the advantages brought by that leadership position. The focus on the quality of Perishables and development of the Private Brands, with particular emphasis on the Amanhecer brand, as well as the commitment to attracting new customers, proved to be the right path in 2012. A path that we will continue to build in the future.

Mission

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

2012 Performance

2012 was a year of great challenges for Recheio. The fall in consumer confidence and reduced purchasing power as well as decreased consumption were visible and worsened throughout the year. The rise of VAT in the Restaurant Services industry at the beginning of the year, from 13% to 23%, had a very significant impact on demand in the HoReCa channel.

Nonetheless, Recheio was able to achieve its main objectives, given the economic constraints: attract new customers and also retain existing customers.

In Recheio, sales were stable in 2012. The Traditional Retail and HoReCa channels both registered quite significant market contraction (5.8% in Traditional Retail, according to Nielsen, and 10.5% in HoReCa according to INE, accumulated to November). Recheio, however, given its strong competitive position, managed to increase the number of customers to offset the decline in the average purchase.

Recheio clearly benefited from the strength of its commercial proposition, sustained by being part of Jerónimo Martins Group.

Recheio's value proposition remained unchanged and focused on the supply of food products and a quality service at very competitive prices, as well as the daily construction of a lasting trustworthy relationship with its customers. The Company continued to focus on Perishables and Private Brands as strategic pillars of its offer.

The best performing categories were Private Brand and Perishables (especially Meat and Fish), being these two pillars as a priority for the Company. Private Brand accounted for 20.4% of total sales in 2012, an increase of around 3 p.p. from 2011. One of the factors contributing to this performance was the launch of 62 new Amanhecer product references. Sales of Amanhecer brand products recorded strong growth, reaching 44.9 million euros (up 72.8% from 2011). Recheio ended the year with 242 product references of this brand.

Regarding HoReCa channel, Recheio's sales performed better than the market, although decreasing by 3.0%. The recessionary macroeconomic scenario and the 10 p.p. VAT increase boosted the customer turnover of this channel, as a significant number of restaurants and cafes closed during the year and a reduction in the average purchase per transaction was registered. Despite the inherent difficulties in this scenario, Recheio managed to attract more than 10,000 new HoReCa customers over the year.

Sales in the Traditional Retail segment grew by 1.9% and approximately 5,000 new customers were registered, significantly performing better than the market trend.

The Amanhecer project, launched in 2011, which comprises technical consultancy and sharing of know-how by Recheio in redefining the business model of its Traditional Retail customers, ended in 2012 with a total of 26 Amanhecer stores, an increase of nine from the end of the previous year.

Recheio implemented several initiatives throughout 2012 to support its Traditional Retail customers, not only aimed at their stores but also the final consumer, through the Amanhecer brand products and increasing brand awareness.

Recheio also celebrated its 40th anniversary in 2012. The Company marked the date with extensive promotional campaigns that were positively reflected in sales and allowed the Company to perform better than the sector, with an increase of market share and growth of the active customer base by approximately 3,500 customers.

Of note is the "40 anos em Cheio" campaign to commemorate the Company's 40th anniversary. This campaign was implemented in stores throughout the year and it was the trigger for several dynamic sales initiatives and for strengthening customer relations.

The Company's EBITDA margin remained at 6.3% of sales, despite increased energy and logistics costs, as a result of tight cost control and improved efficiency of operating processes.

In terms of investment, 2012 was the second successive year of slowdown of the amounts invested compared to previous years. Investment at the operational level focused primarily on remodelling the Portimão store, where greater focus was given to the Perishables section, while the major focus at the corporate level was the successful conclusion of the deployment of SAP IT system.

4.3. Manufacturing, Distribution and Restaurants & Services

4.3.1. Manufacturing

4.3.1.1. Unilever Jerónimo Martins



Message from the Managing Director

Unilever Jerónimo Martins recorded the largest gain in market share in 2012 since the beginning of this century, with the "In Home" channel increasing around 90 b.p. and the "Out-of-Home" channel by 30 b.p.. This increase of market share was achieved by maintaining the Company's profitability at a satisfactory level, as the result of a broad and successful cost control programme. These guidelines will also be valid for 2013.

Mission

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

2012 Performance

2012 was a year marked by strong growth of market share for Unilever Jerónimo Martins, proving to be the highest growth of the last decade. This growth was achieved through the categories where the Company already registered great market penetration, particularly in the "In Home" market, where the market share in 2012 increased 90 b.p. from 2011 (data from Nielsen). The Company's market share in the "Out-of-Home" market increased about 30 b.p. (data from Nielsen).

This performance resulted from the Company's greater focus, concentrating its efforts on a smaller number of categories that are considered strategic for Unilever Jerónimo Martins and which account for a very significant portion of its sales. The gain of market share in the Laundry Detergents category was the highest of the various categories, as the investment in the mix strategy and the intensive promotional efforts proved to be factors of success and contributed to a positive performance. The Spreads category performed as expected while the Ice Cream category benefited from a clear focus on cheaper products. Ice Tea was the worst performing category, reflecting the heavy pressure from competitors that currently exist in the Soft Drinks market as a result of price competitiveness of the Distribution Brands.

Despite improvements in market share, the Company's sales suffered the impact of a tough macroeconomic environment and the reduction of consumption level. Unilever Jerónimo Martins sales in 2012 recorded a 4.7% decline from 2011, reflecting a decline of around 5.6% in sales volume. This decline was sharpest in the "Out-of-

Home” market, as a result of the negative performance of the HoReCa channel, which significantly affected the Ice Cream and Ice Tea categories. The decline of sales volume in the “In Home” market was less sharp (around 3.8%).

In terms of profitability, in 2012 the Company implemented a successful cost reduction policy, with a more significant cost dilution by the end of the year and reduced the promotional investment, a decrease that was lower than the market average. However, these two measures were not enough to compensate the decline of gross margin, as a result of the price competitiveness focus, especially in “Out-of-Home” categories, which was reflected in the reduction of the Company's EBITDA margin.

4.3.1.2. Gallo Worldwide



Message from the Managing Director

During 2012, the Company consolidated its presence in key markets, namely Brazil, strengthening its market share worldwide. This development was based on significant marketing investment focused on three markets, besides Brazil. The Company also changed its entire IT system to allow better business management and greater interconnection between its teams, especially with those based outside Portugal and/or those that do not have a constant presence in the offices of the different countries. Simultaneously, the factory investment plan continued, ensuring the company keeps pace with the high business growth rate and also strengthens the consistency of the Gallo quality parameters.

Mission

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

2012 Performance

Gallo Worldwide recorded a very positive sales performance in 2012, with a growth of 17.8%, accompanied by similar growth in terms of sales volumes. This performance was primarily driven by the strong growth in international markets where the Company operates, which currently account for 71% of sales. Moreover, the protection of sales in Portugal is to be noted, with sales declining by only 4%, despite the difficult macroeconomic scenario and contraction of consumption.

In overseas markets, Brazil was the main growth driver for the Company. In a market undergoing expansion, Gallo Worldwide managed to grow at a faster pace, thus achieving market share and distancing the Company from competitors. The Company is currently the clear leader of the olive oil market in that country. New products were introduced in the Vinegar and Olive segments and we expect an interesting growth potential of these products in the Brazilian market.

In Angola, despite a particularly difficult start to the year, sales developed positively as the result of a successful advertising campaign that began in the summer. In Venezuela, sales growth was positive until October, slowing afterwards due to difficulties in obtaining import licences. In China and Russia, 2012 was a year focused on implementing improvements in the distributor's network and distribution process, in order to make them more suitable to the Company's strategic objectives.

In terms of cost structure, the strike by the ports in Portugal was the most significant event in 2012 for the Company. This had a strong impact during the summer, forcing the Company to make changes to products' export routes, thus generating additional costs. Some delays in the supply chain were also recorded, which had a negative impact on sales in foreign markets. The cost of raw materials increased by around 30% as of the summer.

The analysis of the Company's performance in terms of profitability shows significant efficiency gains, since the growth of sales enabled a greater dilution of costs. The profitability in Brazil was pressured by the focus on price positioning, with the aim of gaining market share. Profitability in Portugal improved slightly, despite more aggressive pricing by the largest competitor in the market and by the Distribution Brands.

Significant industrial investment was undertaken in 2012. This investment encompassed the implementation of significant improvements of the packaging process and facilities. Efficiency improvements were also made to IT, administrative and financial systems.

4.3.2. Marketing, Representations and Restaurant Services

4.3.2.1. Jerónimo Martins Distribuição de Produtos de Consumo (JMDPC)



Message from the Managing Director

Even in such a tough year, in 2012, JMDPC managed to maintain its sales practically in line with the previous year. The brands business performed above the market, the product portfolio having benefited from the entry of three new brands. Exports made a considerable contribution towards the Company's performance, now representing 4.6% of the business, proving to be an important growth driver for the future. Caterplus consolidated its business, with a growth of 10.9%. In 2013, JMDPC will continue to invest in increasing the prominence of its brands and boosting the export business.

Mission

To be the key partner for building and developing brands for the Portuguese market, with a solid and varied portfolio of represented leading brands and a service of excellence throughout the entire supply chain.

2012 Performance

Domestic Market

In 2012, this area of JMDPC had a 3.8% sales decrease. The FMCG market for branded products fell by 4.3% and 4.9% for Food and Beverage categories respectively (estimate without VAT based on Nielsen Market Track).

Lindt, Heinz, Guloso and Jerónimos were the represented brands with the best performance in 2012, with a positive contribution towards the Company's sales evolution. Lindt's strong growth resulted from the effort on the brand's visibility and the price repositioning of some articles. Heinz and Guloso's positive sales evolution resulted from a strong promotional plan which increased the competitiveness of these brands. After redefining some important aspects regarding price, distribution and assortment, Jerónimos brand performed well as a Private Brand in categories where this offer does not exist.

On the other hand, Sunquick had a particularly tough year, due to the significant rise in the selling price, as a consequence of the increase in raw materials and the change in the VAT rate. Kellogg's, Arla Foods and Leche Pascual also faced a particularly strong competitive environment.

In 2013 the new represented brands of Pringles, Tabasco and Evian should make a more positive contribution towards JMDPC's performance.

Exports

In 2012, the export project has continued, with the two objectives initially defined: on the one hand, to be a vehicle for Portuguese companies who wish to export their products, and on the other hand, to provide further service to the represented brands in the export markets. This area already represents 4.6% of JMDPC's net sales, compared to 1.9% in 2011. Sales currently take place in 10 markets, the two main ones being Angola and Brazil, which have good growth prospects for 2013. In 2012, the first sales in Asia also took place.



Caterplus

2012 was the year for consolidating Caterplus's activity, which reached double-digit sales growth. The Wholesale and Manufacturing channels contributed toward this growth, offsetting the negative performance in the HoReCa channel, severely influenced by the fall in consumption in the Restaurant sector.

Cosmetics Division

The restructuring process of this division, initiated in 2011, continued during 2012. This segment will be discontinued as from 2013.

4.3.2.2. Jerónimo Martins Restauração e Serviços (JMRS) and Hussel



Message from the Managing Director

In 2012, JMRS was forced to restructure its store portfolio due to the economic crisis that the country is going through, the increase in VAT from 13% to 23% and the 15% drop in traffic in the Restaurant Services area of the shopping centres. We closed all the unprofitable stores whose contracts were coming to an end, seven Jeronymo Coffee Shops, seven Olá ice-cream parlours and the Chili's restaurant and reformulated the Oliva restaurant with a new, broader concept, under the Jeronymo Food with Friends brand. This has made the Company stronger to face the challenges in 2013.

Mission

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

2012 Performance

The Restaurant Services area is new for the Group, so the Company has been focused on the process of learning this new activity and on fulfilling the outlined launch plan. The Company closed the year with 72 stores operating with different concepts and also five franchised stores.



Jeronymo

In 2012, an innovation plan was drawn up for the brand which led to the launch of new menus, including a partnership with the Morning Programme on the RFM radio station, new product offerings, sampling sessions and a promotional activity with the Olá brand, in order to win new customers.

However, despite our constant efforts in promotions and innovation, the sales performance continued to reflect the decrease in store traffic. The noted loss of customers, especially in the coffee-shops, was the result of a decrease in traffic in the shopping centres and of consumption contraction, especially with regard to "Out-of-Home" breakfast. The brand's performance also had a negative effect from the increase in VAT in Restaurant Services.

Two kiosks and five coffee-shops were closed during the year, as foreseen in the brand's strategic review process and Jeronymo closed the year with six kiosks and 11 coffee-shops.

Olá



In order to maintain and consolidate its current leadership, apart from launching new products throughout the year, in 2012 the Company carried out substantial promotions, which included: i. distribution of loyalty cards, with the objective of increasing the frequency of store visits; ii. a promotional campaign for Swirl ice-cream in partnership with Rádio Comercial radio station; iii. promotional initiatives with the Jeronymo and Hussel brands; iv. sampling activities in several shopping centres; and v. distribution of promotional leaflets.

Olá's performance was affected negatively from the increase in the selling price, as a result of the increase in the VAT rate in the Restaurant Services sector, and from the decrease in the traffic in the shopping centres, which was more notable at weekends, which are the strongest days in terms of the brand's sales.

In 2012 we opened one store in Chiado and closed another four. The brand currently operates 29 stores and five franchised stores, within a total of 34 units.



Jeronymo Food with Friends (Jeronymo FWF)

The Jeronymo FWF (previously Oliva) was closed between 19th August and 17th September to reformulate its concept. The layout of the restaurant and bar was changed, whilst the Mediterranean inspiration was maintained, dominant in the variety of recipes with fresh ingredients.

With the objective of increasing the traffic in the restaurant, new dishes and menus were created and various initiatives were carried out throughout the year, such as: i. protocols established with companies located in Parque das Nações; ii. activity in conjunction with four Pingo Doce stores; iii. promotional campaign in partnership with Cidade FM radio station; and iv. distribution of leaflets in the surrounding area. Facebook continues to be the favourite way of communication for promoting the brand's activities and campaigns and the loyalty system is still being used to increase the frequency of customer store visits.

Jeronymo FWF's performance suffered from the effect of the increase of the VAT rate in the Restaurant Services sector and from the decrease in the traffic in general in the Restaurant Services area of Parque das Nações.



Chili's

Chili's, the brand's first restaurant operating in the Casual Dining segment within the Portuguese market, was opened in October 2008, in association with Brinker International.

In 2012, several promotional and communications initiatives were carried out with the objective of consolidating the concept with the target. However, as the results continued to be below expectations, we decided to close this restaurant at the end of the year.

HUSSEL
*Confiserie***Hussel**

In 2012, Hussel, a Specialised Retail chain of chocolate and confectionary, focused mainly on theme-based campaigns (St. Valentine's, Father's Day, Easter, Mother's Day, Day of the Child, Back to School and Christmas), heavily investing in those dates both in terms of the variety offered, launching new products, as well as the display of the product further in advance. These campaigns were well accepted by consumers and had positive results.

Hence, despite the decrease of Portuguese consumers' purchasing power, which had a more direct impact on the non-essential product categories, the chain's sales in 2012 were almost in line with the previous year (+0.6% and +2.0% like-for-like). The Company ended the year operating 25 stores.

5. Outlook for 2013

5.1. International Macroeconomic Environment

According to the economic forecasts published in IMF's *Outlook* in October 2012, the world economy is expected to slow in 2013 and the risk of the euro crisis worsening continues to be a concern, with many challenges and risks still ahead. These forecasts for 2013 point to a world economic growth of 3.6% and only 0.2% for the Eurozone economy.

However, there are several uncertainties that can influence economic growth and impact negatively the current forecasts. The projections for 2013 are based on the assumption that structural reform measures will continue to be taken in order to bring the current Eurozone crisis under control. Nonetheless, depending on the extent of the measures, they can be a source of increased pressure for this area's economic growth. Moreover, there remains uncertainty regarding the United States' capacity to avoid the possible increase of taxes and spending cuts, despite the new legislation approved at the start of 2013 and also whether it will be able to create the necessary monetary incentives in order to encourage growth and job creation.

The major economies of the emerging countries such as China, India, Russia and Brazil, should register strong growth, although less than initially expected since these economies are not immune to the world economic slowdown or the reduction of the current growth rates.

Unemployment rates estimated for emerging and developing economies should vary widely. Unemployment is expected to remain high in economies that were affected by the crisis, but relatively low in most parts of developing Asia and Latin America.

Unemployment rates in the advanced economies should also remain high and are not expected to recover in the short term. The unemployment rate in the United States in 2012 was about 8% and it is estimated that it will remain around this figure in 2013, despite the number of long-term unemployed having significantly increased. The projections in Europe indicate that one out of every ten people of the active population will be unemployed in 2013.

In emerging markets and developing economies, some growth indicators have shown some resilience, such as private consumption, while this indicator should follow an increasingly weaker trend in advanced economies.

The prices of most agricultural commodities, such as maize, wheat and soy beans, rose in 2012 and this trend is expected to continue in 2013.

In relation to budgetary balances, the improvement is stronger in the advanced economies, where the budgetary shock was greater, followed by the emerging economies and, to a lesser extent, the low-income countries.

In terms of public debt, the ratios in the emerging economies will take time to stabilise, while continuing for several years in many advanced economies due to the magnitude of the shock and the sluggish recovery, and also due to high interest rates, in some cases, which are negatively affected by political uncertainty and banking weaknesses.

5.2. International Trends of the Sector

2012 ended with uncertainty regarding the evolution of demand and consumption in most developed economies.

This environment has a direct impact on the development of the Food Retail sector. It is expected that operators focus their expansion efforts on emerging economies, where growth prospects are more attractive and, on the other hand, they establish multi-channel strategies in order to safeguard and increase their market shares in the developed economies.

In 2013, the main international companies of the sector will continue to expand to markets such as Asia, Africa and South America, in order to ensure sustained growth and the operational performance improvement.

The multi-channel strategy will force retailers to have a clear understanding of what experience the consumer wants in the different channels, an in-depth understanding of how to support this experience through digital solutions or retail technologies and an agile operating model that enables rapid adaptation as the retail environment evolves.

E-commerce supported on social networks will also be another critical part of the consumer experience and the major operators will channel resources to support its strategy on social networks.

Despite the constant technological innovation, which is primarily responsible for the emergence of these new channels and consequent changes in consumer behaviour, the physical stores continue to be the preferred place for purchases. However, the growing tendency will be for such stores to gradually become just another place for purchases. This change will mean that retailers will have to make a great effort to innovate and ensure the adequacy of the formats and channels they currently operate, in order to follow the changes in consumption patterns.

5.3. Outlook for Poland

Economic Perspectives

It is expected that the Polish economy continues to register GDP growth in 2013, although less dynamic than that recorded in previous years. The most recent estimates for 2013 are in the range from 1.5% to 2.0%.

This slowdown of GDP growth is explained by less dynamic domestic demand, in terms of both consumption and investment. The forecast for the development of exports is also less optimistic, due to stagnation of the EU, the market that accounts for 80% of Polish exports. Unemployment is expected to grow to 14%, 80 b.p. higher than that registered in 2012.

Regarding the government debt for 2013, the Government estimates that this will be less than 53% of GDP recorded in 2012. The budget deficit in 2012 broke through the 3% barrier set by the Government, which is a substantial reduction compared to the deficit of 5% of GDP in 2011. This significant drop in 2012, primarily achieved by the

heavy reduction of public spending, which should continue in 2013 according to the state budget. Nevertheless, the State budget deficit in 2013 is still forecast to exceed the 3% target.

It is expected that the Polish Monetary Council will act by lowering the benchmark interest rate in the first quarter of 2013, reflecting the economic conditions of the country, thereby continuing the trend already registered in the final quarter of 2012.

It is difficult to predict the performance of the Polish currency in 2013 due to the financial crisis in Europe. It is expected that the exchange rate remains above four zloty to the euro.

Modern Food Retail Market

The retail market should continue to grow but at a slower pace than that recorded in 2012, as a result of the macroeconomic environment.

The share of the three largest Food Distribution formats in terms of sales area (Hypermarkets, Supermarkets and Discounts) is estimated at 47% for 2012 and it is expected to continue growing in 2013. The sum of the three formats should account for almost 51% of the total market in 2013. The most dynamic format is expected to be the Discount, due to the intensive expansion of the market leaders, accounting for the largest share among the largest distribution formats.

The acceleration of consumers' pace of life, especially in cities, leads to changes in consumer habits. With less time available for shopping and preparing meals, proximity, ease and speed of purchases and the availability of ready meals will be determining factors in defining consumer preferences. This is reflected in the strong development of the convenience format, where proximity is one of the key factors.

Despite the fact that the retail operators of the Polish market continue to present different operating strategies and methods, it is expected that the premium Supermarkets proceed with the development of their Private Brand and the Hypermarkets and Supermarkets adopt the cost efficiency strategies used by the Discount stores. There will also be a growing trend for the multi-channel option among the main operators, as well as the diversification of the range of retail products and services that operate in a single channel.

The networks promoted by leading franchise operators, enabling independent shop owners harness the potential of these groups, should continue to progress and can become one of the main pillars of development for some of the retail chains in Poland.

5.4. Outlook for Portugal

Economic Perspectives

GDP contracted for the third consecutive year, largely as a consequence of the PAEF that the country committed to, which aims to solve the structural imbalances in the Portuguese economy. The projections of the Winter Bulletin of Banco de Portugal (Portuguese Central Bank) indicate that the Portuguese economy will shrink 1.9% in 2013, after decreasing around 3% in 2012.

The decline in domestic demand forecast for 2013 is 4% (-6.9% in 2012), as a result of a decline in private consumption (-3.6% vs. -5.5% in 2012), public consumption (-2.4% vs. -4.5% in 2012) and investment (-8.5% vs. -14.4% in 2012).

The evolution of exports will continue to help mitigate the impact on economic activity of the reduction of domestic demand. A sharp slowdown in overseas sales is anticipated, despite these positive developments. The Banco de Portugal forecast of export growth for 2013 went from 5% to 2% in three month period. This deceleration reflects a strong slowdown in the economies of the Eurozone, which account for about two-thirds of the target markets of Portuguese exports. Nonetheless, the estimated weight of exports in GDP will be 42% in 2014, compared to 30% recorded in 2010.

The forecast reduction of domestic demand is a result of the adjustment of budgetary imbalances of the Portuguese economy, which will be undertaken through a huge tax increase on personal income in Portugal: i. 3.5% personal income tax (IRS) surcharge payable monthly; ii. reduction of the number of IRS levels which will comprise a significant increase in the average rates of this tax; iii. a significant increase of the extraordinary solidarity contribution in pensions; iv. the increase of restrictions on deductions of the taxable income for IRS; and v. the increase of the rates of tax withheld at source, among other measures.

The main measures in the case of corporate income tax (IRC) relate to the increase of the tax rates for advance tax payments, the introduction of restrictions on the deductibility of net charges with interest and the reduction of the income limits at which the State surtax has to be paid. An increase in property tax (IMI) is also anticipated, as a result not of legislative change but the revaluation of properties carried out during 2012. The main measures that aim to control the deficit by cutting public spending are the reduction of social benefits and personnel expenses (by streamlining costs and reducing civil servant numbers).

In a context of continued deterioration of conditions in the labour market, reduction of wages and extensive uncertainty regarding the development of the economic situation, economic agents will tend to postpone consumption expenditure, particularly on durable goods. A reduction is also expected in the case of non-durable goods (food and current goods), although less significant.

Nevertheless, households with bank loans should continue to benefit over the next year with the Euribor rate at minimum levels, as an increase of the European Central Bank (ECB) benchmark interest rate is not expected.

The labour market will continue to decline, despite the expected improvement in the development of the Portuguese GDP, resulting in a sharp drop in employment level, a structural increase in the unemployment rate and the shrinkage of the labour force.

The slowdown in inflation anticipated for 2013 (+0.9%) is a result of the price reduction in the energy and non-energy component. These projections reflect, in the case of the energy component, the prospects of lower oil prices. The non-energy component largely reflects the dissipation of budgetary consolidation measures introduced at the start of 2012, in particular the VAT changes.

Modern Food Retail Market

Following the trends already observed in 2012, the outlook for 2013 remains negative for the Portuguese families, with an environment of recession remaining in place.

Some of the measures in the State Budget for 2013 demand an additional effort from Portuguese households. Private consumption should, therefore, continue to evolve negatively and families are expected to continue to look for savings solutions. Some of the behaviour identified in 2012 is expected to become stronger, such as greater sensitivity to price and promotions, or the continued preference for Private Brand products.

Hence, expectations regarding the development of Food Retail remain pessimistic. It is expected that the leading banners will invest even more in the Private Brand offer and a communication strategy focused on price, in an attempt to preserve their position in a market that is expected to shrink in 2013.

Wholesale Food Market

As mentioned above, consumers' economic conditions are expected to worsen in 2013, with the consequent increase of consumption at home, at the expense of "Out-of-Home" consumption.

In terms of demand it is estimated that the HoReCa channel's turnover will again decline. However, despite the expected increase in the share of consumption at home, Traditional Retail will not benefit from this increase. It is expected that this segment will continue to lose share, driven by the competitive dynamism of Modern Food Retail. It is forecast that a significant number of hotel and restaurant units will close as well as the continued reduction of the number of points of sales in the Traditional Retail segment.

Given these perspectives, it is expected that Cash&Carry operators will have another year of strong competitive pressure, struggling to maintain their share in a market that will continue to shrink.

5.5 Outlook for the Jerónimo Martins Businesses

Given the current international macroeconomic climate and that of the countries where Jerónimo Martins operates, marked by countless uncertainties and growth prospects either negative (such as Portugal) or of moderate growth (Poland), Jerónimo Martins will remain financially prudent, maintaining a solid balance sheet and maximising the profitability of its assets.

The Group believes, despite the constraints of the current economic climate, that the businesses it operates, with different value propositions focused on price and operating cost efficiency, are well positioned to withstand the adversities of the economic environment, as experienced in previous years.

Food Retail Business in Poland: Biedronka

In Poland, the strengthening of the leadership position of Biedronka will continue to be a priority. The expansion plan considers the addition of around 270 stores in 2013 (net), as well as the inauguration of two new Distribution Centres. The pace of opening new Biedronka stores will gradually increase in the coming years in order to reach 3,000 stores in 2015.

Considering the positive growth expected for the Polish economy, in addition to maintaining a fast pace in opening new stores, the Company will continue to focus on increasing like-for-like sales. The main objectives for communication in 2013 will be: i. strengthening the perception of low prices; ii. continuing to promote an image of higher quality; iii. emotional proximity; and iv. continuing to strengthen the Biedronka brand.

Biedronka intends to maintain its market differentiation and will keep its focus on cost leadership. This should provide the Company with a sustainable leadership in terms of price and a strong competitive edge, making Biedronka a strong competitor in an environment of more moderate growth.

Food Retail Business in Portugal: Pingo Doce

In 2013, in a market expected to continue declining and in a context of strong competition, Pingo Doce will have the capacity to continue strengthening its position and remain the reference banner for Portuguese consumers. Pingo Doce, based on the proximity provided to consumers, will continue to invest in the pillars that ensure its differentiation, focusing on offering the best Perishables and an excellent Private Brand.

The main goal of Pingo Doce will be to increase its market share on a like-for-like basis, while simultaneously maintaining strong focus on cost management and price competitiveness, in order to ensure sustainability and profitability.

A project will be initiated in 2013 to redefine operational processes, in terms of both store and logistics, where the focus will be to redesign the layout of the stores and streamline processes to guarantee greater cost efficiency and enhance price competitiveness, in order to progressively recover the Company's profitability. Pingo Doce will again be supporting the Portuguese families, providing new possibilities of immediate savings combined with the low price that differentiates it.

Wholesale Food Market in Portugal: Recheio

Recheio will continue to focus on its mission, to be the main business partner of its customers of the HoReCa and Traditional Retail channels, through a better value proposition than its competitors. 2013 will be a year of consolidation of Recheio's

market position. In the HoReCa channel, the Company will increase its focus on the Food Service market through greater adaptation of the assortment and enhancing the range of services in response to the specific needs of this type of clients. The focus on the growth of Perishables and the Gourmês and Masterchef Private Brands will remain as a factor of differentiation.

In the Traditional Retail channel, the support of Recheio to its clients will again be evident and provided on an ongoing basis, giving the support and strength necessary to keep their business open and profitable. The Amanhecer Private Brand, with an ambitious product launch plan, and campaigns at the points of sale of Traditional Retail will be the basis and a strong ally in the success and profitability of this client segment.

In order to achieve its strategic goals, Recheio will be focused on: i. strengthening its position as the player with the most competitive price; ii. attracting new customers; iii. increasing the average ticket; and iv. increasing clients loyalty.

Development of New Businesses

As announced, 2013 will mark the start of operations in Colombia. In 2013, 30 to 40 stores will be opened in order to test the defined format, which will be adjusted throughout the year. The planned investment for 2013 is about 100 million euros and includes the opening of the first Distribution Centre. The negative EBITDA generated by operations in Colombia is expected to be below 5% of the Group's EBITDA.

The process launched in 2012 to merge part of pharmacies owned in Poland with the Hebe (drugstores) business concept will continue in 2013, in order to maximise the sales potential of each location by adding the Hebe product range to the pharmacy product range. Hebe development during the year will allow the form and pace of expansion of the concept to be assessed. This market is considered to have high potential and the business model has the needed features to be developed on a nationwide scale.

Manufacturing and Services in Portugal

The main goal of Unilever Jerónimo Martins for 2013 is to gain market share, keeping the focus on the four key categories for the Company (Laundry, Spreads, Ice Cream and Ice Tea). The Company intends to invest in categories still with low significance in Portugal, namely Meal Makers, with the Knorr range, and the "In Home" ice creams, which have low market penetration compared to other countries. The investment in these two segments is justified by the high potential identified given the decreased "Out-of-Home" consumption registered in Portugal and which is expected to continue in 2013 due to the tough macroeconomic scenario.

The main goal of Gallo Worldwide for 2013 is to continue its sales growth trend, increasing market shares in the countries where it operates. In Brazil, Gallo Worldwide's main market, 2013 is expected to be uncertain regarding the Company's performance, specifically regarding the consumers' reaction to the expected product prices increase due to the rising cost of the raw material and the devaluation of the real against the euro. In Portugal, the goal for 2013 is to defend the market share of Gallo Worldwide. Market contraction and a year marked by the worsening of

consumers' purchasing power is expected, and the consumption shifting from more expensive goods to cheaper alternatives will be visible, where the Private Brand is included. A positive year is expected for Russia and China, despite the instability of the raw material price, due to the potential of those markets and the investment made for the sustained sales growth in the medium and long-term.

The priority for JMDPC in 2013 is to ensure the profitability and sustainability of the current portfolio of represented brands and continue to search for new represented brands of significant dimension, as occurred in 2012, in order to optimise the current structure. Furthermore, the focus will remain on exports as an additional driver of the Company's growth.

The focus of JMRS will be on improving profitability and its goal may encompass the current store network rationalization and optimising the cost structure.

Sources:

IMF World Economic Outlook; Eurostat; Bank of Portugal Economic Bulletins; Portuguese Ministry of Finance; National Statistics Institute (INE); National Bank of Poland Economic Bulletins; Central Statistical Office (GUS); Planet Retail; Deloitte; TNS; Nielsen and PMR.

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. Results Appropriation Proposal

In the financial year 2012, Jerónimo Martins, SGPS, S.A. declared consolidated profits of 360,398,319 euros and a profit in individual accounts of 83,088,589.33 euros.

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

- Legal Reserve4,154,429.47 euros.
- Free Reserves78,934,159.86 euros.

The Board of Directors proposes a distribution to Shareholders of 185,388,094.90 euros, an amount which corresponds to 50.0% of the ordinary consolidated net earnings and which is to be taken from the free reserves available for distribution.

This proposal represents a **gross dividend payment of 0.295 euros** per share, excluding own shares in the portfolio

Lisbon, 26 February 2013

The Board of Directors

8. Consolidated Management Report Annex

Information Concerning Stakes Held in the Company by Members of the Board of Directors and Statutory Auditor as at 31 December, 2012

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

Board of Directors

Members of the Board of Directors	Held on 31.12.11		Increases during the year		Decreases during the year		Held on 31.12.12	
	Shares	Bonds	Shares	Bonds	Shares	Bonds	Shares	Bonds
Elísio Alexandre Soares dos Santos ¹	141,609	-	14,922	-	-	-	156,531	-
Pedro Manuel de Castro Soares dos Santos	216,305	-	-	-	-	-	216,305	-
Alan Johnson ²	-	-	14,450	-	-	-	14,450	-
António Mendo Castel-Branco Borges	-	-	-	-	-	-	-	-
António Pedro de Carvalho Viana-Baptista	-	-	-	-	-	-	-	-
Artur Eduardo Brochado dos Santos Silva ³	7,680	-	-	-	7,680	-	-	-
Hans Eggerstedt	19,700	-	-	-	-	-	19,700	-
José Manuel da Silveira e Castro Soares dos Santos	-	-	-	-	-	-	-	-
Luís Maria Viana Palha da Silva	-	-	-	-	-	-	-	-
Marcel Lucien Corstjens	-	-	-	-	-	-	-	-
Nicolaas Pronk	-	-	-	-	-	-	-	-

¹ The 14,922 shares were bought on: 7,476 shares on 16/05/2012, at an average price of 13.613 euros each and 7,446 shares on 21/05/2012, at an average price of 13.439 euros each.

² The 14,450 shares were bought on: 7,100 shares on 04/05/2012, at an average price of 14.008 euros each and 7,350 shares on 26/10/2012, at an average price of 13.600 euros each.

³ The 7,680 shares were sold on 30/04/2012, at an average price of 14.103 euros each.

Statutory Auditor

As at 31 December, 2012, the Statutory Auditor PricewaterhouseCoopers & Associados, SROC, Lda., did not hold any shares and bonds of Jerónimo Martins, SGPS, S.A. and had not made any transactions with Jerónimo Martins, SGPS, S.A. securities.

List of Transactions made by Persons Discharging Managerial Responsibilities and People Closely Connected with Them

Under the terms of paragraph 7 of Article 14 of CMVM Regulation 5/2008, Jerónimo Martins, SGPS, S.A. informs about all the transactions made by persons discharging managerial responsibilities along 2012.

E. Alexandre Soares dos Santos

Date	Nature	Code ISIN	Volume	Price	Local
16-05-2012	Buy	PTJMT0AE0001	570	13.585	Euronext Portugal
16-05-2012	Buy	PTJMT0AE0001	54	13.555	Euronext Portugal
16-05-2012	Buy	PTJMT0AE0001	510	13.580	Euronext Portugal
16-05-2012	Buy	PTJMT0AE0001	1,157	13.590	Euronext Portugal
16-05-2012	Buy	PTJMT0AE0001	587	13.595	Euronext Portugal
16-05-2012	Buy	PTJMT0AE0001	350	13.610	Euronext Portugal
16-05-2012	Buy	PTJMT0AE0001	120	13.615	Euronext Portugal
16-05-2012	Buy	PTJMT0AE0001	824	13.620	Euronext Portugal
16-05-2012	Buy	PTJMT0AE0001	117	13.630	Euronext Portugal
16-05-2012	Buy	PTJMT0AE0001	935	13.625	Euronext Portugal
16-05-2012	Buy	PTJMT0AE0001	1,079	13.635	Euronext Portugal
16-05-2012	Buy	PTJMT0AE0001	1,173	13.640	Euronext Portugal
21-05-2012	Buy	PTJMT0AE0001	1,600	13.415	Euronext Portugal
21-05-2012	Buy	PTJMT0AE0001	1,866	13.418	Euronext Portugal
21-05-2012	Buy	PTJMT0AE0001	1,368	13.423	Euronext Portugal
21-05-2012	Buy	PTJMT0AE0001	318	13.425	Euronext Portugal
21-05-2012	Buy	PTJMT0AE0001	330	13.430	Euronext Portugal
21-05-2012	Buy	PTJMT0AE0001	219	13.485	Euronext Portugal
21-05-2012	Buy	PTJMT0AE0001	845	13.490	Euronext Portugal
21-05-2012	Buy	PTJMT0AE0001	290	13.500	Euronext Portugal
21-05-2012	Buy	PTJMT0AE0001	610	13.505	Euronext Portugal
Total			14,922		

Alan Johnson

Date	Nature	Code ISIN	Volume	Price	Local
04-05-2012	Buy	PTJMT0AE0001	7,100	14.008	Euronext Portugal
26-10-2012	Buy	PTJMT0AE0001	7,350	13.600	Euronext Portugal
Total			14,450		

Artur Eduardo Brochado dos Santos Silva

Date	Nature	Code ISIN	Volume	Price	Local
30-04-2012	Sell	PTJMT0AE0001	1,795	14.090	Euronext Portugal
30-04-2012	Sell	PTJMT0AE0001	4,415	14.100	Euronext Portugal
30-04-2012	Sell	PTJMT0AE0001	1,470	14.130	Euronext Portugal
Total			7,680		

List of Shareholders with Qualifying Holdings as at 31 December, 2012

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

Shareholder	Nr. of Shares Held	% Capital	Nr. of Voting Rights	% of Voting Rights*
Sociedade Francisco Manuel dos Santos, SGPS, S.A.				
Through Sociedade Francisco Manuel dos Santos, B.V.	353,260,814	56.136%	353,260,814	56.136%
Heerema Holding Company Inc.				
Through Asteck, S.A.	62,929,500	10.000%	62,929,500	10.000%
Carmignac Gestion				
Directly	16,859,313	2.679%	16,859,313	2.679%
BNP Paribas				
Through Investment Funds Managed by BNP Paribas	13,123,849	2.085%	12,708,280	2.019%
BlackRock Inc.				
Through Investment Funds Managed by BNP Paribas	12,257,822	1.948%	12,694,453	2.017%

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

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

III. Consolidated Financial Statements

**CONSOLIDATED INCOME STATEMENT BY FUNCTIONS
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011**

Euro thousand

	Notes	December 2012	December 2011	4 th Quarter 2012	4 th Quarter 2011
Sales and services rendered	3	10,875,897	9,838,241	2,922,098	2,518,474
Cost of sales	4	(8,450,152)	(7,594,177)	(2,272,673)	(1,935,773)
Gross profit		2,425,745	2,244,064	649,425	582,701
Distribution costs	5	(1,673,339)	(1,541,413)	(439,229)	(393,251)
Administrative costs	5	(212,377)	(190,352)	(56,308)	(47,532)
Exceptional operating profits/losses	10.1	(19,565)	(12,228)	(5,470)	(7,545)
Operating profit		520,464	500,071	148,418	134,373
Net financial costs	7	(31,237)	(30,538)	(9,221)	(6,824)
Gains in associated companies	15	458	493	312	222
Losses in other investments	10.2	(2,840)	(1,487)	(2,840)	13
Profit before taxes		486,845	468,539	136,669	127,784
Income tax	9	(120,577)	(111,183)	(45,697)	(40,230)
Profit before non-controlling interests		366,268	357,356	90,972	87,554
Attributable to:					
Non-controlling interests		5,870	17,088	2,114	2,962
Jerónimo Martins shareholders		360,398	340,268	88,858	84,592
Basic and diluted earnings per share - euros	23	0.5735	0.5415	0.1414	0.1346

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

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2012 AND 2011

Euro thousand

	Notes	2012	2011
Assets			
Tangible assets	11	2,600,230	2,300,501
Investment properties	13	49,336	52,128
Intangible assets	12	888,217	830,620
Investments in associated companies	15	1,049	1,052
Available-for-sale financial assets	16	1,045	6,157
Trade debtors and deferred costs	19	96,351	85,407
Derivative financial instruments	14	-	10
Deferred tax assets	18.1	53,554	57,957
Total non-current assets		3,689,782	3,333,832
Inventories	17	495,661	388,262
Taxes receivable	18.3	53,772	33,834
Trade debtors, accrued income and deferred costs	19	277,606	195,200
Cash and cash equivalents	20	376,152	530,155
Total current assets		1,203,191	1,147,451
Total assets		4,892,973	4,481,283
Shareholders' equity and liabilities			
Share capital	22.2	629,293	629,293
Share premium		22,452	22,452
Own shares		(6,060)	(6,060)
Fair value and other reserves	22.1	52,125	(1,162)
Retained earnings		513,721	476,338
		1,211,531	1,120,861
Non-controlling interests		290,395	300,824
Total shareholders' equity		1,501,926	1,421,685
Borrowings	24	570,825	385,553
Derivative financial instruments	14	10,977	8,785
Employee benefits	25	34,858	33,954
Deferred profits - state grants		886	910
Provisions for risks and contingencies	26	64,807	49,597
Deferred tax liabilities	18.1	118,859	105,155
Total non-current liabilities		801,212	583,954
Trade creditors, accrued costs and deferred income	27	2,305,253	2,006,336
Derivative financial instruments	14	4,958	4,038
Borrowings	24	146,246	354,672
Taxes payable	18.3	133,353	110,543
Deferred profits - state grants		25	55
Total current liabilities		2,589,835	2,475,644
Total shareholders' equity and liabilities		4,892,973	4,481,283

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Euro thousand

	December 2012	December 2011	4 th Quarter 2012	4 th Quarter 2011
Net profit	366,268	357,356	90,972	87,554
Other comprehensive income:				
Currency translation differences	66,180	(82,722)	6,015	(14,272)
Fair value of cash flow hedging	2,271	2,455	1,454	197
Revaluation of fixed assets	(4,866)	10,031	(4,866)	10,031
Fair value of hedging instruments on foreign operations	(10,514)	7,971	(3,651)	1,214
Fair value of available-for-sale financial assets	(124)	(858)	22	(120)
Other comprehensive income	52,947	(63,123)	(1,026)	(2,950)
Total comprehensive income for the year	419,215	294,233	89,946	84,604
Attributable to:				
Non-controlling interests	5,530	18,394	1,184	3,380
Jerónimo Martins shareholders	413,685	275,839	88,762	81,224
Total comprehensive income for the year	419,215	294,233	89,946	84,604

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Euro thousand

	Shareholders' equity attributable to shareholders of Jerónimo Martins, SGPS, S.A.							Non-controlling interests	Shareholders' equity
	Notes	Share capital	Share premium	Own shares	Fair value and other reserves	Retained earnings	Total		
Balance sheet at 1st January 2011		629,293	22,452	(6,060)	63,433	135,988	845,106	286,706	1,131,812
Equity changes in 2011									
Currency translation differences in 2011	22.1				(82,722)		(82,722)		(82,722)
Revaluation of fixed assets:	22.1								
- From 2011					9,618		9,618	413	10,031
- Land transfer to investment property					(166)	166	-		-
Fair value of cash flow hedging	22.1				1,562		1,562	893	2,455
Fair value of hedging instruments on foreign operations	22.1				7,971		7,971		7,971
Fair value of available-for-sale financial assets	22.1				(858)		(858)		(858)
Other comprehensive income					(64,595)	166	(64,429)	1,306	(63,123)
Net profit in 2011						340,268	340,268	17,088	357,356
Total comprehensive income for the year					(64,595)	340,434	275,839	18,394	294,233
Dividends								(4,019)	(4,019)
Non-controlling interests acquisition						(84)	(84)	(257)	(341)
Balance sheet at 31st December 2011		629,293	22,452	(6,060)	(1,162)	476,338	1,120,861	300,824	1,421,685
Equity changes in 2012									
Currency translation differences in 2012	22.1				66,180		66,180		66,180
Revaluation of fixed assets:	22.1								
- From 2012					(3,327)		(3,327)	(1,539)	(4,866)
Fair value of cash flow hedging	22.1				1,072		1,072	1,199	2,271
Fair value of hedging instruments on foreign operations	22.1				(10,514)		(10,514)		(10,514)
Fair value of available-for-sale financial assets	22.1				(124)		(124)		(124)
Other comprehensive income					53,287		53,287	(340)	52,947
Net profit in 2012						360,398	360,398	5,870	366,268
Total comprehensive income for the year					53,287	360,398	413,685	5,530	419,215
Dividends	22.4					(323,015)	(323,015)	(15,959)	(338,974)
Balance sheet at 31st December 2012		629,293	22,452	(6,060)	52,125	513,721	1,211,531	290,395	1,501,926

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

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011**

Euro thousand

	Notes	2012	2011
Operating activities			
Cash received from customers		12,257,229	11,006,389
Cash paid to suppliers and employees		(11,437,588)	(10,163,926)
Cash generated from operations	21	819,641	842,463
Interest paid		(43,082)	(36,506)
Income taxes paid		(100,792)	(72,909)
Cash flow from operating activities		675,767	733,048
Investment activities			
Disposals of tangible assets		6,073	10,330
Disposals of intangible assets		518	7,436
Interest received		7,355	8,775
Dividends received		499	681
Acquisition of group and associated companies		-	(7,409)
Acquisition of tangible assets		(459,887)	(366,271)
Acquisition of available-for-sale financial assets and investment property		(3)	(19)
Acquisition of intangible assets		(34,101)	(19,277)
Cash flow from investment activities		(479,546)	(365,754)
Financing activities			
Received from other loans		303,382	107,614
Loans paid		(330,130)	(224,643)
Dividends paid	22.4	(338,974)	(4,019)
Cash flow from financing activities		(365,722)	(121,048)
Net changes in cash and cash equivalents		(169,501)	246,246
Cash and cash equivalents changes			
Cash and cash equivalents at the beginning of the year		530,155	303,927
Net changes in cash and cash equivalents		(169,501)	246,246
Effect of disposal/acquisition of subsidiaries		-	888
Effect of currency translation differences		15,498	(20,906)
Cash and cash equivalents at the end of the year	20	376,152	530,155

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE INTERIM PERIOD

Euro thousand

	December 2012	December 2011	4 th Quarter 2012	4 th Quarter 2011
Cash flow from operating activities	675,767	733,048	188,446	235,941
Cash flow from investment activities	(479,546)	(365,754)	(139,296)	(123,401)
Cash flow from financing activities	(365,722)	(121,048)	(196,074)	(18,885)
Cash and cash equivalents changes	(169,501)	246,246	(146,924)	93,655

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1 Activity

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

The Group is essentially devoted to the production, distribution and sale of food and other fast moving consumer goods products. The Group operates in Portugal and Poland, and at December 31 2012, employs 69,443 people (66,270 at 31st December 2011).

Head Office: Rua Tierno Galvan, Torre 3, 9º, J - 1099-008 Lisbon

Share Capital: 629,293,220 euros

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

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

The share capital comprises of 629,293,220 ordinary shares (2011: 629,293,220 shares), and all shares have a nominal value of one euro.

The Board of Directors approved these consolidated financial statements on 26th February 2013.

2 Accounting policies

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

2.1. Basis for preparation

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

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

The consolidated financial statements of JMH were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as at 31 December 2012.

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

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

The financial risk management, as defined in the IFRS 7 - Financial instruments: Disclosures, is detailed in the Corporate Governance report.

Change in accounting policies and basis for presentation:

2.1.1 New and amended standards adopted by the Group

The Group adopted in 2012 the amendments to IFRS 7 - Financial Instruments: Disclosures, issued by the International Accounting Standards Board (IASB) in October 2010 and endorsed by the European Union in the Regulation no. 1205/2011. The amendments clarify the disclosure requirements in a transfer of financial assets and its application is mandatory for financial years beginning on or after July 1, 2011, having no impact on consolidated financial statements of JMH.

2.1.2 New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted

In 2012 the European Commission adopted several changes to International Accounting Standards issued by the IASB and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC):

Regulation	IASB Standard or IFRIC Interpretation	Issued in	Mandatory for financial years beginning on or after
Regulation no. 475/2012	IAS 1 Presentation of Financial Statements (amendment)	June 2011	July 1, 2012
Regulation no. 475/2012	IAS 19 Employee benefits (Fully Amended)	June 2011	January 1, 2013
Regulation no. 1254/2012	IFRS 10 Consolidated Financial Statements (New)	May 2011	January 1, 2014 ¹
Regulation no. 1254/2012	IFRS 11 Joint Arrangements (New)	May 2011	January 1, 2014 ¹
Regulation no. 1254/2012	IFRS 12 Disclosure of Interests in Other Entities (New)	May 2011	January 1, 2014 ¹
Regulation no. 1254/2012	IAS 27 Separate Financial Statements (Fully Amended)	May 2011	January 1, 2014 ¹
Regulation no. 1254/2012	IAS 28 Investments in Associates and Joint Ventures (Fully Amended)	May 2011	January 1, 2014 ¹
Regulation no. 1255/2012	IFRS 1 First-time Adoption of IFRS: Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (Amendment)	December 2010	January 1, 2013
Regulation no. 1255/2012	IAS 12 Income Taxes: Deferred Tax - Recovery of Underlying Assets (Amendment)	December 2010	January 1, 2013
Regulation no. 1255/2012	IFRS 13 Fair Value Measurement (New)	May 2011	January 1, 2013
Regulation no. 1255/2012	IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New)	October 2011	January 1, 2013
Regulation no. 1256/2012	IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendment)	December 2011	January 1, 2013
Regulation no. 1256/2012	IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendment)	December 2011	January 1, 2014

¹ This new standards shall be applied at the latest, as from the commencement date of its first financial year starting on or after January 1, 2014. In general, if an entity wishes early application, it should apply all the five standards early at the same time.

These new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2012, and were not applied in the preparation of these consolidated financial statements. None of them are expected to have a significant impact on the consolidated financial statements of the Group, except for those set out below:

- i) Amendment to IAS 1 Financial statement presentation regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially recycled subsequently to profit or loss (reclassification adjustments) or not. The amendments do not address which items are presented in OCI. Their application will result in minor changes on the presentation of items of OCI, with no impact in total equity of the group;
- ii) Fully amended IAS 19 Employee benefits improves recognition and disclosure requirements for defined benefit plans (DBP), eliminates the option for the corridor method and provides better information about the characteristics of DBP and the risks that entities are exposed on those plans. The major impacts on the Group will be the remeasurements of the net defined benefit liability on post-employment benefits - actuarial gains and losses and return on plan assets - to be presented in OCI and an increase in disclosures.

If the Group had adopted this revised standard in the preparation of these consolidated financial statements, the estimated impacts would be:

Employee benefits	December 2012			December 2011		
	Published	Reclassification	Restated	Published	Reclassification	Restated
Retirement benefits - defined contribution plan	845	-	845	988	-	988
Retirement benefits - defined benefit plan	1,035	(167)	868	3,252	32	3,284
Retirement benefits - defined benefit plan with a fund managed by a third party	(82)	149	67	(121)	193	72
Seniority awards	2,215	-	2,215	1,630	-	1,630
Profit or loss (operating costs)	4,013	(18)	3,995	5,749	225	5,974
Other reserves in equity	-	18	18	-	(225)	(225)
Other comprehensive income (OCI)	-	18	18	-	(225)	(225)
Total shareholders' equity	4,013	-	4,013	5,749	-	5,749

- iii) In the new standard IFRS 11 Joint arrangements, joint ventures are accounted for using the equity method, in accordance with IAS 28. The existing policy choice of proportional consolidation for jointly controlled entities has been eliminated. As consequence, the Group will consolidate its interest in Unilever Jerónimo Martins and Gallo Worldwide using the equity method.

If the Group had adopted this revised standard in the preparation of these consolidated financial statements, the estimated impacts would be:

	December 2012			December 2011		
	Published	Reclassification	Restated	Published	Reclassification	Restated
Non-current assets	3,689,782	(47,718)	3,642,064	3,333,832	(39,413)	3,294,419
Current assets	1,203,191	(73,544)	1,129,647	1,147,451	(70,297)	1,077,154
Non-current liabilities	(801,212)	3,373	(797,839)	(583,954)	3,819	(580,135)
Current liabilities	(2,589,835)	117,889	(2,471,946)	(2,475,644)	105,891	(2,369,753)
Total shareholders' equity	1,501,926	-	1,501,926	1,421,685	-	1,421,685
Sales and services rendered	10,875,897	(192,774)	10,683,123	9,838,241	(191,777)	9,646,464
Cost of sales	(8,450,152)	112,699	(8,337,453)	(7,594,177)	106,757	(7,487,420)
Gross profit	2,425,745	(80,075)	2,345,670	2,244,064	(85,020)	2,159,044
Distribution costs	(1,673,339)	29,858	(1,643,481)	(1,541,413)	28,475	(1,512,938)
Administrative costs	(212,377)	28,650	(183,727)	(190,352)	31,263	(159,089)
Exceptional operating profits/losses	(19,565)	2,982	(16,583)	(12,228)	2,768	(9,460)
Operating profit	520,464	(18,585)	501,879	500,071	(22,514)	477,557
Net financial costs	(31,237)	4,534	(26,703)	(30,538)	5,080	(25,458)
Gains in associated companies	458	9,765	10,223	493	12,289	12,782
Losses in other investments	(2,840)	-	(2,840)	(1,487)	-	(1,487)
Profit before taxes	486,845	(4,286)	482,559	468,539	(5,145)	463,394
Income taxes	(120,577)	4,286	(116,291)	(111,183)	5,145	(106,038)
Non-controlling interests	(5,870)	-	(5,870)	(17,088)	-	(17,088)
Net results	360,398	-	360,398	340,268	-	340,268

When consolidating its interest in Unilever Jerónimo Martins and Gallo Worldwide using the equity method, the Group will recognize an investment in joint ventures (non-current assets) in the amount of EUR 76,161 thousand, which includes the goodwill previously recorded in these businesses in the amount of EUR 93,809 thousand, as well as loans and capital contribution in the amount of EUR 183,024 thousand.

There is no net effect on the balance sheet from this exercise, as there are no impairment issues.

- iv) IFRS 12, Disclosures of interests in other entities requires entities to disclose information that helps readers of financial statements to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, joint arrangements and unconsolidated structured entities. Their application will increase the disclosures regarding non-controlling interests in groups activities, as well new disclosures on subsidiaries and joint arrangements.

The Group will adopt the above mentioned standards and amendments in the accounting period beginning on 1 January 2013.

In addition, the IASB issued in 2009 and 2012, the following standards that have not yet been endorsed by the European Union:

- i) In November 2009, IASB issued the new standard IFRS 9 - Financial Instruments: Classification and Measurement. This standard partially replaces IAS 39 and is mandatory for accounting periods beginning on or after 1 January 2015;
- ii) In March 2012, IASB issued amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards. The changes relate to the form of classification of loans received from governments, and their application is mandatory for financial years beginning on or after January 1, 2013.
- iii) In May 2012, IASB issued improvements to standards IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. Their application is mandatory for financial years beginning on or after January 1, 2013.
- iv) In June 2012, IASB issued improvements to standards IFRS 10, IFRS 11 and IFRS 12, regarding Transition Guidance. Their application is mandatory for financial years beginning on or after January 1, 2013.

- v) In October 2012, IASB issued improvements to standards IFRS 10, IFRS 12 and IAS 27, regarding Investment Entities. The changes introduced an exception to the principle that all subsidiaries shall be consolidated. Their application is mandatory for financial years beginning on or after January 1, 2014.

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

2.2. Basis of consolidation

Reference dates

The consolidated financial statements include, as of 31 December 2012, assets, liabilities and results of Group companies, i.e., the ensemble consisting of JMH and its subsidiaries and associated companies, which are presented in notes 34 and 16, respectively.

Investments in Group companies

Group companies (subsidiaries) are those controlled by JMH. There is control when JMH, directly or indirectly, holds more than half of the voting rights, or has the power to conduct the company's financial and operating policy with the purpose of deriving benefits from its activity. It is assumed that there is control when the percentage of the holding exceeds 50%.

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

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

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 associated companies

Associated companies are those over whose financial and operating policy JMH exercises significant influence. Such influence is presumed to exist when the percentage of participation exceeds 20%.

These investments are consolidated by the equity method, i.e., the consolidated financial statements include the Group's interest in the associated company's total recognised gains and losses from the date when significant influence starts to the date when it effectively ends. 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 the Group has incurred obligations or made payments on behalf of the associates.

Investments in companies subject to joint control

Companies subject to joint control are those over which the Group exercises joint control as established in shareholder agreements.

These companies are consolidated by proportional method, i.e., the consolidated financial statements include the share attributable to the Group in these company's assets, liabilities and accumulated earnings and losses from the date when joint control starts to the date when it effectively ends.

Goodwill

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

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

The gain or loss on the disposal of an entity includes the carrying amount of Goodwill related to the entity sold, unless the business to which that Goodwill is related is maintained generating 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. The transactions with non-controlling interests are treated as transactions with equity owners of the Group.

In any acquisition from non-controlling interests, the difference between the consideration paid and the accounting value of the share acquired is recognised in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

Foreign currency translation

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Balances and transactions between Group companies

Balances and transactions as well as unrealised gains among Group companies and between these and the parent company are eliminated in the consolidation. Unrealised losses are also eliminated unless the cost cannot be recovered.

Unrealised gains arising from transactions with associated companies or companies subject to joint control are eliminated in the consolidation proportionally to the share attributable to the Group. Unrealised losses are also eliminated except when providing proof of impairment of the asset transferred.

2.3 Transactions in foreign currencies

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

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

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

Euro foreign exchange reference rates (x foreign exchange units per 1 Euro)	Rate on 31 December 2012	Average rate for the year
 Polish Zloty (PLN)	4.0740	4.1775
 US Dollar (USD)	1.3181	-
 Swiss Franc (CHF)	1.2072	-
 Colombian Peso (COP)	2,335.4200	2,310.7600

2.4 Derivative financial instruments

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

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

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

Derivative financial instruments are recognised on the date they are negotiated (trade date), at their fair value. Subsequently, the fair value of derivative financial instruments is re-evaluated on a regular basis, and the gains

or losses resulting from this re-evaluation are recorded directly into the results of the period, except in relation to cash flow hedge derivatives. Recognition of changes in the fair value of hedge instruments depends on the nature of the hedged risk and the type of hedge used.

2.5 Hedge accounting

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

- (i) At the starting date of the transaction, the hedge relationship is identified and formally documented, including identification of the item hedged, the hedge instrument, and evaluation of the effectiveness of the hedge;
- (ii) There is the expectation that the hedge relationship will be highly effective on the initial transaction date and throughout the life of the operation;
- (iii) The effectiveness of the hedge may be reliably measured on the initial transaction date and throughout the life of the operation;
- (iv) For cash flow hedge operations, those cash flows must have a high probability of occurring.

Interest rate risk (cash flow hedge)

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

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

Interest rate risk (fair value hedge)

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

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

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

Foreign exchange risk

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

Net investments in foreign entities

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

Cross currency swaps that are entered into with the purpose of hedging investments in foreign entities that qualify as hedging instruments are booked at fair value on the balance sheet. To the degree that they are considered effective, changes to their fair value are recognized directly in currency translation reserve (note

2.2). The cumulative gains and losses recognised in other comprehensive income are transferred to results of the year when foreign entities are disposed.

2.6 Tangible assets

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

Assets classified as land are recognised at fair value, based on valuations made by external independent agents (note 2.9), within an appropriate frequency to ensure that accounting value is close to its market value.

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

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

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

Financial lease agreements

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

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

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

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

Depreciation

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

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

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

2.7 Intangible assets

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

Costs associated with internally generated Goodwill and Own 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 intangible asset when the technical feasibility of the product or process being developed can be demonstrated and the Group has the intention and capacity to complete their development and start trading or using them.

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

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

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

Other intangible assets

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

Intangible assets with indefinite useful life

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

Amortisations

Amortisations are recognized 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
Key money	5-6.66

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

2.8 Financial assets

Financial assets are recognised in the Group's balance sheet on their trade or contracting date, which is the date on which the Group commits to acquire an asset. Financial assets are initially recognised by their fair value plus directly attributable transaction costs, except for financial assets carried at fair value through profit and loss in which the transaction costs are immediately recognised in the results. These assets are derecognised when: i. the Group's contractual rights to receive their cash flows expire; ii. the Group has substantially transferred all the risks and rewards of ownership; or iii. although it retains a portion but not substantially all the risks and rewards of ownership, the Group has transferred control over the assets.

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

The Group classifies its financial assets into the following categories: financial assets held for trading and derivative financial instruments, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Financial assets held for trading and derivative financial instruments

An asset is classified in this category if it was acquired with the principal intention of being sold in the short term. This category also includes those derivatives that do not qualify for hedge accounting. The gains and losses of changes in the fair value of financial assets measured at fair value through profit and loss, are recognised in the results of the year in which they occur in net financial costs, where interests received and dividends are also included.

Loans and receivables

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

Available-for-sale financial assets

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

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

These financial assets are marked to market, i.e., they are stated at the respective market price value as at the balance sheet date. When there is medium term expectation of significant decrease of the value below the listed value, impairment losses are registered to reflect permanent losses.

If the investments are unlisted, the Group uses, whenever possible, valuation techniques to obtain the fair value of those investments. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same or estimation of discounted cash flow to be received in the future. Not being possible the use of any of these valuation techniques, they are measured at cost. When so justified, provisions for impairment losses are recognised.

Fair value changes are recognised directly in equity, until the financial asset is derecognised, at which time the accumulated gain or loss previously recognised in equity is included in net gains or losses for the period. The dividends of equity holdings classified as available for sale are recognised in gains in other investments, when the right to receive the payment is established.

2.9 Investment properties

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

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

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

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

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

Changes to fair value of investment property are recognised in the income statement, in gains/losses in other investments, in accordance with IAS 40, since it is related with the expected return of a financial investment in assets owned for appreciation.

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

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

2.10 Customers and debtors

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

2.11 Inventories

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

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

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

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash, deposits on hand and short-term investments with high liquidity. Bank overdrafts are presented as borrowings in current liabilities.

2.13 Impairment

2.13.1 Impairment of non-financial assets

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

For Goodwill and other intangible assets with indefinite useful life, the recoverable amount is estimated annually at the balance sheet date.

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

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

The total assets in the above-mentioned situation, corresponds to a current investment amounting EUR 562,989 thousand (EUR 487,423 thousand in 2011), which includes mostly Real Estate, equipment related to the operational activity of stores and improvements made in leasehold property.

Determining the recoverable amount of assets

The recoverable amount of non-financial assets corresponds to the higher amount of net selling price and value in use.

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

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

Reversal of impairment losses

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

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

2.13.2 Impairment of financial assets

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

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

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

Available-for-sale financial assets

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

Clients, debtors and other financial assets

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

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

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

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

2.14 Share capital

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

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

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

2.15 Dividends

Dividends are recognised as liabilities when they are declared.

2.16 Loans

Loans are initially recognised at fair value less the transaction costs that were incurred and are subsequently measured at the amortized 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 loans, in accordance with the effective interest rate method.

2.17 Employees benefit

Post-employment benefits (retirement)

Defined contribution plans

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

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

Defined benefit plans

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

The Group's obligation for defined benefit plans is estimated, for each plan separately, every semester at the accounts closing date by a specialised independent agent.

Actuarial valuation of liabilities assumed is made using the immediate rents method, taking into account that the plans includes only retired employees. The discount rate is the interest rate on medium and long-term risk-free bonds, for the period of the estimated maturity of the liabilities. The obligation thus determined is shown in the balance sheet net of plan assets.

The year's current service costs, interest, return on plan assets and actuarial gains or losses are recognised as costs or income for the year.

Other benefits

Seniority awards

The programme of seniority awards existing in the Group comprises a component of defined contribution and a defined benefit.

The defined contribution component consists in a life insurance granted to the employees covered by this programme, starting from a specific number of years of service. This benefit is awarded only when employees

reach the age defined in the programme and the costs related to this component are recognized in the year to which they relate.

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

The cost of current services, interest as well as actuarial gains or losses is recognised as costs of the year.

2.18 Provisions

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

Restructuring provision

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

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

Legal claims provision

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

2.19 Suppliers and other creditors

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

2.20 Revenue

Sales and services rendered

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

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

In the Manufacturing segment, sales are recognised when the ownership of the products are transferred to the clients, being the payments generally in credit. The sales are net of any commercial discounts negotiated with the clients.

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

Government grants

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

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

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

Rents

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

Dividends

Dividends are recognised as revenues at the time they are declared.

2.21 Costs

Operational leasing

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

Net financial costs

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

Exceptional operating profits/losses

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

2.22 Income tax

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

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

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

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

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

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

2.23 Segment information

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

2.24 Business combinations

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

2.25 Critical accounting estimates and judgments on the preparation of the financial statements

Tangible and intangible assets, and investment properties

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

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

Fair value of financial instruments

The fair value of financial instruments not quoted on an active market is determined based on valuation methods and financial theories. The use of valuation methodologies requires using assumptions, with some assumptions requiring the use of estimates. Therefore, changes in those assumptions could result in a change in the fair value reported.

Impairment of investments in associated companies

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

Deferred taxes

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

Impairment losses of clients and debtors

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

Pensions and other long-term benefits granted to employees

Determining responsibilities for pension payments requires the use of assumptions and estimates, including actuarial projections, estimated profit from plan assets and other factors that may impact the costs and responsibilities of the pension plan.

If the discount rates used were lower by 50 bps, the liabilities of the Group related to benefits granted to employees would be higher by EUR 1,475 thousands, if instead the rates used were higher by 50 bps, its impact would be a reduction of EUR 1,381 thousand.

Provisions

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

2.26 Fair value of financial instruments

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

The Group applies valuation techniques for unlisted financial instruments, such as, derivatives, fair value financial instruments through profit and loss and assets that are available for sale. The evaluation models most frequently used are discounted cash flow and options models which incorporate, for example, interest rate curves and market volatility.

Cash and cash equivalents, debtors and accruals

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

Available-for-sale financial assets

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

Borrowings

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

Creditors and accruals

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

Fair value hierarchy

The following table shows the Group's financial assets and financial liabilities that are measured at fair value at 31 December, according with the following hierarchy levels as established in IFRS 7:

- Level 1: The fair value of financial instruments is based on quoted prices in active and liquid markets at balance sheet date. This level includes essentially equity investments, debt investments (ex: NYSE Euronext) and quoted forwards in active markets;
- Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Main inputs used on these valuation models are based on observable market data. This level includes essentially the over-the-counter derivatives entered by the Group;
- Level 3: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, and main inputs are not based on observable market data.

2012	Total	Level 1	Level 2	Level 3
Assets measured at fair value				
Trading financial assets				
Trading derivatives	-	-	-	-
Derivatives used for hedging	-	-	-	-
Available-for-sale financial assets				
Equity investments	153	153	-	-
Total assets	153	153	-	-
Liabilities measured at fair value				
Trading financial liabilities				
Trading derivatives	197	-	197	-
Derivatives used for hedging	15,738	-	15,738	-
Total liabilities	15,935	-	15,935	-

2011	Total	Level 1	Level 2	Level 3
Assets measured at fair value				
Trading financial assets				
Trading derivatives	-	-	-	-
Derivatives used for hedging	10	-	10	-
Available-for-sale financial assets				
Equity investments	277	277	-	-
Total assets	287	277	10	-
Liabilities measured at fair value				
Trading financial liabilities				
Trading derivatives	324	-	324	-
Derivatives used for hedging	12,499	-	12,499	-
Total liabilities	12,823	-	12,823	-

2.27 Financial instruments by category

	Held for Trade derivatives	Derivatives defined as hedging instruments	Borrowings and accounts receivable	Available-for-sale financial assets	Other financial liabilities	Total assets and financial liabilities
2012						
Assets						
Cash and cash equivalents	-	-	376,152	-	-	376,152
Available-for-sale financial assets	-	-	-	1,045	-	1,045
Debtors, accruals	-	-	264,845	-	-	264,845
Total financial assets	-	-	640,997	1,045	-	642,042
Liabilities						
Borrowings	-	-	-	-	717,071	717,071
Derivative financial instruments	197	15,738	-	-	-	15,935
Creditors, accruals	-	-	-	-	2,226,930	2,226,930
Total financial liabilities	197	15,738	-	-	2,944,001	2,959,936
2011						
Assets						
Cash and cash equivalents	-	-	530,155	-	-	530,155
Available-for-sale financial assets	-	-	-	6,157	-	6,157
Debtors, accruals	-	-	182,316	-	-	182,316
Derivative financial instruments	-	10	-	-	-	10
Total financial assets	-	10	712,471	6,157	-	718,638
Liabilities						
Borrowings	-	-	-	-	740,225	740,225
Derivative financial instruments	324	12,499	-	-	-	12,823
Creditors, accruals	-	-	-	-	1,927,235	1,927,235
Total financial liabilities	324	12,499	-	-	2,667,460	2,680,283

3 Segments reporting

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

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

Business segments:

- Portugal Retail: comprises the business unit of JMR (Pingo Doce supermarkets)(*);
- Portugal Cash & Carry: includes the wholesale business unit Recheio(*);
- Poland Retail: the business unit with the brand Biedronka;
- Portugal Manufacturing: includes the joint-venture with Unilever, consolidated by the proportional method;
- Others, eliminations and adjustments: includes i) business units with reduced materiality (Marketing Services and Representations, Restaurants in Portugal, Pharmacies and Drugstores in Poland, start-up costs of retail business in Colombia; ii) the Holding companies; and iii) Group's consolidation adjustments.

(*) In 2012 Madeira business unit (Pingo Doce supermarkets and Recheio Cash & Carry) was integrated, respectively, in JMR and Recheio businesses.

Management evaluates the performance of segments based on the Earnings Before Interest and Taxes (EBIT). This indicator excludes the effects of non-recurrent results.

Detailed information by business segments at December 2012 and 2011

	Portugal Retail		Portugal Cash & Carry		Poland Retail		Portugal Manufacturing		Others, Eliminations and Adjustments		Total JM Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net sales and services	3,346,117	3,244,670	792,280	793,905	6,730,750	5,786,510	228,851	228,409	(222,101)	(215,253)	10,875,897	9,838,241
Inter-segments	276,509	248,303	1,528	1,436	1,194	572	35,886	36,437	(314,884)	(286,509)	233	239
External customers	3,069,608	2,996,367	790,752	792,469	6,729,556	5,785,938	192,965	191,972	92,783	71,256	10,875,664	9,838,002
Operational cash-flow (EBITDA)	165,136	192,292	49,997	49,815	552,273	458,417	25,411	28,467	(27,820)	(7,436)	764,997	721,555
Depreciations and amortisations	(101,144)	(97,745)	(11,419)	(11,377)	(105,613)	(95,008)	(3,844)	(3,185)	(2,948)	(1,941)	(224,968)	(209,256)
EBIT	63,992	94,547	38,578	38,438	446,661	363,409	21,567	25,282	(30,769)	(9,377)	540,029	512,299
Financial results											(33,619)	(31,532)
Net result attributable to JM											360,398	340,268
Total assets	1,895,228	1,894,121	352,929	351,437	2,363,014	1,864,433	201,155	194,233	80,647	177,059	4,892,973	4,481,283
Total liabilities	1,296,572	1,272,878	281,344	282,859	1,589,349	1,215,220	124,994	113,932	98,788	174,709	3,391,047	3,059,598
Investments in fixed assets	42,250	107,527	4,085	13,037	397,668	312,476	8,178	3,761	14,304	1,527	466,485	438,328
Reinforcement of provisions and adjustments to the net realisable value	(12,047)	(30,551)	(2,812)	(2,459)	(566)	(800)	(665)	(1,513)	(8,867)	(4,516)	(24,957)	(39,839)
Reversal of provisions and adjustments to the net realisable value	85	352	145	2,515	7,477	834	557	775	383	528	8,647	5,004

Reconciliation between EBIT and operating profit

	December 2012	December 2011
EBIT	540,029	512,299
Non-recurrent results	(19,565)	(12,228)
Operating profit	520,464	500,071

Information by geographical segments at December 2012 and 2011

	Net sales and services	
	2012	2011
Portugal	4,113,247	4,033,661
Poland	6,762,650	5,804,580
Total	10,875,897	9,838,241

Financial assets with credit risk per segment

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

	Portugal Retail		Portugal Cash & Carry		Poland Retail		Portugal Manufacturing		Others, Eliminations and Adjustments		Total JM Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Cash and cash equivalents	138,409	91,939	13,059	13,156	164,358	232,171	1,080	2,908	59,246	189,981	376,152	530,155
Available-for-sale financial assets	168	5,156	696	696	-	-	22	22	159	283	1,045	6,157
Debtors, accruals and deferrals	83,507	70,055	40,437	34,446	123,412	67,695	48,377	47,368	(30,888)	(37,248)	264,845	182,316
Derivative financial instruments	-	-	-	-	-	10	-	-	-	-	-	10
Total	222,084	167,150	54,192	48,298	287,770	299,876	49,479	50,298	28,517	153,016	642,042	718,638

4 Cost of sales

	2012	2011
Net cost of products sold	8,430,834	7,576,551
Net cash discount and interest paid to suppliers	(2,691)	(6,236)
Electronic payment commissions	15,681	17,776
Other supplementary costs	6,328	6,086
	8,450,152	7,594,177

5 Distribution and administrative costs

	2012	2011
Supplies and services	403,934	369,784
Advertising costs	74,079	66,443
Rents	235,610	203,933
Staff costs	801,239	748,946
Depreciation and profit/loss with fixed assets	221,819	208,314
Transportation costs	142,844	130,190
Other operational profit/loss	6,191	4,155
	1,885,716	1,731,765

6 Staff costs

	2012	2011
Wages and salaries	643,229	598,717
Social security	125,351	113,827
Employee benefits (note 25)	4,013	5,749
Other staff costs	46,704	47,345
	819,297	765,638

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

Of total staff costs, EUR 23,469 thousand relates to staff costs of joint-venture companies consolidated by the proportional method, the total amount of which was EUR 52,153 thousand.

The difference to staff costs stated in note 5 of EUR 18,058 thousand (EUR 16,692 thousand in 2011) relates to the production activities that were attributable to the cost of the goods sold in the amount of EUR 14,603 thousand (EUR 10,886 thousand in 2011) and to exceptional losses in the amount of EUR 3,455 thousand (EUR 5,806 thousand in 2011).

The average number of Group employees during the year was 66,718 (2011: 63,215). Of the total number of employees, 948 are employed by joint-venture companies consolidated by the proportional method.

The number of employees at the end of the year was 69,443 (2011: 66,270). Of the total number of employees, 889 are employed by joint-venture companies consolidated by the proportional method.

7 Net financial costs

	2012	2011
Interest expense	(33,446)	(32,534)
Interest received	7,311	8,673
Dividends	37	27
Net foreign exchange	1,808	(1,730)
Other financial costs and gains	(6,941)	(4,965)
Fair value of financial assets held for trade:		
Derivative instruments	(6)	(9)
	(31,237)	(30,538)

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

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

8 Financial instruments

8.1 Fair value of derivative financial instruments recognised in the income statement

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

	2012	2011
Derivatives held for trading		
Currency swaps	-	-
Interest rates swaps	(6)	(9)
	(6)	(9)
Income tax recognised in the income statement	2	2
Non-controlling interests	2	3
Value recognised in profit/loss	(2)	(4)

8.2 Fair value of derivative financial instruments recognised in reserves

The value recognised in reserves referred to hedging of investment in Poland was negative EUR 10,514 thousand (net of deferred tax).

The change to the fair value of derivative instruments designated as fair value hedging (note 14), in the amount of negative EUR 2,251 thousand (2011: EUR 7,339 thousand) was offset by a variation in the fair value of the loan. See note 24.2.

9 Income tax recognised in the income statement

9.1 Income tax

	2012	2011
Current income tax		
Current tax of the year	(87,338)	(83,881)
Adjustment to prior year estimation	(1,336)	(652)
	(88,674)	(84,533)
Deferred tax (note 18.1)		
Temporary differences created or reversed in the year	(16,431)	(18,673)
Change to the recoverable amount of tax losses and temporary differences from previous years	(1,370)	3,591
	(17,801)	(15,082)
Other gains/losses related to taxes		
Impact of changes in estimates for tax litigations	(14,102)	(11,568)
	(14,102)	(11,568)
Total income tax	(120,577)	(111,183)

9.2. Reconciliation of effective tax rate

	2012	2011
Profit before tax	486,845	468,539
Income tax using the Portuguese corporation tax rate	26.5% (129,014)	26.5% (124,163)
Fiscal effect due to:		
Different tax rates in foreign jurisdictions	(7.4%) 36,067	(6.4%) 29,806
Non-taxable or non-recoverable results	3.9% (19,151)	3.6% (16,650)
Non-deductible expenses and fiscal benefits	0.2% (925)	(0.2%) 860
Adjustment to prior year estimation	0.3% (1,336)	0.1% (652)
Change to the recoverable amount of tax losses and temporary differences of prior years	0.3% (1,370)	(0.8%) 3,591
Results subject to special taxation	1.0% (4,848)	0.8% (3,975)
Income tax	24.8% (120,577)	23.7% (111,183)

Income tax rate in Poland is 19%.

10 Exceptional operating profits/losses and losses in other investments

10.1 Exceptional operating profits/losses

	2012	2011
One-off costs Pingo Doce	(10,350)	-
Indemnities related to termination of lease agreement	-	(4,907)
Losses with organizational restructuring programmes	(5,538)	(8,448)
Impairment of assets and write-off's	(3,150)	(1,713)
Reimbursement of notary fees resulting from court decision	-	1,473
Impact of actuarial assumptions changes	(160)	479
Others	(367)	888
	(19,565)	(12,228)

10.2 Losses in other investments

	2012	2011
Changes in fair value of investment properties	(2,840)	(1,487)
	(2,840)	(1,487)

11 Tangible assets

11.1 Changes occurred during the year

2012	Land and natural resources	Buildings and other constructions	Plants, machinery and tools	Transport equipment and others	Work in progress and advances	Total
Cost						
Opening balance	451,987	1,777,015	1,087,563	181,250	204,794	3,702,609
Foreign exchange differences	12,373	73,182	28,300	7,042	16,737	137,634
Increases	20,349	133,407	177,830	9,211	91,587	432,384
Revaluations	(7,080)	-	-	-	-	(7,080)
Disposals	(722)	(2,542)	(28,812)	(5,005)	(3,295)	(40,376)
Transfers and write offs	13,953	51,033	(171)	4,077	(83,139)	(14,247)
Transfers to/from investment properties	(108)	8	-	-	(8)	(108)
Closing balance	490,752	2,032,103	1,264,710	196,575	226,676	4,210,816
Depreciation and impairment losses						
Opening balance	-	543,076	711,351	147,681	-	1,402,108
Foreign exchange differences	-	20,898	12,935	5,519	-	39,352
Increases	-	101,451	97,836	14,032	-	213,319
Disposals	-	(1,248)	(28,091)	(4,840)	-	(34,179)
Transfers and write offs	-	(2,581)	(6,867)	(566)	-	(10,014)
Closing balance	-	661,596	787,164	161,826	-	1,610,586
Net value						
As at 1 January 2012	451,987	1,233,939	376,212	33,569	204,794	2,300,501
As at 31 December 2012	490,752	1,370,507	477,546	34,749	226,676	2,600,230

2011	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	431,992	1,679,699	1,037,952	185,283	135,735	3,470,661
Foreign exchange differences	(13,086)	(84,994)	(30,070)	(8,775)	(18,001)	(154,926)
Increases	17,835	137,760	97,438	7,655	158,364	419,052
Revaluations	12,103	-	-	-	-	12,103
Disposals	(1,342)	(6,944)	(11,849)	(3,653)	(3,143)	(26,931)
Transfers and write offs	5,271	52,102	(6,232)	327	(68,209)	(16,741)
Business acquisition and restructuring	-	1,016	324	413	48	1,801
Transfers to/from investment properties	(786)	(1,624)	-	-	-	(2,410)
Closing balance	451,987	1,777,015	1,087,563	181,250	204,794	3,702,609
Depreciation and impairment losses						
Opening balance	-	476,737	656,319	144,781	-	1,277,837
Foreign exchange differences	-	(23,932)	(14,774)	(6,699)	-	(45,405)
Increases	-	91,274	91,043	17,274	-	199,591
Disposals	-	(2,703)	(11,245)	(3,472)	-	(17,420)
Transfers and write offs	-	798	(10,305)	(4,446)	-	(13,953)
Business acquisition and restructuring	-	249	100	243	-	592
Transfers to/from investment properties	-	(847)	-	-	-	(847)
Impairment losses	-	1,500	213	-	-	1,713
Closing balance	-	543,076	711,351	147,681	-	1,402,108
Net value						
As at 1 January 2011	431,992	1,202,962	381,633	40,502	135,735	2,192,824
As at 31 December 2011	451,987	1,233,939	376,212	33,569	204,794	2,300,501

11.2 Equipment under financial lease

The Group has a variety of equipment under financial lease or other equivalent contract conditions. Financial lease payments do not include values relating to contingent rentals. Unsettled liabilities on financial lease contracts are referred in note 24.4.

The value of assets under financial lease is shown below:

	2012	2011
Land and natural resources		
Tangible assets	34	34
	34	34
Buildings and other constructions		
Tangible assets	35,148	35,222
Accumulated depreciation	(17,746)	(14,399)
	17,402	20,823
Plants and machinery		
Tangible assets	137,068	139,313
Accumulated depreciation	(88,274)	(74,859)
	48,794	64,454
IT and office equipment and tools		
Tangible assets	20,143	20,338
Accumulated depreciation	(19,081)	(18,581)
	1,062	1,757
Transport equipment		
Tangible assets	34,209	32,022
Accumulated depreciation	(31,653)	(26,025)
	2,556	5,997
Total assets under financial leases	69,848	93,065

11.3 Guarantees

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

11.4 Revaluation

The Group records land allocated to its operating activity at market value, determined by specialist and independent entities.

Given the high number of locations that are part of this class of assets, the Group carries out rotational valuations on all these assets at intervals of no more than five years. In the fourth quarter of 2012, new valuations were carried out on assets acquired more than three years ago and which had not yet been evaluated, on assets with an indication of a significant change in market value and on assets which had been evaluated more than three years ago. The outcome of these valuations in 2012 was a reduction in the value of the land of EUR 7,080 thousand. In 2011, the outcome was an increase of EUR 12,103 (note 22.1).

The table below shows the total amount of valuations carried out in the exercise, the previous revalued net book value of these assets and its acquisition cost.

2012	Valuations amount	Net book value (includes revaluations)	Acquisition cost	Current year valuation adjustment
Portugal	85,104	93,916	65,866	(3,147)
Poland	90,729	85,422	77,728	(3,933)
Total	175,833	179,338	143,594	(7,080)

2011	Valuations amount	Net book value (includes revaluations)	Acquisition cost	Current year valuation adjustment
Portugal	105,706	140,882	138,842	3,062
Polónia	154,798	162,409	158,642	9,041
Total	260,504	303,291	297,484	12,103

Revaluation values under tangible fixed assets total EUR 159,636 thousand (EUR 163,787 thousand in 2011), reflected in the shareholders' equity as follows:

	2012	2011
Revaluation of land	159,636	163,787
Deferred taxes	(31,059)	(32,717)
Non-controlling interests	(39,132)	(40,671)
Net revaluation (note 22.1)	89,445	90,399

If the cost model had been applied to the land assets that are valued at EUR 490,752 thousand (EUR 451,987 thousand in 2011), as mentioned in note 11.1, their net book value would be EUR 331,116 thousand (EUR 288,200 thousand in 2011).

12 Intangible assets

12.1 Changes occurred during the year

2012	Goodwill	R&D expenses	Software, ind. property and other rights	Key money	Work in progress	Total
Cost						
Opening balance	720,563	26,162	58,983	88,281	8,012	902,001
Foreign exchange differences	27,932	1,890	4,078	5,399	676	39,975
Increases	-	1,495	8,752	16,996	6,858	34,101
Disposals	-	-	(518)	-	-	(518)
Transfers and write offs	-	380	6,138	835	(7,716)	(363)
Closing balance	748,495	29,927	77,433	111,511	7,830	975,196
Amortisation and impairment losses						
Opening balance	-	22,425	6,213	42,743	-	71,381
Foreign exchange differences	-	1,761	172	1,771	-	3,704
Increases	-	1,503	1,869	8,096	-	11,468
Disposals	-	-	(1)	-	-	(1)
Transfers and write offs	-	-	480	(53)	-	427
Closing balance	-	25,689	8,733	52,557	-	86,979
Net value						
As at 1 January 2012	720,563	3,737	52,770	45,538	8,012	830,620
As at 31 December 2012	748,495	4,238	68,700	58,954	7,830	888,217

2011	Goodwill	R&D expenses	Software, ind. property and other rights	Key money	Work in progress	Total
Cost						
Opening balance	746,811	26,711	56,288	84,700	15,056	929,566
Foreign exchange differences	(34,950)	(2,387)	(4,593)	(5,967)	(1,082)	(48,979)
Increases	-	1,411	4,836	8,682	4,347	19,276
Disposals	-	-	(29)	-	(7,422)	(7,451)
Transfers and write offs	-	427	2,429	157	(2,888)	125
Business acquisition and restructuring	8,702	-	52	709	1	9,464
Closing balance	720,563	26,162	58,983	88,281	8,012	902,001
Amortisation and impairment losses						
Opening balance	-	23,840	5,074	37,284	-	66,198
Foreign exchange differences	-	(2,252)	(167)	(1,857)	-	(4,276)
Increases	-	1,182	1,455	7,133	-	9,770
Disposals	-	-	(15)	-	-	(15)
Transfers and write offs	-	(345)	(215)	(35)	-	(595)
Business acquisition and restructuring	-	-	81	218	-	299
Closing balance	-	22,425	6,213	42,743	-	71,381
Net value						
As at 1 January 2011	746,811	2,871	51,214	47,416	15,056	863,368
As at 31 December 2011	720,563	3,737	52,770	45,538	8,012	830,620

The Group identified as intangible assets of indefinite useful life, besides Goodwill, the trademark Pingo Doce, whose net value is EUR 9,228 thousand, for which there is no time limit for how long they will continue to create economic benefits to the Group. This intangible asset is not amortised and is subject to impairment tests annually, using the same assumptions applied in Goodwill (note 12.4).

12.2 Guarantees

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

12.3 Intangible assets in progress

The implementation of projects for processes simplification, usage rights and key money are considered in intangible assets - work in progress.

12.4 Impairment tests for goodwill

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

Business areas	2012	2011
Portugal Retail	246,519	246,519
Portugal Cash & Carry	83,836	83,836
Portugal Manufacturing	93,809	93,809
Portugal Services	57	57
Poland Pharmacies	9,523	8,702
Poland Retail	314,751	287,640
	748,495	720,563

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

- the Goodwill related to Poland business (Biedronka), totalling PLN 1,282,278 thousand, was updated positively by EUR 27,111 thousand; and
- the Goodwill related to Poland Pharmacies business (Bliska), totalling PLN 38,796 thousand, was updated positively by EUR 821 thousand.

In 2012 evaluations were made based on the value in use according to Discounted Cash Flows (DCF) evaluation models, thereby sustaining the recoverability of Goodwill value.

The values of these evaluations are determined by past performance and the expectation of market development, with future cash-flow projections, for a five year period, being drawn up for each of the businesses, based on medium/long term plans approved by the Board of Directors.

These estimates were made considering a discount rate between 8% and 9.3% for Portugal (2011: 8% and 9.4%) and 10.1% for Poland (2011: 10.1%), and a perpetual growth rate between 0% and 1.5% for the various businesses (2011: 0% and 1%).

13 Investment property

	2012	2011
Opening balance	52,128	52,047
Increases due to acquisitions	3	19
Transfers	108	1,613
Changes in fair value	(2,903)	(1,551)
Closing balance	49,336	52,128

The investment property relates to plots of land initially acquired for use in Group operations, and others actually used for that purpose for a period of time but which became redundant, either because they could not be used to build cash-generating units or because they became superfluous as a result of the restructuring of operations carried out in them.

This category also includes recently acquired land, whose use has still not been determined, but whose market value is expected to increase.

Non-current assets are all the investment properties that are not expected to be sold within a period of less than 12 months.

14 Derivative financial instruments

	Notional	2012				Notional	2011			
		Assets		Liabilities			Assets		Liabilities	
		Current	Non-current	Current	Non-current		Current	Non-current	Current	Non-current
Derivatives held for trading										
Interest rate swap	10 millions EUR	-	-	-	197	10 millions EUR	-	-	-	324
Fair value hedging derivatives										
USD loan hedging	96 millions USD	-	-	-	2,931	96 millions USD	-	-	-	680
Cash flow hedging derivatives										
Interest rate swap (EUR)	315 millions EUR	-	-	526	7,849	440 millions EUR	-	-	4,038	7,629
Interest rate swap (PLN)	135 millions PLN	-	-	332	-	189 millions PLN	-	10	-	152
Foreign operation investments hedging derivatives										
Currency forwards (PLN)	918 millions PLN	-	-	4,100	-	-	-	-	-	-
Total derivatives held for trading		-	-	-	197		-	-	-	324
Total hedging derivatives		-	-	4,958	10,780		-	10	4,038	8,461
Total assets/liabilities derivatives		-	-	4,958	10,977		-	10	4,038	8,785

In December 2012, the values shown include interest receivable or payable related to these financial instruments that are due. The net payable amount is EUR 983 thousand (2011: EUR 1,093 thousand).

Derivatives held for trading

Interest rate swap

At 31 December 2012, the Group had derivatives financial instruments held for trading with a notional of EUR 10,000 thousand (2011: EUR 10,000 thousand). The fair value of these instruments at 31 December 2012 was negative EUR 197 thousand (2011: negative EUR 324 thousand).

Fair value hedge

Currency swap

The Group hedges its exposure to the fair value of its loans in the total amount of USD 96 million, through one cross currency swap that have the same characteristics as the debt that was issued. The purpose of this hedge is to convert the fixed rate into a variable rate, and to hedge exposure to the US dollar, thus reflecting changes to the debt fair value. Credit risk is not hedged. The fair value of the cross currency swap at 31 December 2012 was negative EUR 2,931 thousand (2011: negative EUR 680 thousand).

Cash flow hedge
Interest rate swap

The Group enters into interest rate swaps to hedge interest rate risk, regarding future interest payments on the loans. At 31 December 2012, the total loans with derivative hedge instruments were EUR 335,537 thousand (2011: EUR 519,777 thousand) and PLN 150,000 thousand (2011: PLN 210,000 thousand).

The Group fixes a portion of future interest payments on loans, through entering into interest rate swaps. The hedged risk is indexed to the variable rate 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 is not hedged. The Group had interest rate swaps in Euro and Zlotys.

Interest rate swaps in Euro have a notional value of EUR 315,375 thousand (2011: EUR 439,970 thousand), and the fair value of these instruments at 31 December 2012 was negative EUR 8,375 thousand (2011: negative EUR 11,667 thousand).

The interest rate swaps in Zlotys have a notional value of PLN 135,000 thousand (2011: PLN 189,000 thousand), and its fair value at 31 December 2012 was negative EUR 332 thousand (2011: negative EUR 142 thousand).

Hedging of investments in foreign entities
Currency forwards

The Group hedges the economic risk of its exposure to the exchange rate of Zloty. To do so, the Group entered into currency forwards, with maturities in April 2012, with a notional value of PLN 1,000,000 thousand.

Additionally, the Group entered into several currency forwards, with maturities in April 2013, with a notional of PLN 918,000 thousand. The fair value of these instruments at 31 December 2012 was negative EUR 4,100 thousand.

The changes in the derivative fair value is recognised in equity currency translation reserve.

15 Investments in associated companies

The associated companies are listed in note 33, and changes in these investments was as follows:

	2012	2011
Investments		
Opening balance	1,052	1,213
Equity method	(3)	(161)
Closing balance	1,049	1,052
Fair value adjustments		
Opening balance	-	-
Closing balance	-	-
Net value as at 1 January	1,052	1,213
Net value as at 31 December	1,049	1,052

From the application of equity method a gain of EUR 459 thousand was recognised (2011: EUR 493 thousand), which was deducted from the dividends received in 2012 in the amount of EUR 462 thousand.

16 Available-for-sale financial assets

Non-current		
	2012	2011
BCP shares	3,705	3,705
Advances on account of financial assets	-	4,988
Others	893	893
	4,598	9,586
Fair value adjustment – BCP shares (note 26)	(3,553)	(3,429)
	1,045	6,157

The financial assets available-for-sale include non-listed capital instruments whose fair value cannot be reliably measured and, as such, are recognised at cost to the value of EUR 893 thousand at December 31st, 2012 (2011: EUR 5,881 thousand). At the date of preparing the financial statements, the Group does not intend to dispose of any of its investments.

The financial assets measured at cost are set out in the table below:

	2012	2011
Investment in Uniarme	150	150
Investment in Mercado Abastecedor do Porto	646	646
Investment in AMS	63	63
Other investments	34	34
	893	893

There are no market prices available for these investments, and not being able to determine the fair value based on comparable transactions, the Group did not measure these instruments based on expected discounted cash flows since they cannot be reasonably estimated.

17 Inventories

	2012	2011
Raw and subsidiary materials and consumables	9,972	7,581
Goods and work in progress	880	1,010
Finished and semi-finished goods	1,053	387
Goods available for sale	497,066	394,019
	508,971	402,997
Fair value adjustment (note 26)	(13,310)	(14,735)
Net inventories	495,661	388,262

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

18 Taxes

18.1 Deferred tax assets and liabilities

Changes in deferred tax accounts

	2012	2011
Opening balance	(47,198)	(29,568)
Currency translation difference (note 22.1)	(1,748)	(39)
Revaluation and reserves (note 22.1)	1,442	(2,921)
Business acquisition and restructuring	-	412
Result of the year (note 9.1)	(17,801)	(15,082)
Closing balance	(65,305)	(47,198)

Deferred taxes are presented in the balance sheet as follows:

	2012	2011
Deferred tax assets	53,554	57,957
Deferred tax liabilities	(118,859)	(105,155)
	(65,305)	(47,198)

Movement in deferred taxes during the year

2012	Opening balance	Impact on results	Revaluation and reserves	Currency translation differences	Business acquisition and restructuring	Closing balance
Deferred tax liabilities						
Revaluation of assets	34,025	(16)	(2,214)	556	-	32,351
Deferred income for tax purposes	18,293	10,327	-	1,536	-	30,156
Differences on accounting policies in other countries	11,652	105	-	1,101	-	12,858
Other temporary differences	41,185	2,309	-	-	-	43,494
	105,155	12,725	(2,214)	3,193	-	118,859
Deferred tax assets						
Excess over legal provisions	20,067	(1,124)	-	1,103	-	20,046
Revaluation of assets	3,051	1,012	-	-	-	4,063
Employee benefits	5,008	17	-	-	-	5,025
Derivative instruments	2,888	(34)	(772)	13	-	2,095
Recoverable losses	884	(944)	-	60	-	-
Other deferred costs for tax purposes	18,691	(2,052)	-	61	-	16,700
Differences on accounting policies in other countries	2,660	(1,956)	-	201	-	905
Other temporary differences	4,708	5	-	7	-	4,720
	57,957	(5,076)	(772)	1,445	-	53,554
Net change in deferred tax	(47,198)	(17,801)	1,442	(1,748)	-	(65,305)

2011	Opening balance	Impact on results	Revaluation and reserves	Currency translation differences	Business acquisition and restructuring	Closing balance
Deferred tax liabilities						
Revaluation of assets	32,250	212	2,072	(509)	-	34,025
Deferred income for tax purposes	11,779	7,939	-	(1,501)	76	18,293
Differences on accounting policies in other countries	12,924	139	-	(1,411)	-	11,652
Other temporary differences	39,975	1,210	-	-	-	41,185
	96,928	9,500	2,072	(3,421)	76	105,155
Deferred tax assets						
Excess over legal provisions	20,212	1,291	-	(1,474)	38	20,067
Revaluation of assets	2,216	835	-	-	-	3,051
Employee benefits	4,374	634	-	-	-	5,008
Derivative instruments	3,795	(33)	(849)	(25)	-	2,888
Recoverable losses	6,825	(6,191)	-	(192)	442	884
Other deferred costs for tax purposes	22,279	(2,152)	-	(1,436)	-	18,691
Differences on accounting policies in other countries	3,094	(115)	-	(327)	8	2,660
Other temporary differences	4,565	149	-	(6)	-	4,708
	67,360	(5,582)	(849)	(3,460)	488	57,957
Net change in deferred tax	(29,568)	(15,082)	(2,921)	(39)	412	(47,198)

Deferred tax assets arising from recoverable losses are as follows:

	2012	2011
Poland pharmacies	-	884
Others	-	-
	-	884

18.2 Unrecognised deferred taxes on tax losses

The Group did not recognise deferred tax assets relative to tax losses in respect of which, with reasonable accuracy, no sufficient taxable profits are expected to guarantee the recovery of deferred tax assets. Total unrecognised tax assets amount to EUR 11,410 thousand (2011: EUR 8,912 thousand) mainly relative to part of the losses generated in Jerónimo Martins, SGPS, S.A., and the total amount of the losses from Jerónimo Martins - Distribuição de Produtos de Consumo, Lda. and Jerónimo Martins - Restauração e Serviços, S.A..

18.3 Receivable and payable taxes

	2012	2011
Taxes receivable		
Income tax receivable	36,387	22,302
VAT receivable	16,454	10,585
Others	931	947
	53,772	33,834
Taxes payable		
Income tax payable	60,599	55,784
VAT payable	37,467	24,079
Income tax withheld	8,365	6,778
Social Security	23,942	20,606
Other taxes	2,980	3,296
	133,353	110,543

19 Trade debtors, accrued income and deferred costs

	2012	2011
Non-current		
Other debtors	87,574	80,460
Deferred costs	8,777	4,947
	96,351	85,407
Current		
Commercial customers	86,695	80,296
Suppliers	35,559	15,565
Staff	2,093	2,059
Other debtors	44,847	38,706
Accrued income	95,651	45,690
Deferred costs	12,761	12,884
	277,606	195,200

Non-current debtors' includes EUR 82,497 thousand relating to additional tax liquidation as well as pre-paid tax. The Group has already contested the amounts paid and made a legal claim for reimbursement (note 31).

Accrued income include basically supplementary gains contracted with suppliers, in the amount of EUR 91,384 thousand.

The deferred costs include EUR 12,172 thousand of pre-paid rents, EUR 4,164 thousand of bond issue expenses and pre-paid interest, EUR 1,710 thousand of insurance costs and EUR 3,492 thousand of other costs attributable to future years and paid in 2012, or, if not yet paid, were already charged by the entities.

The current debtor's excluding accrued income and deferred costs, are stated at their recoverable values. The Group constitutes provisions for impairment losses whenever there are signs of uncollectible amounts (note 26).

Other debtors includes an amount of EUR 17,237 thousand (2011: EUR 14,273 thousand), of guarantees to landlords of stores.

Current debtors that are less than three months past their due date are not considered impaired. The ageing analysis of debtors that are past their due date is as follows:

	2012	2011
Debtors balances not considered impaired		
Less than 3 months past due	28,773	21,775
More than 3 months past due	20,826	17,032
	49,599	38,807
Debtors balances considered impaired		
Less than 3 months past due	516	5,865
More than 3 months past due	21,194	15,740
	21,710	21,605

Of the debtors balances not considered impaired, EUR 8,451 thousand (2011: EUR 18,645 thousand) are covered by credit guarantees and credit insurance.

20 Cash and cash equivalents

	2012	2011
Bank deposits	251,595	340,517
Short-term investments	121,107	186,597
Cash and cash equivalents	3,450	3,041
	376,152	530,155

The short-term investments include short-term bank deposits and other negotiable funds for which provisions were booked to reduce them to their realisable value (note 26).

21 Cash generated from operations

	2012	2011
Net results	360,398	340,268
Adjustments for:		
Non-controlling interests	5,870	17,088
Income tax	120,577	111,183
Depreciations and amortisations	224,968	209,256
Provisions and other operational gains and losses	(6,171)	1,842
Net financial costs	31,237	30,538
Profit in associated companies	(458)	(493)
Profit/ losses on other investments	2,840	1,487
Profit/ losses on tangible and intangible assets	8,591	6,091
	747,852	717,260
Changes in working capital:		
Inventories	(86,064)	(39,534)
Debtors, accruals and deferrals	(6,507)	(6,139)
Creditors, accruals and deferrals	164,360	170,876
	819,641	842,463

22 Capital and reserves

22.1 Fair value and other reserves

	Land revaluation reserves	Cash-flow hedging reserve	Available- for-sale financial assets	Currency translation reserve	Total
Balance as at 1st January 2011	83,116	(6,781)	(455)	(12,447)	63,433
Land transferred to investment property:					
- Gross value	(434)				(434)
- Deferred tax	108				108
- Non-controlling interests	160				160
Revaluation:					
- Gross value	12,103				12,103
- Deferred tax	(2,072)				(2,072)
- Non-controlling interests	(413)				(413)
Fair value adjustment of financial instruments:					
- Gross value		3,304		10,845	14,149
- Deferred tax		(849)			(849)
- Income tax				(2,874)	(2,874)
- Non-controlling interests		(893)			(893)
Fair value adjustment of available-for-sale financial instruments:					
- Gross value			(858)		(858)
Currency translation differences:					
- In the year	(2,678)	130		(80,135)	(82,683)
- Deferred tax	509	(25)		(523)	(39)
Balance as at 1st January 2012	90,399	(5,114)	(1,313)	(85,134)	(1,162)
Revaluation:					
- Gross value	(7,080)				(7,080)
- Deferred tax	2,214				2,214
- Non-controlling interests	1,539				1,539
Fair value adjustment of financial instruments:					
- Gross value		3,043		(10,514)	(7,471)
- Deferred tax		(772)		-	(772)
- Non-controlling interests		(1,199)			(1,199)
Fair value adjustment of available-for-sale financial instruments:					
- Gross value			(124)		(124)
Currency translation differences:					
- In the year	2,929	(68)		65,067	67,928
- Deferred tax	(556)	13		(1,205)	(1,748)
Balance as at 31st December 2012	89,445	(4,097)	(1,437)	(31,786)	52,125

It should be noted that the values mentioned in fair value and other reserves refer to application of the fair value of fixed assets, and they cannot be distributed in the individual accounts of the companies that originated them.

The individual annual report of Jerónimo Martins, SGPS, S.A. duly states all conditions related to the use of reserves to be distributed comprised in Company equity; therefore we recommend to read this information in the individual annual report.

22.2 Share capital and share premium

Authorised share capital is represented by 629,293,220 ordinary shares (2011: 629,293,220).

The holders of ordinary shares have the right to receive dividends as established in the General Meeting and have one vote for each share held. There are no preferential shares and the own shares' rights are suspended until these shares are sold in the market.

22.3 Own shares

The own shares reflects the cost of shares held by the Group in portfolio. As of 31 December 2012, the Group held 859,000 own shares (2011: 859,000). As defined by law the own shares are not entitled to dividends.

22.4 Dividends

Dividends distributed in 2012 totaling EUR 338,974 thousand, were paid to JMH shareholders in the amount of EUR 323,015 thousand, and to non-controlling interests in the Group companies in the amount of EUR 15,959 thousand.

23 Earnings per share

23.1 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated based on the net profit attributable to shareholders of EUR 360,398 thousand (2011: EUR 340,268 thousand) divided by the weighted average of outstanding ordinary shares, numbering 628,434,220 (2011 adjusted: 628,434,220).

	2012	2011
Ordinary shares issued at the beginning of the year	629,293,220	629,293,220
Own shares at the beginning of the year	859,000	859,000
Shares issued during the year	-	-
Weighted average number of ordinary shares	628,434,220	628,434,220
	2012	2011
Diluted net results of the year attributable to shareholders that own ordinary shares	360,398	340,268
Diluted weighted average ordinary shares	628,434,220	628,434,220
Basic and diluted earnings per share - euros	0.5735	0.5415

24 Borrowings

JMR-Gestão de Empresas de Retalho, SGPS, S.A. renegotiated in the 2nd Quarter of 2012 a commercial paper programme, regarding pricing and maturity, for an extended period of five more years.

Jerónimo Martins Colombia, S.A.S. formalised a short-term credit line.

In the 3rd quarter of 2012, JMR-Gestão de Empresas de Retalho, SGPS, S.A., contracted a mutual loan, for a maturity of 3-years

Jerónimo Martins, SGPS, S.A., reimbursed the 5-year bond loan issued in 2007 that matured in September 2012.

In December 2012, JMR-Gestão de Empresas de Retalho, SGPS, S.A., reimbursed the bond loan of 5 years maturity issued in 2007. On the same date, issued a new 3-year bond loan in the amount of EUR 250,000 thousand.

24.1 Current and non-current loans

	2012	2011
Non-current loans		
Bank loans	85,000	83,647
Bond loans	480,029	284,798
Financial lease liabilities	5,796	17,108
	570,825	385,553
Current loans		
Bank overdrafts	10,693	8,085
Bank loans	70,852	90,468
Bond loans	52,500	235,000
Financial lease liabilities	12,201	21,119
	146,246	354,672

24.2 Loan terms and maturities

2012	Average rate	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Bank loans					
Commercial Paper in EUR	2.88%	65,750	15,750	50,000	-
Loans in EUR	3.13%	50,114	15,114	35,000	-
Loans in PLN	5.94%	36,819	36,819	-	-
Loans in COP	8.04%	3,169	3,169	-	-
Bond Loans					
Loans	4.19%	535,537	52,500	483,037	-
Fair value adjustment		(3,008)	-	(3,008)	-
Bank overdrafts	5.81%	10,693	10,693	-	-
Financial lease liabilities	3.00%	17,997	12,201	5,796	-
		717,071	146,246	570,825	-

2011	Average rate	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Bank loans					
Commercial Paper in EUR	3.77%	75,750	25,750	50,000	-
Loans in EUR	6.13%	51,259	51,259	-	-
Loans in PLN	5.34%	47,106	13,459	33,647	-
Bond Loans					
Loans	4.16%	520,537	235,000	285,537	-
Fair value adjustment	-	(739)	-	(739)	-
Bank overdrafts	5.80%	8,085	8,085	-	-
Financial lease liabilities	3.19%	38,227	21,119	17,102	6
		740,225	354,672	385,547	6

The amount of EUR 3,008 thousand (2011: negative EUR 739 thousand), adjusted to the total of bond loans, refers to the fair value adjustment of the bond loan for USD 96 million, for which the Group contracted a hedging instrument, presented in note 14.

24.3 Bond loans

	2012	2011
Non-convertible bonds	535,537	520,537

The bond loans were as follows:

- In June 2004, JMR placed a fixed-rate Private Placement on the US market in the amount of USD 180,000 thousand. These "Notes" issued by JMR are equivalent to Bond Loans according to Portuguese law. The total amount was divided between a 7-year issue of USD 84,000 thousand and a 10-year issue of USD 96,000 thousand. Immediately after contracting these amounts, a EUR/USD Cross Currency Swap was performed. As of December 2012, the 10-year emission was still in place in the amount of USD 96,000.
- In September 2007, two bond loans were issued by JMH for EUR 35,000 thousand each, with 4 and 5-year maturity periods, variable interest rates, and indexed to the 6-month Euribor. In September 2011, JMH reimbursed the 4-year maturity bond loan of EUR 35,000 thousand and, September 2012, JMH reimbursed the bond loan of EUR 35,000 thousand maturing in five years;
- In December 2007, JMR issued a bond loan for EUR 200,000 thousand, maturing in 5 years, which was reimbursed in December 2012;
- In April 2009 JMR issued a bond loan in the amount of EUR 105,000 thousand, maturing in five years, and payment of 50% at the end of the 4th year. The interest rate is variable and is indexed to the 6-month Euribor;
- In September 2011, JMH issued a bond loan for EUR 100 Million, maturing in 3 years. The interest rate is variable and is indexed to the 6-month Euribor.

- In December, JMR issued a new bond loan for EUR 250,000 thousand, maturing in 3 years. The interest rate is variable, and is indexed to the 6-month Euribor.

The redemption dates of the bond loans are as follows:

2013	52,500
2014	233,037
2015	250,000
Total	535,537

24.4 Financial lease liabilities

	2012	2011
Payments in less than 1 year	12,603	21,844
Payments between 1 and 5 years	5,944	18,237
Payments in more than 5 years	-	30
	18,547	40,111
Payment of future interest	(549)	(1,884)
Present value of liabilities	17,998	38,227

24.5 Financial debt

As the Group contracted several foreign exchange rate risk and interest risk hedging operations, as well as short-term investments, the net consolidated financial debt as at 31 December is:

	2012	2011
Non-current loans (note 24.1)	570,825	385,553
Current loans (note 24.1)	146,246	354,672
Derivative financial instruments (note 14)	15,935	12,813
Interest on accruals and deferrals	(1,089)	1,791
Bank deposits (note 20)	(251,595)	(340,517)
Short-term investments (note 20)	(121,107)	(186,597)
	359,215	227,715

25 Employee benefits

Amounts of employee benefits in the balance sheet:

	2012	2011
Retirement benefits - defined benefit plan paid for by the Group	19,725	19,827
Retirement benefits - defined benefit plan with a fund managed by a third party	50	132
Seniority awards	15,083	13,995
Total	34,858	33,954

Amounts reflected in the income statement – staff costs (note 6):

	2012	2011
Retirement benefits - defined contribution plan	845	988
Retirement benefits - defined benefit plan paid for by the Group	1,035	3,252
Retirement benefits - defined benefit plan with a fund managed by a third party	(82)	(121)
Seniority awards	2,215	1,630
Total	4,013	5,749

A brief description of the plans and their impact are detailed as follows.

25.1 Defined contribution plans for employees, with funds managed by a third party

Some Group companies have defined contribution pension plans. These plans cover all of the employees in these companies who have permanent contract status, and they allow cost control related to the granting of benefits, while simultaneously creating an incentive for the employees to participate in their own pension scheme.

Movements in the year:

	2012	2011
Liabilities (not covered) as at 1 January	-	-
Costs of the year	845	988
Contributions of the year	(845)	(988)
Liabilities (not covered) as at 31 December	-	-

25.2 Defined benefit plans for former employees

Defined benefit plans paid for by the Group

The Group has direct responsibility for these plans. Independent actuaries evaluate them twice a year. According to the actuarial calculation reported on 31st December 2012, the liabilities total EUR 19,725 thousand, and are included in employee benefits.

Movement in the year:

	2012	2011
Balance on 1 January	19,827	17,570
Past service costs	-	2,516
Interest costs	868	768
Actuarial (gains)/losses	167	(32)
Retirement pensions paid	(1,137)	(995)
Balance on 31 December	19,725	19,827

Actuarial assumptions used:

Mortality table	TV 88/90	TV 88/90
Discount rate	4.5%	4.5%
Pension growth rate	2.5%	2.5%

The mortality assumptions used correspond to the most common adopted in Portugal, and was set based on actuarial advice in accordance with published statistics and experience in each geography.

Defined benefit plans with a fund managed by a third party

The companies of Unilever Jerónimo Martins Group have a defined benefit plan limited to a range of pensioners. The responsibilities entailed by this plan are met by an autonomous pension fund managed by an independent entity.

Amounts in the balance sheet:

	2012	2011
Present value of funded obligations	1,309	1,426
Fair value of plan assets	1,259	1,294
Liability in balance sheet - employee benefits	50	132

Changes in fair value of plan assets:

	2012	2011
Plan assets on 1 January	1,294	1,418
Expected return on plan assets	60	72
Actuarial gains/(losses)	54	(42)
Contributions paid	(149)	(154)
Plan assets on 31 December	1,259	1,294

The amounts recognised in the income statement, are as follows:

	2012	2011
Interest costs	67	72
Expected return on plan assets	(60)	(72)
Actuarial (gains)/losses recognised	(89)	(121)
Total costs recognised	(82)	(121)

Actuarial assumptions used:

Mortality table	TV 88/90	TV 88/90
Discount rate	4.5%	4.9%
Expected return on plan assets	4.5%	4.9%
Pension growth rate	2.5%	2.5%

25.3 Other long-term benefits granted to employees

The Group has currently an incentive programme based on the award of seniority, for employees in Portugal.

This programme consists of attributing monetary bonuses to employees when they reach 15 and 25 years of service, whilst the employees of the Group Unilever Jerónimo Martins companies receive an additional bonus on completing 40 years of service.

This plan is the responsibility of the companies and the liabilities are valued annually by an independent actuary.

According to the actuarial study carried out, on 31st December the liability was EUR 15,083 thousand, which is accounted for as liabilities in employee benefits.

Movement in the year:

	2012	2011
Balance on 1 January	13,996	13,016
Interest costs	726	631
Current service cost	1,400	1,355
Actuarial (gains)/losses	88	(355)
Paid contributions	(1,127)	(651)
Balance on 31 December	15,083	13,996

Actuarial assumptions used:

Mortality table	TV – 88/90	TV – 88/90
Discount rate	4.5%	4.9%
Salaries growth rate	2.5%	2.5%

25.4 Defined benefit obligation granted to employees

	2012	2011	2010	2009
Present value of defined benefit obligation	36,117	35,248	32,257	29,233
Fair value of plan assets	1,259	1,294	1,418	1,495
(Surplus)/deficit of defined benefit plans	34,858	33,954	30,839	27,738

Plan assets includes the following:

	2012		2011	
Equity shares	199	16%	208	16%
Bonds	1,044	83%	1,071	83%
Cash	16	1%	15	1%
Total	1,259	100%	1,294	100%

26 Provisions and adjustments to the net realisable value

2012	Opening balance	Set up reinforced	Unused and reversed	Foreign exchange difference	Used	Business acquisition and restructuring	Closing balance
Doubtful debtors (note 19)	22,932	3,216	(1,231)	286	(2,215)	-	22,988
Inventories (note 17)	14,735	1,442	(3,531)	664	-	-	13,310
Available-for-sale fin. investments (note 16)	3,429	124	-	-	-	-	3,553
Short term investments (note 20)	57	-	-	-	-	-	57
Total fair value adjustments to net realisable value	41,153	4,782	(4,762)	950	(2,215)	-	39,908
Other risks and contingencies	49,597	20,175	(3,885)	446	(1,526)	-	64,807
Total of provisions	49,597	20,175	(3,885)	446	(1,526)	-	64,807

2011	Opening balance	Set up reinforced	Unused and reversed	Foreign exchange difference	Used	Business acquisition and restructuring	Closing balance
Doubtful debtors (note 19)	21,825	3,796	(1,282)	(374)	(1,033)	-	22,932
Inventories (note 17)	15,679	1,683	(1,666)	(980)	-	19	14,735
Available-for-sale fin. investments (note 16)	2,571	858	-	-	-	-	3,429
Short term investments (note 20)	57	-	-	-	-	-	57
Total fair value adjustments to net realisable value	40,132	6,337	(2,948)	(1,354)	(1,033)	19	41,153
Other risks and contingencies	22,907	33,502	(2,056)	(692)	(4,064)	-	49,597
Total of provisions	22,907	33,502	(2,056)	(692)	(4,064)	-	49,597

The provisions for other risks and contingencies consists of provisions for possible compensation to be paid by the Group regarding guarantees provided in business sales agreements contracted over the last few years, provisions for restructuring plans and provisions for litigation processes where there is no prospect of resolution in less than one year.

27 Trade creditors, accrued costs and deferred income

	2012	2011
Other commercial creditors	1,935,152	1,615,771
Other non-commercial creditors	165,947	179,878
Accrued costs	196,503	207,514
Deferred income	7,651	3,173
Total	2,305,253	2,006,336

The accrued costs include basically salaries and wages to be paid to the employees, in the amount of EUR 70,671 thousand, interest payable in the amount of EUR 18,234 thousand and supplementary costs with the distribution and promotion of goods in the amount of EUR 35,794 thousand. The remaining EUR 71,804 thousand relates to sundry costs (utilities, insurance, consultants, rents, among others), for 2012, which had not been invoiced by the respective entities prior to the end of the year.

Deferred income comprises basically supplementary gains in the amount of EUR 5,050 thousand, which are deferred until the respective goods are sold.

28 Guarantees

The bank guarantees are as follows:

	2012	2011
Guarantees provided to suppliers	3,079	1,785
Guarantees for D.G.C.I. (Portuguese tax authorities)	112,176	106,896
Financing bank guarantees	10,521	-
Other State guarantees	3,867	3,715
Other guarantees provided	7,943	14,317
Total of Guarantees	137,586	126,713

29 Operational lease

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

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

	2012	2011
Payments in less than 1 year	252,842	192,710
Payments between 1 and 5 years	889,446	661,549
Payments in more than 5 years	1,015,986	778,035
	2,158,274	1,632,294

These amounts are in respect of stores and warehouses rent contracts, with initial term between 5 and 20 years, with an option to renegotiate after that period. The payments are updated annually, reflecting inflation and/or market valuation.

As mentioned all these contracts are breakable with the payment of penalties. The liabilities relating to these penalties were, at the end of 2012, of EUR 1,650,097 thousand (2011: EUR 1,243,381 thousand).

The operational lease contracts recognised as costs amounting to EUR 235,707 thousand (2011: EUR 203,845 thousand), are analysed as follows:

	2012	2011
Buildings	210,977	181,952
Plants & machinery	7,730	7,996
Transport equipment	12,708	10,701
IT equipment	1,206	1,104
Others	3,086	2,092
	235,707	203,845

The difference to the rents stated in note 5 are costs with occasional renting in the amount of EUR 801 thousand (2011: EUR 814 thousand) and rents costs that were attributable to the cost of goods sold in the amount of negative EUR 898 thousand (2011: negative EUR 726 thousand).

30 Capital commitments

Capital expenditure contracted for at the balance sheet date amounted EUR 126,115 thousand and refers essentially to work in progress and the preliminary agreement for the acquisition of land, buildings and equipment whose public deeds will occur in due time.

31 Contingencies

- Under non-current debtors (note 19), an amount of EUR 81,451 thousand relates to tax liquidations claimed by the Tax Administration.

The Board of Directors, supported by its tax and legal advisers, believes the company has acted entirely within the law and maintains the administrative and judicial claims filed against such settlements, without waiving its legitimate right to appeal against them and expect their full recovery.

In this context, the Group immediately demanded total reimbursement of the amounts paid, as well as indemnity interest at the legal rate for the period between the payment date and its effective restitution date.

In January 2012, one of the judicial proceedings was held to be well-grounded by the Court of Appeal (TCAS), 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.

- There are several disputes arising out of the ordinary course of the Group's businesses, and the material issues mentioned below are also pending resolution. With respect to these issues the Board of Directors, supported by the opinion of its tax and legal advisors, assesses the outcome of each proceedings and for those where the Board estimates that a future cash outflow may occur a provision has been made in the respective amount:

- a) In 1999, as a result of the acquisition of two companies that held establishments previously owned by former franchisees of ITMI Norte-Sul Portugal – Sociedade de Desenvolvimento e Investimento, S.A., which together with Regional de Mercadorias – Sociedade Central de Aprovisionamento, S.A., filed a case against various Group companies, holding them liable for those ex-franchisees' alleged non-compliance with the contract they had signed with ITMI, demanding an indemnity payment of EUR 14,600 thousand. The court

ruled in favour of the defendants, denying the plaintiff's claim. The plaintiff appealed to the Court of Appeal, which confirmed the ruling of the court. Subsequently the plaintiff filed an appeal to the Supreme Court of Justice, which decided that the Court of Appeal should look into the case again. The Board of Directors maintains its belief that the amount requested will probably not be granted;

- b) Proherre Internacional, Lda. claimed an indemnity payment of EUR 2,500 thousand from Pingo Doce – Distribuição de Produtos Alimentares, S.A., alleging the termination of a lease agreement by Pingo Doce, without the minimum period agreed between the parties having elapsed. Pingo Doce contested this claim based on the fact that the lease was terminated through mutual agreement. In the meantime, hearings took place in October 2012 and the parties await a decision over the facts. Board of Directors is convinced that the Court will reduce the amount that would result from the penalty clause, as it is manifestly excessive;
- c) Rui Ribeiro Construções, S.A., filed indemnity proceedings with the Tribunal Arbitral da Associação Comercial de Lisboa (Arbitration Court of the Lisbon Commercial Association), with a view to condemning Pingo Doce to pay approximately EUR 800 thousand for breaking a contracted work services agreement. The trial has now taken place and the Arbitration Court partially condemned Pingo Doce for the claim (EUR 220 thousand). The Group has already appealed to the Court of Appeal, the complainant having done the same for the part of the sentence that was not in its favour. Board of Directors and its lawyers are convinced that the Court of Appeal will prove the company right, thus revoking the Arbitration Court's decision;
- d) The Portuguese Tax Authorities claim from Recheio, SGPS, S.A. (Recheio SGPS) the amount of EUR 2,503 thousand concerning an additional assessment of Value Added Tax (VAT). Tax Authorities are challenging the VAT deduction method adopted by Recheio SGPS. Board of Directors, supported by their tax consultants, believe that they are entirely right concerning this matter, this being reinforced by recent judgements ruled by the Lisbon Tax and Administrative Court regarding this matter;
- e) The Portuguese Tax Authorities claim from Recheio Cash & Carry, S.A. (Recheio C&C) the amount of EUR 657 thousand regarding an additional VAT assessment, as certain requirements proving the VAT exemption on intracommunity transactions were not complied with. Board of Directors, supported by their tax consultants, have already contested this additional VAT assessment, believing that they are entirely right concerning this matter;
- f) The Portuguese Tax Authorities have informed Recheio SGPS, that it should restate the dividends received, amounting to EUR 81,952 thousand, from its subsidiary in the Madeira Free Zone, during the years 2000 to 2003, considering them as interest for tax purposes. According to the Portuguese Tax Authorities the said income should be subject to Corporate Income Tax (CIT) as opposed to dividends received that are exempt. The Portuguese Tax Authorities have now issued additional assessments, amounting to EUR 20,888 thousand. In spite of a judicial claim was ruled in favour of the Portuguese tax authorities, Board of Directors, supported by its lawyers and tax advisors' opinion, still believes that the decision is not valid nor has any legal grounds, so challenged it;
- g) The Portuguese Tax Authorities claim from Feira Nova-Hipermercados, S.A. (Feira Nova) (merged in Pingo Doce – Distribuição Alimentar, S.A., in 2009) the amount of EUR 743 thousand concerning Special Contribution additional assessments due to the value increase of the Bela Vista complex. Board of Directors, supported by their lawyers and tax consultants, has already contested that assessment, believing that the Tax Authorities have no valid arguments to request these payments;
- h) The Portuguese Tax Authorities assessed, regarding 2002, 2003 and 2004, Feira Nova and Pingo Doce – Distribuição Alimentar, S.A. (Pingo Doce) the amounts of EUR 2,966 thousand and EUR 2,324 thousand, respectively. These additional assessments are related to the amount booked by these companies as shrinkage (loss of inventory through crime or wastage), which was not accepted as a tax deductible cost for CIT purposes and also the associated VAT, since there are no evidence that the goods were not sold. Meanwhile, Feira Nova was notified by the Lisbon Tax Court that the judicial claim filed against the 2002 assessment, regarding VAT amounting to approximately, EUR 1,200 thousand, was ruled in favour of the company. Since the tax authorities have not appealed, the Court decision is final. As for the remaining judicial claims are still under discussion in Court, Board of Directors believes that their outcome should be the same;
- i) The Portuguese Tax Authorities carried out some corrections to the CIT amount from companies included in the perimeter of the Tax group headed by JMR – Gestão de Empresas de Retalho, SGPS, S.A. (JMR SGPS), which led to additional assessments, concerning 2002 to 2009, amounting to EUR 40,774 thousand. Board of Directors supported by their lawyers and tax consultants have challenged these assessments, assuming that the Tax Authorities have no grounds to request this payment. In the meantime, the Lisbon Tax Court has ruled partially in favour of JMR, regarding 2002 and 2005 assessments. Board of Directors maintains the strong belief in its arguments, all cases follow their court proceedings;
- j) The Portuguese Tax Authorities have informed Jerónimo Martins, SGPS, S.A. (Jerónimo Martins), to restate the dividends received, amounting to EUR 10,568 thousand, from its subsidiary in the Madeira Free Zone in 2004 and 2005, considering them as interest for tax purposes. According to the Portuguese Tax Authorities the said income should be subject to CIT as opposed to the dividends received that are exempt. Board of Directors, supported by their tax consultants and legal advisors, consider that the report issued by the Tax Authorities does not have any legal basis or validity, and will challenge it;

- k) The Portuguese Tax Authorities have claimed EUR 989 thousand from Jerónimo Martins in relation to the CIT for an indemnity paid by the Company due to an agreement reached in arbitration court, and which the Tax Authorities considered as dealing with a payment to an entity subject to a more favourable tax regime, and therefore not accepted for tax purposes. Board of Directors with the support of its tax and legal advisers, does not consider the report of the Tax Authorities to have legal basis or validity, and thus has challenged it;
- l) The Tax Authorities assessed JMR SGPS for the amount of EUR 16,078 thousand due to the fact that JMR SGPS should restate the dividends received, in 2003 and 2004, from its subsidiary in the Madeira Free Zone, considering them as interest for tax purposes. According to the Portuguese Tax Authorities the said income should be subject to CIT as opposed to the dividends received that are exempt. The Constitutional Court has, recently, ruled in favour of the Tax Authorities, there being no grounds to appeal further. The amount has been fully provisioned;
- m) The Portuguese Tax Authorities assessed Feira Nova and Pingo Doce the amounts of EUR 1,304 thousand and EUR 1,554 thousand, respectively. These additional assessments were issued because the Tax Authorities argue that some goods were sold at a lower VAT rate and, solely on Feira Nova they do not agree with the VAT treatment of the discount sales coupons. These assessments relate to the years of 2005 to 2008. Board of Directors, supported by their tax consultants, have challenged these assessments, believing that the Tax Authorities have no valid arguments to request these payments;
- n) The Portuguese Tax Authorities claim from Recheio SGPS the amount of EUR 582 thousand, regarding CIT concerning the fiscal year of 2007. The Portuguese Tax Authorities following their own internal understanding did not accept the deduction of part of its financial costs. Board of Directors, supported by its tax consultants and lawyers, believes that the report issued by the Tax Authorities has no valid grounds, and it will be challenged;
- o) The Tax Authorities assessed JMR SGPS and Jerónimo Martins for the amounts of EUR 507 thousand and EUR 480 thousand, respectively, both for the year 2008. The assessments concern swap payments, treated as interest in that year, which the tax authorities consider should have been subject to withholding tax. Board of Directors, supported by its tax consultants, have challenged these assessments, believing that the tax authorities have no valid grounds to request the payment of such amounts;
- p) The Portuguese Tax Authorities carried out some corrections to the CIT amount from companies included in the perimeter of the Tax group headed by Recheio SGPS, which led to additional assessment, concerning 2008, amounting to EUR 3,200 thousand. Board of Directors supported by their lawyers and tax consultants have challenged these assessments, assuming that the Tax Authorities have no valid grounds to request this payment;
- q) The Portuguese Tax Authorities have informed Jerónimo Martins, that they do not accept losses on capital gains associated with a liquidation of one Company and the sale of another, amounting to EUR 24,660 thousand, which generated a correction on the company's tax losses, regarding year 2007. Board of Directors, supported by their tax consultants and legal advisors, consider that the report issued by the Tax Authorities does not have any legal basis or validity, and will challenge it;
- r) At the beginning of September 2011, Nestlé initiated judicial proceedings against Unilever Jerónimo Martins, Lda., claiming a compensation of EUR 2,100 thousand for alleged similarity and confusion in the packaging of competing products. The defendant filed its statement of defense. Meanwhile the parties reached an agreement to terminate the judicial proceedings, which was confirmed by the court.

This lawsuit followed the injunction proceedings filed by Nestlé, which was ruled in its favour by the court and confirmed by the Court of Appeal. Pursuant to the decision of the Court of Appeal, the plaintiff commenced the enforcement proceedings of the injunction decreed against Unilever Jerónimo Martins, Lda., which was also settled by agreement and is still awaiting the respective judicial confirmation;
- s) Tengelmann KG filed arbitration proceedings against Jerónimo Martins, SGPS, S.A. before the German Institute of Arbitration, in Cologne. The plaintiff argues that Jerónimo Martins, SGPS, S.A. is liable for the non-payment of rents and contractual penalties, plus accrued interests, by Dystrybucja Integrator Sp. z o.o. (previously Plus Discount Sp. z o.o. – Plus Poland), in the amount of EUR 2,716 thousand, under the guarantee granted by Jerónimo Martins, SGPS, S. A. in the SPA regarding Plus Discount Sp. z o.o.. Jerónimo Martins, SGPS, S.A. considers the allegations ungrounded, therefore presented its statement of defense in the arbitration proceedings. Tengelmann KG presented its response and expanded the amount claimed to EUR 5.640 thousand, plus accrued interest from June 1, 2012. Jerónimo Martins presented a rejoinder. Meanwhile, court hearings have taken place and the period for the post hearing briefs by the parties has begun.

32 Related parties

32.1 Balances and transactions with related parties

56.14% of the Group is owned by the Sociedade Francisco Manuel dos Santos, and no direct transactions occurred between this Company and any other company of the Group in 2012, neither were there any amounts payable or receivable between them on December 31st, 2012.

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

	Sales and services rendered		Stocks purchased and services supplied	
	2012	2011	2012	2011
Joint ventures	423	434	78,305	79,766
Associated companies	-	-	331	1,122

	Trade debtors, accrued income and deferred costs		Trade creditors, accrued income and deferred costs	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Joint ventures	433	372	6,045	6,642
Associated companies	-	-	54	505

Balances and transactions with related parties not eliminated on consolidation, were as follows:

	Sales and services rendered		Stocks purchased and services supplied	
	2012	2011	2012	2011
Joint ventures	233	239	43,068	43,871
Associated companies	-	-	331	1,122

	Trade debtors, accrued income and deferred costs		Trade creditors, accrued income and deferred costs	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Joint ventures	238	205	3,325	3,653
Associated companies	-	-	54	505

All the transactions with the jointly controlled companies (joint ventures) and associate companies were made under normal market conditions, i.e., the transaction value corresponds to prices that would be applicable between non-related parties.

Outstanding balances between Group companies and related parties, as a result of trade agreements, are settled in cash, and are subject to the same payment terms as those applicable to other agreements contracted between Group companies and their suppliers.

The amounts receivable are not covered by insurance and no guarantees are given or received, as the Group holds a relevant influence over these companies.

There are no provisions for doubtful debts and no costs were recognised during the year related with bad debts or doubtful debts with these related parties.

32.2 Remuneration paid to directors and senior managers

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

	2012	2011
Salaries and other short-term employee benefits	19,999	18,567
Termination benefits	797	1,419
Post-employment benefits	552	750
Other benefits	1,184	202
Total	22,532	20,938

The Board of Directors of the company contains 11 members and the average number of Senior Managers of the Group was 81 (2011: 72).

We consider as Senior Managers the Members of the Managing Committee of the business units of the Group and the Directors of the Corporate Centre. The 2011 comparative amounts were restated.

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

The amounts presented reflects 100% of costs with salaries and wages of the Directors and the Senior Managers, including the companies under the proportional consolidation method (joint ventures).

The post-employment benefits granted to the Directors and the Senior Managers are part of the defined contribution plan described in note 25.1.

The cost incurred with other benefits refer to long-term benefits and are described in note 25.3.

33 Group companies

Group control is ensured by the parent company, Jerónimo Martins, SGPS, S.A.

The tables below list the companies that form part of Jerónimo Martins Group. These tables are organised according to the consolidation method used.

a) Full consolidation method

Company	Business area	Head office	% Owned
Jerónimo Martins, SGPS, S.A.	Business portfolio management	Lisbon	
Jerónimo Martins – Serviços, S.A.	Human resources top management	Lisbon	100.00
Friedman – Sociedade Investimentos Mobiliários e Imobiliários ,Lda.	Provision of services in the economic and accounting area	Funchal	100.00
Desimo – Desenvolvimento e Gestão Imobiliária, Lda.	Real estate management and administration and trade marks	Lisbon	100.00
Servicompra, SGPS, Lda.	Business portfolio management	Lisbon	100.00
Jerónimo Martins – Distribuição de Produtos de Consumo, Lda.	Wholesale of food products	Lisbon	100.00
Caterplus – Comercialização e Distribuição de Produtos de Consumo, Lda.	Wholesale of other food products	Lisbon	100.00
Jerónimo Martins – Restauração e Serviços, S.A.	Food retail stores	Lisbon	100.00
Hussel Ibéria – Chocolates e Confeitaria, S.A.	Retail sale of chocolates, confectionery and similar products	Lisbon	51.00
Monterroio – Industry & Services Investments B.V.	Business portfolio management and financial services	Amsterdam (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
New World Investments B.V.	Business portfolio management and financial services	Amsterdam (Holland)	100.00
Jerónimo Martins Colombia S.A.S.	Trading and distribution of consumer goods	Bogota (Colombia)	100.00
JMR – Gestão de Empresas de Retalho, SGPS, S.A.	Business portfolio management in the area of retail distribution	Lisbon	51.00
Jerónimo Martins Retail Services, S.A.	Trademarks management	Klosters Switzerland	51.00
EVA – Sociedade de Investimentos Mobiliários e Imobiliários, Lda.	Provision of services in the economic and financial areas and investment management	Funchal	51.00
Pingo Doce – Distribuição Alimentar, S.A.	Retail sales in supermarkets	Lisbon	51.00
Imoretalho – Gestão de Imóveis, S.A.	Real estate management and administration	Lisbon	51.00
Supertur – Imobiliária, Comércio e Turismo, S.A.	Real estate purchase and sale	Lisbon	51.00
Casal de São Pedro – Administração de Bens, S.A.	Real estate management and administration	Lisbon	51.00
Comespa – Gestão de Espaços Comerciais, S.A.	Management and administration of retail outlets	Lisbon	51.00
JMR – Prestação de Serviços para a Distribuição, S.A.	Retail management, consultancy and logistics	Lisbon	51.00
Jerónimo Martins Finance Company (2), Limited	Financial services	Dublin (Ireland)	51.00
Cunha & Branco – Distribuição Alimentar, S.A.	Retail sales in supermarkets	Lisbon	51.00
Escola de Formação Jerónimo Martins, S.A.	Training	Lisbon	51.00
Recheio, SGPS, S.A.	Business portfolio management in wholesale and retail distribution	Lisbon	100.00
Recheio – Cash & Carry, S.A.	Wholesale of food and consumer goods	Lisbon	100.00
Masterchef, S.A.	Retail sales and/or wholesale of food or non-food products	Lisbon	100.00
Imocash – Imobiliário de Distribuição, S.A.	Real estate management and administration	Lisbon	100.00
Larantigo – Sociedade de Construções, S.A.	Real estate purchase and sale	Lisbon	100.00
Funchalgest– Sociedade Gestora de Participações Sociais, S.A.	Business portfolio management	Funchal	75.50
João Gomes Camacho, S.A.	Wholesale of food and consumer goods	Funchal	75.50
Lidosol II – Distribuição de Produtos Alimentares, S.A.	Retail sales in supermarkets	Funchal	75.50
Lidinvest – Gestão de Imóveis, S.A.	Real estate management and administration	Funchal	75.50
Beleggingsmaatschappij Tand B.V.	Business portfolio management and financial services	Rotterdam (Holland)	100.00
Jeronimo Martins Polska S.A. ¹	Retail and wholesale of food and consumer goods	Kostrzyn (Poland)	100.00
Optimum Mark Sp. Z o.o.	Trademarks management	Warsaw (Poland)	100.00
JM Nieruchomosci - Sp. z o.o.	Provision of services in the area of wholesale and retail distribution	Kostrzyn	100.00

¹ Previously assigned as Jeronimo Martins Dystrybucja, S.A.. Amendment made on June 2012.

Company	Business area	Head office	% Owned
		(Poland)	
JM Nieruchomosci – Sp. Komandytowo-akcyjna	Real estate management and administration	Kostrzyn (Poland)	100,00
JM TELE – Sp. z o.o.	Mobile virtual network operator	Kostrzyn (Poland)	100,00
Jeronimo Martins Drogerie i Farmacja Sp. z o.o. ²	Provision of services in the area of wholesale and retail distribution	Kostrzyn (Poland)	100,00
Bliska Sp. Z o.o.	Retail sale of pharmaceutical, orthopaedic and health products	Warsaw (Poland)	100.00

b) Proportional consolidation method

Company	Business area	Head Office	% Owned
Unilever Jerónimo Martins, Lda.	Wholesale of consumer goods	Lisbon	45.00
Indústrias Lever Portuguesa, S.A.	Detergent manufacturing	Lisbon	45.00
Olá – Produção de Gelados e Outros Produtos Alimentares, S.A.	Manufacturing of ice-cream and sorbet	Lisbon	45.00
Fima – Produtos Alimentares, S.A.	Production of margarines and similar products	Lisbon	45.00
Victor Guedes – Indústria e Comércio, S.A.	Production of olive oil	Lisbon	45.00
Gallo Worldwide, Lda.	Wholesale of olive oil and similar products	Lisbon	45.00

c) Equity method

Company	Business area	Head Office	% Owned
Perfumes e Cosméticos Puig Portugal Distribuidora, S.A.	Wholesale of perfumes and cosmetics	Lisbon	27.55

34 Interests in joint ventures and associates

The Group owns (directly and indirectly) interests in the following joint ventures:

- 45% shareholding in Unilever Jerónimo Martins, which controls a Group of companies dedicated to manufacturing and selling products in the area of edible fats and ice-creams and to distributing and selling drinks, personal care and home care products, using owned Private Brands and brands owned by the Unilever Group;
- 45% shareholding in Gallo WorldWide, which is dedicated to distributing olive oil and cooking oils, using owned Private Brands and brands of the Unilever Group.

The Group owns directly interests in the following associated company:

- A shareholding of 27.545% in Perfumes e Cosméticos Puig Portugal – Distribuidora, S.A. . Its business area is the retail sale of perfumes and cosmetic products.

The financial statements of the above-mentioned joint ventures are as follows:

	2012	2011
Non-current assets	624,726	615,472
Current assets	171,725	165,597
Non-current liabilities	(207,494)	(421,924)
Current liabilities	(270,269)	(244,698)
Net assets	318,688	114,447
Income and gains	692,537	703,702
Costs and losses	(670,837)	(676,393)
Net result	21,700	27,309

The table below shows the contribution to the consolidated financial statements, including goodwill allocated, as well as the proportion of balances and transactions included in the consolidation process and not eliminated.

² Previously assigned as JM Usługi - Sp. Z o.o.. Amendment made on February 2012.

	2012	2011
Non-current assets	124,105	119,918
Current assets	73,928	70,788
Non-current liabilities	(3,373)	(3,818)
Current liabilities	(121,237)	(109,623)
Net assets	73,423	77,265
Income and gains	88,505	97,928
Costs and losses	(75,549)	(81,415)
Net result	12,956	16,513

The financial statements of the associates which are integrated into the consolidated statements by the equity method, include the following amounts related to assets, liabilities and earnings:

	2012	2011
Non-current assets	200	381
Current assets	8,247	10,407
Non-current liabilities	(365)	(628)
Current liabilities	(4,639)	(6,705)
Net assets	3,443	3,455
Income and gains	15,176	18,502
Costs and losses	(13,455)	(16,768)
Net result	1,721	1,734

In applying the equity method there were no issues in harmonising the accounting policies of the associate.

35 Additional information required by law

In accordance with article 508-F of the Portuguese Commercial Companies Code, we hereby inform of the following:

- a) In addition to all operations described in the notes above, as well as in the Management's Report, there are no other operations considered relevant that are not already contained either in the balance sheet or its annex;
- b) The total remuneration paid to the External Auditor and Chartered Accountant in 2012, was 776,854 euros, of which 739,491 euros correspond to legal accounts audit services, while the remaining 37,363 euros, the most relevant are the access to a tax database, tax advice and the analysis of potential effects on applying some IFRS on the Group's financial reporting;
- c) Note 33 of the Notes to the Consolidated Financial Statements includes all the related parties disclosures, in accordance with the International Accounting Standards.

36 Events after the balance sheet date

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

Lisbon, 26th February 2013

The Certified Accountant

The Board of Directors

Statement of the Board of Directors

Within the terms of paragraph c), number 1 of article 245 of the Portuguese Securities Code, the members of the Board of Directors, identified below, declare that to the best of their knowledge:

- i) the information contained in the management report, the annual accounts, the Auditors' Report and all other accounting documentation required by law or regulation, was produced in compliance with the applicable accounting standards and gives a true and fair view of the assets and liabilities, the financial position and the results of Jerónimo Martins, SGPS, S.A. and the companies included in the consolidation perimeter; and
- ii) the management report is a faithful statement of the evolution of the businesses, of the performance and of the position of Jerónimo Martins, SGPS, S.A. and the companies included within the consolidation perimeter, and contains a description of the main risks and uncertainties which they face.

Lisbon, 1st March 2013

Elísio Alexandre Soares dos Santos
(Chairman of the Group and Chairman of the Evaluation and Nominations committee)

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

Alan Johnson
(Chief Financial Officer and Member of the Board of Directors)

António Mendo Castel-Branco Borges
(Member of the Board of Directors)

António Pedro de Carvalho Viana-Baptista
(Member of the Board of Directors, Member of the Audit Committee and Member of the Committee on Corporate Responsibility)

Artur Eduardo Brochado dos Santos Silva
(Member of the Board of Directors, Member of the Audit Committee and Member of the Evaluation and Nominations committee)

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

José Manuel da Silveira e Castro Soares dos Santos
(Member of the Board of Directors, Member of the Committee on Corporate Responsibility and Member of the Evaluation and Nominations Committee)

Luís Maria Viana Palha da Silva
(Member of the Board of Directors, Chairman of the Committee on Corporate Responsibility and Member of the Evaluation and Nominations Committee)

Marcel Lucien Corstjens
(Member of the Board of Directors)

Nicolaas Pronk
(Member of the Board of Directors)



Audit Report for Statutory and Stock Exchange Regulatory Purposes on the Consolidated Financial Information

(Free translation from the original in Portuguese)

Introduction

1 As required by law, we present the Audit Report for Statutory and Stock Exchange Regulatory Purposes on the financial information included in the consolidated Directors' Report and in the attached consolidated financial statements of Jerónimo Martins, SGPS, S.A, comprising the consolidated balance sheet as at December 31, 2012 (which shows total assets of Euro 4,892,973 thousand and total shareholder's equity of Euro 1,501,926 thousand including non-controlling interests of Euro 290,395 thousand and a net profit of Euro 360,398 thousand), the consolidated statement of income by functions, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statements for the year then ended, and the corresponding notes to the accounts.

Responsibilities

2 It is the responsibility of the Company's Board of Directors (i) to prepare the consolidated Directors' Report and the consolidated financial statements which present fairly, in all material respects, the financial position of the Company and its subsidiaries, the consolidated results and the consolidated comprehensive income of their operations, the changes in consolidated equity and the consolidated cash flows; (ii) to prepare historic financial information in accordance with International Financial Reporting Standards as adopted by the European Union and which is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain appropriate systems of internal control; and (v) to disclose any significant matters which have influenced the activity, financial position or results of the Company and its subsidiaries.

3 Our responsibility is to verify the financial information included in the financial statements referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code, for the purpose of issuing an independent and professional report based on our audit.

Scope

4 We conducted our audit in accordance with the Standards and Technical Recommendations issued by the Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Accordingly, our audit included: (i) verification that the Company and its subsidiaries' financial statements have been appropriately examined and, for the cases where such an audit was not carried out, verification, on a sample basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the reasonableness of the estimates,

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based on the judgements and criteria of the Board of Directors used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations and the utilization of the equity method; (iii) assessing the appropriateness of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; (v) assessing the overall presentation of the consolidated financial statements; and (vi) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the consolidated financial information.

5 Our audit also covered the verification that the information included in the consolidated Directors' Report is consistent with the financial statements as well as the verification set forth in paragraphs 4 and 5 of Article 451^o of the Companies Code.

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the consolidated financial statements referred to above, present fairly in all material respects, the consolidated financial position of Jerónimo Martins, SGPS, S.A. as at December 31, 2012, the consolidated results and the consolidated comprehensive income of its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and the information included is complete, true, up-to-date, clear, objective and lawful.

Report on other legal requirements

8 It is also our opinion that the information included in the consolidated Directors' Report is consistent with the consolidated financial statements for the year and that the Corporate Governance Report includes the information required under Article 245^o-A of the Portuguese Securities Market Code.

March 1, 2013

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

Abdul Nasser Abdul Sattar, R.O.C.

Report and Opinion of the Audit Committee

Dear Shareholders,

In accordance with paragraph g) of article 423-F of the Commercial Companies Code, we herewith present our report on our supervisory activity and our opinion on the Jerónimo Martins, SGPS, S.A. report and consolidated accounts for the year ending December 31st, 2012, as well as on the proposals presented by the Board of Directors.

Supervisory activity

Throughout the year, this Committee monitored the management & evolution of the Company's businesses by holding regular meetings with the Directors and Heads of the functional areas of the corporate centre, with the Managing Committee, the Company Secretary and the Statutory Auditor, and in all cases received their full co-operation.

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 approved the internal audit plan for the next three years including the resources, based on the assessment made by an external body of the effectiveness of the work conducted by the Internal Audit Department.

The suitability and effectiveness of the internal control systems were verified, with the co-operation and work of the Internal Control Committee, the Internal Audit Department and the External Auditor.

This Committee monitored the revision of the Financial Risk Management Policy, with the co-operation of the Managing Committee, the Financial Operations Department and the External Auditor, and verified that the actions taken by the Company were adequate to comply with the policies issued by the Board of Directors.

Also monitored the development of tax proceedings and litigation involving group companies, having obtained all clarifications necessary from the Company personnel, to assess the adequacy of the Group's provisions and contingencies.

This Committee was given access to all the corporate documentation that it considered relevant, namely the minutes of the meetings of the Managing Committee, the Ethics Committee and the Internal Control Committee, as well as all the related documentation it deemed relevant, in order to assess compliance with its regulations and with the applicable laws.

It met regularly with the External Auditor and those responsible for preparing the Report and Consolidated Accounts and the accounts of the Group's main companies from whom it obtained sufficient necessary information to gauge the accuracy of the accounting documents, accounting policies and valuation criteria adopted by the Company, thereby ensuring that these are a correct representation of the results and the equity of the Company.

Throughout the year, it monitored the work methodology adopted by the External Auditor, the evolution of issues raised by the latter, as well as the conclusions of the work carried out by the Statutory Auditor, which gave rise to the Auditor's Report being issued without any reservations.

Within the scope of its responsibilities, the Audit Committee verified the independence and competence of the Company's External Auditors and Statutory Auditor in carrying out their functions, and also verified that all other services provided by the firm of External Auditors to the Group's subsidiaries, were carried out by their employees who took no part in the audits, and that these services, due to their type and the amounts involved, in no way jeopardise the independence of the work carried out by the External Auditor nor do they affect the opinion of the Statutory Auditor.

It also verified that, under the terms of paragraph 5 of article 420.º of the Commercial Companies Code, the Corporate Governance Report includes all the elements mentioned in article 245.º - A of the Portuguese Securities Code.

Opinion

Taking into account the information received from the Board of Directors, the Company's personnel and the conclusions outlined in the Report of the Auditors for Statutory and Stock Exchange Regulatory Purposes in Respect of the Consolidated Financial Information, we are of the opinion that:

- i) The Consolidated Management Report should be approved;
- ii) The Consolidated Financial Statements should be approved; and
- iii) The Board of Directors' results appropriation proposal should be approved.

Statement of Responsibility

In accordance with sub-paragraph c) of paragraph 1 of article 245.º of the Portuguese Securities Code, the members of the Audit Committee, identified below, declare that to the best of their knowledge:

- i) the information contained in the Management Report, the Annual Accounts, the Auditors' Report and all other accounting documentation required by law or regulation, was produced in compliance with the applicable accounting standards and gives a true and fair view of the assets and liabilities, the financial position and the results of Jerónimo Martins, SGPS, S.A. and the companies included in the consolidation perimeter.
- ii) The Management Report is a faithful statement of the evolution of the businesses, the performance and position of Jerónimo Martins, SGPS, S.A. and of the companies included within the consolidation perimeter, and contains a description of the main risks and uncertainties which they face.

Lisbon, 1st March 2013

Hans Eggerstedt
(Chairman of the Audit Committee)

António Pedro Viana-Baptista
(Member)

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(Member)

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Introduction

In 2007, following the revision of the Portuguese Commercial Companies Code occurred in 2006 and in what the Company considered a coherent evolution of its previous model of governance – the monist model - Jerónimo Martins adopted the so-called "Anglo-Saxon" model, with the following corporate bodies: the General Shareholders' Meeting, the Board of Directors, the Audit Committee, the Chartered Accountant and the Company's Secretary.

This model of governance, completed through the internal organisation structure chosen by each Board of Directors, has enabled the Company to more efficiently solve its organisation needs while respecting governance best practices.

With the entry into force in 2010 of CMVM Regulation no. 1/2010 on Corporate Governance of Listed Companies (CMVM Regulation no. 1/2010) and the amendments to the Corporate Governance Code of the Portuguese Securities Market Commission (CMVM), Jerónimo Martins sought, always bearing in mind the interests of shareholders and of the market, to adjust its practices in order to continue to adopt the best standards of the market, particularly in relation to rigour and transparency.

Consequently, the Board of Directors has adopted an internal organisation structure characterised by the delegation of the day-to-day management of corporate business to a Chief Executive Officer (CEO) and by the setting up of specialised Committees intended to monitor and supervise certain areas.

The governance model adopted and the internal structure implemented, constantly appraised by the Management of Jerónimo Martins, remained basically unchanged during 2012.

In view of its commitment to the Shareholders and other stakeholders, the Company's Board continues paying particular attention to matters related to Corporate Governance and considers the Group's policy to be consistent with the best market practices and the operation of its governance model to be the most appropriate for the interests of all its stakeholders.

The Corporate Governance Report (Report) included in this Chapter continues to be a pledge to this policy, and the Board of Directors considers that it mirrors the correct operation of the adopted model and current corporate practices.

Chapter 0

Statement of Compliance

0.1. The Company is subject to the Code of Corporate Governance of the CMVM which is published on the CMVM's web site at www.cmvm.pt/en/recomendacao/recomendacoes/Pages/default.aspx. The Company is also governed by its Code of Conduct, whose content is linked to corporate governance matters, and which may be consulted on its website. All of its corporate bodies are governed by regulations, which are documented and available on the Company's website at www.jeronimomartins.pt.

0.2. The Company complies in its essence with the Recommendations of the CMVM in the Corporate Governance Code. It is accepted, however, that there are some recommendations that were not adopted in their entirety or regarding which, it is not unquestionable as to their being fully adopted.

The following shows the breakdown of the recommendations contained in the Code of Corporate Governance of the CMVM that were adopted, not adopted and not applicable, as well as reference to the text of the Report where the compliance or justification for not adopting these recommendations may be checked.

Pursuant to the Annex to its Regulation No. 1/2010, the CMVM considers recommendations that are not followed in their entirety as not having been adopted.

RECOMMENDATION	ADOPTED	NOT ADOPTED	N/A
I.1.1	1.1.		
I.1.2	1.1.		
I.2.1	1.2.		
I.2.2	1.2.		
I.3.1	1.3.		
I.3.2	1.3.		
I.3.3	1.2.		
I.4.	1.2.		
I.5.	1.5.; 3.11.2.		
I.6.1	1.9.		
I.6.2	1.9.		
II.1.1.1	Introduction		
II.1.1.2	2.5.		
II.1.1.3	2.5; 2.21.2.		
II.1.1.4	2.5.; 2.8.		
II.1.1.5	2.6.		
II.1.2.1	2.7.; 2.13.		
II.1.2.2	2.7.; 2.13.		
II.1.2.3	2.13.		
II.1.3.1		0.3.0.; 2.21.2.	
II.1.3.2	2.14.		
II.1.4.1	2.20.		
II.1.4.2	2.20.		
II.1.5.1		0.3.1.; 2.18.; 2.19.	
II.1.5.2		0.3.2.	
II.1.5.3		0.3.3.	
II.1.5.4	1.7.; 1.8.; 2.19.; 3.9.		
II.1.5.6	1.6.		
II.2.1	2.3.1; 2.21.1.		
II.2.2	2.3.1.		
II.2.3			X
II.2.4	2.15.		
II.2.5			X
II.3.1	2.12.		
II.3.2			X
II.3.3			X
II.4.1			X
II.4.2	2.4.; 3.11.2.		
II.4.3	2.4.		
II.4.4	2.21.2.		
II.4.5	2.21.2.		
II.4.6	2.21.2.; 2.21.6.		
II.5.1	2.7.; 2.21.3.; 2.21.4.		
II.5.2	2.21.7.		
II.5.3	2.21.7.		
II.5.4	2.11.; 2.21.1.; 2.21.3.; 2.21.4.; 2.21.5.; 2.21.7.		
III.1.1	3.11.		
III.1.2	3.11.2.		
III.1.3	2.21.2.; 3.13.		
III.1.4	3.13.		
III.1.5		0.3.4.; 3.12.	
IV.1	3.10.		
IV.1.2	3.10.		

0.3. In light of the text of the recommendations, the Company recognises that it is possible to interpret the following recommendations, also referenced in the table above, as not being complied with in full. The corresponding explanations are detailed below.

0.3.0. Regarding **recommendation II.1.3.1.** it is hereby clarified that the Audit Committee saw fit to appoint as its Chairman the Director that undertook that role during the previous mandate, despite the fact that this Director no longer fulfilled the independence criteria defined in Subparagraph b of Paragraph 5 of article 414 of the Commercial Companies Code. Through that appointment the Committee sought to guarantee continuity to its work, during the process of integration of the two new Committee members. In a first mandate characterized by the said integration in the Company, the Audit Committee deemed this to be the best way to ensure continuity is given to the audit work performed, benefiting the company itself and its shareholders.

0.3.1. With respect to paragraph **(ii)** of **recommendation II.1.5.1.** it is important to explain that the matter concerning the remuneration of Directors, including the setting of maximum limits for all the components of the remuneration, depends exclusively on the Remuneration Committee, which is a committee appointed by the General Shareholder's Meeting and independent of the Board of Directors. Thus, the full compliance with the referred recommendation is within the exclusive competence of the Remuneration Committee. The latter decided not to follow the recommendation, as it recognised that the manner in which the remuneration of Executive Directors is structured ensures full alignment of their interests with those of the Company in the long term.

In relation to paragraph **(iii)** of **recommendation II.1.5.1.** 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.

0.3.2. With respect to paragraph **(i)** of **recommendation II.1.5.2.** it is hereby clarified that the statement on the remuneration policy of the management and supervisory bodies of the Company, including its optional contents, depends exclusively on the Remuneration Committee, which is a corporate body originated from the General Shareholder's Meeting and independent of the Board of Directors. Thus, the full compliance with the referred recommendation is within the exclusive competence of the Remuneration Committee. The latter decided not to follow the recommendation, since it deems unnecessary the recourse and identification of benchmark to determine the remuneration. Nevertheless, the Committee considers that the remuneration policies of the Company are aligned with the best practices of the similar companies within the PSI-20.

0.3.3. Regarding **recommendation II.1.5.3.** it is noted that, since 2008, a statement on the remuneration policy and the performance appraisal of the Company's management and supervisory bodies has been submitted for approval at the Annual General Shareholders' Meeting. However, the Board of Directors decided that it would not make sense to present another statement for the Company's officers, within the meaning of paragraph 3 of article 248-B of the Portuguese Securities Code, along with the mentioned statement, as the Portuguese corporate tradition never entrusted these types of functions to the General Shareholders' Meeting, nor does the Board see good reasons to introduce this practice via a recommendation. In the opinion of the Board of Directors, this stance is reinforced by reasons which relate to the typology of the labour contracts in question and the asymmetry of the evaluation procedures between the management bodies and the Company's leaders. Due to their varied nature, these leaders encompass both purely corporate support personnel, as

well as personnel responsible for the businesses, making it impossible to find a common policy that is considered to be useful by the General Shareholders' Meeting.

0.3.4. As regards **recommendation III.1.5.** it is important to explain that in 2011 the Audit Committee established the rules concerning the provision of consultancy services by the external auditor. These rules determine: i. the possibility of contracting those services, if the auditor's independence is assured; and ii. the obligation to obtain prior approval of the Committee, from the moment the global amount of fees related to these type of services in that year surpasses 10% of the global amount of fees concerning audit services. The Audit Committee considers that the provision of non-audit services up to the said amount of 10% is not capable of compromising auditor's independence. Furthermore, the Committee considers this solution as the most appropriate to the Group's geographical multi-location and to the specific needs of its subsidiaries set up in other jurisdictions.

Chapter 1

General Shareholders' Meeting

1.1. Presiding Members of the General Shareholders' Meeting

The Board of the General Shareholder's Meeting is chaired by João Vieira de Castro, the secretary being Tiago Ferreira de Lemos.

The current members of the Board of the General Shareholders' Meeting were elected on 9 April 2010 for the current term, which terminates on 31 December 2012.

The Chairman of the Board of the General Shareholder's Meeting received an annual payment of 5,000 Euros. For the meeting held in 2012, the members had all the resources considered necessary to carry out their roles properly, and both the preparatory work and that of the meeting itself, were exemplary.

1.2. Participation in the General Shareholders' Meeting

Under the provisions of the Portuguese Securities Code and Article Twenty-Three of the Articles of Association, the Shareholders meeting the following conditions could participate and vote at the General Meetings:

- i. On the Record Date, corresponding to 00:00 am (GMT) of the fifth trading day prior to the General Shareholder's Meeting, they held shares of the Company entitling them to at least one vote;
- ii. By the end of the day prior to the day of the Record Date, they had stated in writing, to the Chairman of the General Shareholder's Meeting and to the respective financial intermediary, their intention to participate in the meeting;
- iii. By the end of the day of the Record Date, the respective financial intermediary has sent to the Chairman of the General Shareholder's Meeting information on the number of shares registered under that Shareholder's name on the Record Date.

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 fifty percent of the Company's capital is present or represented. There is no special rule in the Articles of Association regarding deliberative quorums or systems whereby the financial rights attaching to securities are separated from the holding of the securities.

Each share has the right to one vote. Attending the Shareholders' Meeting is not subject to holding a minimum number of shares, nor are there rules stating that voting rights over a certain number are not counted, when issued by a single shareholder or shareholders related to it.

1.3. Postal Vote

According to paragraph 3 of Article Twenty-Five of the Articles of Association, postal votes are allowed. Pursuant to the Articles of Association, postal votes count for the formation of a constitutive quorum for the General Shareholders' Meeting, and it is the responsibility of the Chairman of the Board of the Shareholders' Meeting or his

substitute to verify their authenticity and regularity, 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 considered to be 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 in this matter.

1.4. Exercise of the Right to Vote by Electronic Means

The Company, recognising that using new technologies encourages Shareholders to exercise their right to vote, has adopted, since 2006, adequate mechanisms so that they may vote electronically in General Shareholders' Meetings. Thus, Shareholders must state their intent to exercise their right to vote electronically to the Chairman of the Board of the General Shareholders' Meeting, at the Company's Head Office or using the Jerónimo Martins website, at www.jeronimomartins.pt. In that expression of interest, shareholders must indicate the address of the financial intermediary with whom the securities are registered, to which a registered letter will be subsequently sent containing the electronic address to be used to vote, and an identification code to use in the electronic mail message by which the shareholder exercises its right to vote.

1.5. Minutes and Information on Decisions

The Company makes available on its website, at www.jeronimomartins.pt, besides the information identified in section 3.11. hereinafter, extracts of minutes of meetings of the General Shareholders' Meeting within five days of their completion, and a record of the attendance lists, agendas and the resolutions passed by the General Shareholders' Meeting in the previous three years.

1.6. Remuneration Committee Representative Attending General Shareholders' Meetings

At the General Shareholders' Meetings held in 2012, Mr. Arlindo do Amaral was present as the representative of the Remuneration Committee.

1.7. Intervention by the General Shareholders' Meeting regarding the Company's Remuneration Policy and the proposal on the Share Allocation or Stock Options Plans

Since 2008, a statement, prepared by the Remuneration Committee, on the remuneration policy and performance appraisal of the Company's management and supervisory bodies has been submitted for approval to the Annual General Shareholders' Meeting. This statement outlines the main characteristics of that policy – which is better explained in section 2.18 of this Report – with special focus on the relationship between the Company's interests and its performance, and the remuneration earned by the members of the corporate bodies.

The Company continues not to have any type of share allocation and/or stock options plan, or plan based on share price change for the members of the management and supervisory bodies and other officers, within the meaning of paragraph 3 of article 248-B of the Portuguese Securities Code.

1.8. Intervention by the General Shareholders' Meeting in the Approval of the Main Features of the Retirement Benefits Scheme

The 2005 Annual General Shareholders' Meeting approved a Retirement Pension Plan. The main features of that Plan are best explained in section 2.19. herein.

1.9. Defensive Measures

No special rights for Shareholders or restraints on the exercise of voting rights are provided for in the Company's Articles of Association. The Company and its Board of Directors particularly value the principles of free transferability of shares and assessment by Shareholders of the performance of members of the Board of Directors.

No defensive measures were adopted which cause automatic or deferred serious erosion in the Company's equity in the case of change of control or modification in the composition of the Board of Directors.

1.10. Significant Agreements to which the Company is a Party and that Take Effect, Are Altered, or Cease in Case of Change in Control of the Company

Since it leads a group that includes various partnerships with international groups, the Company understands that certain provisions of joint venture contracts entered into may include arrangements for the change in control of the Company, although not of an automatic nature. The Board of Directors has understood that, as their interpretation is not completely unequivocal, in particular because they are somewhat dated instruments, if disclosed it would not allow the Shareholders to be better informed of their real impacts and, furthermore, that their disclosure would even be harmful to the interests of the Company and its Shareholders.

1.11. Agreements between the Company and Officers and Members of the Board of Directors

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.

Chapter 2 Management and Supervisory Bodies of the Company

Section 1 General Matters

2.1. Identification and Composition of the Corporate Bodies

The Board of Directors comprises Elísio Alexandre Soares dos Santos (Chairman), Pedro Manuel de Castro Soares dos Santos (Chief Executive Officer), Alan Johnson, António Mendo Castel-Branco Borges, António Pedro de Carvalho Viana-Baptista, Artur Eduardo Brochado dos Santos Silva, Hans Eggerstedt, José Manuel da Silveira e Castro Soares dos Santos, Luís Maria Viana Palha da Silva, Marcel Lucien Corstjens and Nicolaas Pronk.

The Audit Committee comprises Hans Eggerstedt (Chairman), António Pedro de Carvalho Viana-Baptista and Artur Eduardo Brochado dos Santos Silva.

The position of Company Secretary is held by Henrique Soares dos Santos, and that of alternate by Carlos Martins Ferreira.

The Chartered Accountant is the company PricewaterhouseCoopers & Associados, SROC, Lda., represented by Abdul Nasser Abdul Sattar, ROC, and the position of alternate is held by José Manuel Henriques Bernardo.

2.2. Identification of the Specialised Committees Formed with Responsibility in Company Management or Supervision

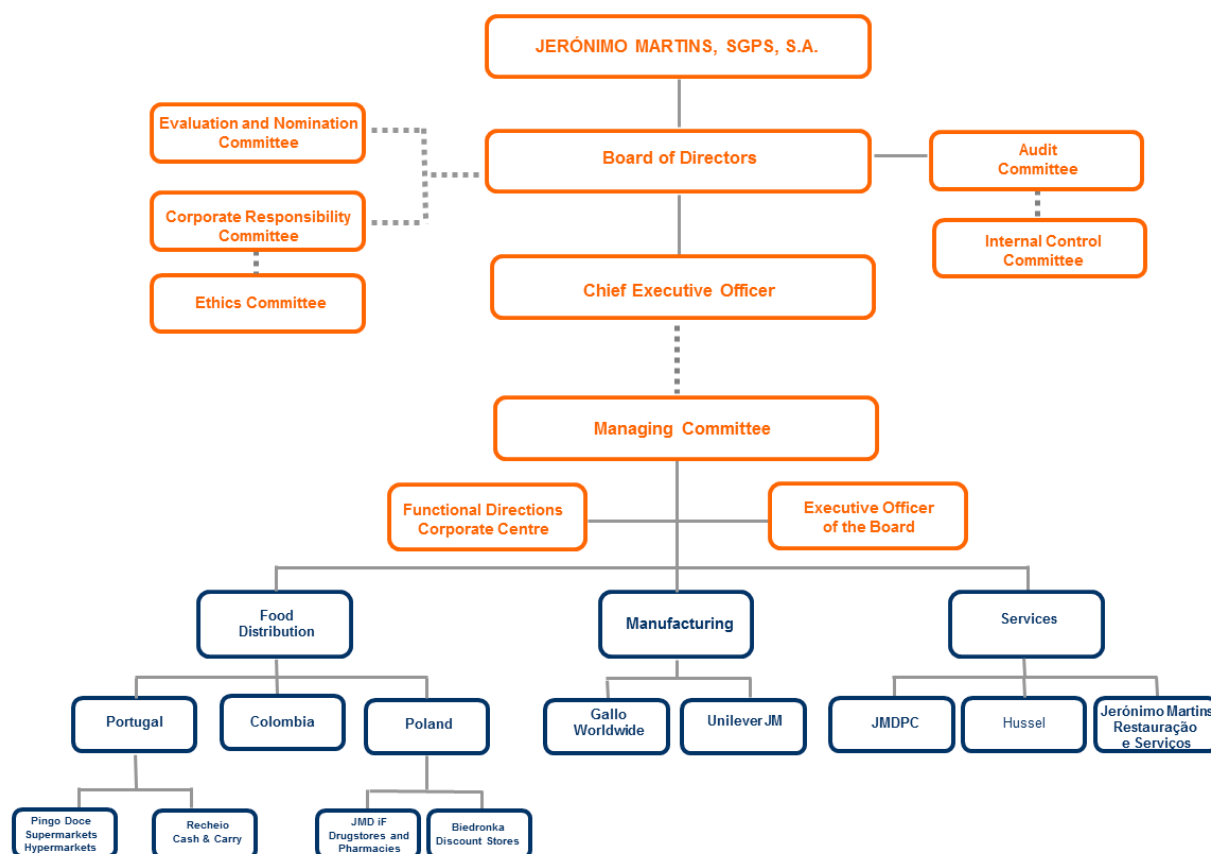
In addition to the Audit Committee, which is the supervisory body of the Company, the structure of the Board of Directors includes the Chief Executive Officer and two specialised committees intended to monitor and supervise certain areas, namely the Committee on Corporate Responsibility (CCR) and the Evaluation and Nominations Committee (ENC).

In order to assist the Chief Executive Director in carrying out his role, the Board of Directors appointed the Managing Committee, an *ad-hoc* body chaired by the Chief Executive Officer.

The Ethics Committee and the Internal Control Committee (ICC) retain their functions as bodies supporting the Board of Directors and Audit Committee.

The composition, powers, number of meetings and identification of the members of the Committees referred to in the preceding paragraphs are detailed in section 2.21 of this Chapter.

2.3. Organisational Charts, Delegation of Powers and Division of Responsibilities



- Organisational Structure
- Business Structure

2.3.1. Delegation of Powers

The Board of Directors, by resolution, delegated various duties to the Chief Executive Officer regarding the day-to-day management of the Company, which are identified in more detail in Section 2.21.1 of this Report.

Nevertheless, pursuant to the terms of its Internal Regulation, the Board of Directors and, in particular, its Chairman retain authority over strategic matters of management of the Group, in particular those regarding the corporate structure and those that, due to their importance and special nature, may significantly impact on the business activity of the latter. The Board of Directors and its Chairman have, by these means, effective control over the Company's affairs through supervision of the Company's management.

The matters referred to in Article 407(4) of the Commercial Companies Code are off-limits to the Chief Executive Officer.

Pursuant to Article 407(1) of the Commercial Companies Code, the Board of Directors also allocated to the director Alan Johnson the special task as responsible for the financial management of Jerónimo Martins Group, including investor relations, and to the director José Soares dos Santos the special task of monitoring the activities of the joint venture Unilever Jerónimo Martins, Lda., the activities of Jerónimo Martins – Distribuição de Produtos de Consumo, Lda. and of Jerónimo Martins – Restauração e Serviços, S.A.

2.3.2. Organisational Structure and Division of Responsibilities

Jerónimo Martins SGPS, S.A. is the Holding Company of the Group, and as such is responsible for the main guidelines for the various business areas, as well as for ensuring consistency between the established objectives and available resources. The Holding Company's services include a set of Functional Divisions which provide support for Corporate Centre and services to the Operating Areas of the Group's Companies, in the different geographical areas in which they operate.

In operational terms, Jerónimo Martins is organised into three business segments: i. Food Distribution, ii. Manufacturing, and iii. Marketing Services, Representations and Restaurant Services. The first area is organised into Geographical Areas and Operating Areas.

2.3.2.1. Holding Company Functional Divisions

The Holding Company is responsible for: i. Defining and implementing the development strategy of the Group's portfolio; ii. Strategic planning and control of the various businesses and consistency with the global objectives; iii. Defining and controlling financial policies; and iv. Defining human resources policy, with direct responsibility for implementing the Management Development Policy.

The Holding Company's Functional Divisions are organised as follows:



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 2012, this Division focused on monitoring the evolution of the corporate rules and recommendations in the Group's various reorganization operations and on supporting the Board of Directors and other functional divisions in the project of internationalisation of the Group, among other matters.

It also had an important role regarding the prevention of legal disputes, through legal counselling and internal training.

Internal Audit – Evaluates the quality and effectiveness of the systems (both operational and non-operational) of internal control and risk management established by the Board of Directors, ensuring their compliance with the Group's Procedures Manual. It also guarantees full compliance with the procedures laid out in the Operations Manual of each business unit and ensures compliance with the legislation and regulations applicable to the respective operations.

This Division reports hierarchically to the Chairman of the Board of Directors and functionally to the Audit Committee. The activities carried out by this Functional Division are detailed further in this Report.

Corporate Communications and Responsibility – It is responsible for the strategic management of the Jerónimo Martins brand, by enhancing relations with the various non-financial stakeholders and promoting and strengthening the integration of environmental, social and ethical issues in the value chain, preserving and developing the Group's capital reputation. It reports directly to the Chief Executive Officer.

It operates as an agent fostering inter-departmental integration with the aim of ensuring the alignment of messages and initiatives with the values and objectives of the Group in the various regions where it operates. It manages the digital communication channels of Jerónimo Martins and coordinates the organisation and holding of corporate events. It is the quintessential point of interaction with journalists, providing support and media and communication consultancy to the various Companies and Functional Divisions. It produces publications and contents that are internally and externally-oriented, in various formats and media.

The Corporate Responsibility area coordinates the alignment of the Companies' action programmes with the defined operational priorities, encouraging inter-departmental dialogue and synergies and cooperation with business partners with the aim of sustainable development.

The major projects that occupied the Corporate Communications area in 2012 were the in-house programme to commemorate 220 years of business activity of the Group, which included the production of several printed and audiovisual communications. The restyling and review of the architecture of the Jerónimo Martins brand was also undertaken. In the area of Corporate Responsibility, 2012 was a year of consolidation and alignment between various functional departments to improve the quality of data reporting and the definition of new performance indicators.

Financial Control – Created in 2012, it encompasses the areas of consolidation, accounting, financial planning and control of the Group.

The Consolidation and Accounting area prepares consolidated financial information in order to comply with legal obligations and supports the Board of Directors by implementing and monitoring the policies and the accounting principles adopted by the Board that are common to all the Companies of the Group. The Division also verifies compliance with obligations stated in the Articles of Associations.

2012 was marked by monitoring the changes of accounting standards applied by the Group, including changes not yet approved by the European Union and those currently under public discussion, as well as close cooperation with the Group's other divisions in the work concerning the operational start-up in Colombia.

The Consolidation and Accounting area focused on supervising the financial reporting of the different Group companies to ensure its conformity with the accounting standards adopted by Jerónimo Martins, on supporting the Companies in the accounting assessment of all non-recurrent transactions, as well as in the Group's restructuring and expansion activities.

The Planning and Control area co-ordinates and supports the process of creating and maintaining Jerónimo Martins's Strategic Plans and respective budgeting.

In addition, it has a control function, monitoring the performance of the different business units of the Group and investigating any deviations from the plans. It thus provides the Managing Committee of Jerónimo Martins with relevant information and proposals to guarantee corrective measures that allow the defined strategic objectives to be achieved.

In an unfavourable worldwide economic context, with particular emphasis on the situation of the Portuguese economy, 2012 was devoted to strengthening control mechanisms to monitor the implementation of the budgeted operational objectives for each of the Group's business areas in order to identify, even more quickly, any deviation from the defined objectives and provide for the necessary adjustments. In this context, particular emphasis was also placed on strengthening the monitoring of macroeconomic and political information in the geographical areas where Jerónimo Martins operates.

The support to new businesses, in particular preparations for the start of operations in Colombia, was the focus of careful attention, particularly support in budgeting processes, as well as training the local team in reporting and control processes to be implemented in this new country.

Quality Control and Food Safety– Responsible for defining, planning, implementing and controlling the policies, procedures, methodologies and rules along the whole food chain, in order to ensure the use of the best and most up-to-date practices in this field. This responsibility extends to the various geographic regions where Jerónimo Martins operates and where there must be common harmonisation and consistency of the methods and procedures used, thereby ensuring the same overall activity across the Group.

The main activities undertaken in 2012 focused on the training and operational implementation of the food quality and safety area in Colombia, with the creation and training of a local team, considering the Group's cooperative vision and local specificities and obligations. Similarly, i. the new food safety and hygiene training method was established and implemented, under the scope of certification of the central kitchens in "Food Preparation and Cooking," according to the Codex Alimentarius; ii. the new production facility in Odivelas was included; iii. the research

project on the Pingo Doce Selected Melon, which was being developed in conjunction with Suppliers and Instituto Superior de Agronomia for about two years was scaled up; iv. the new IT tool, QMS - Quality Management System, was brought on-line, which will provide more efficient management and control of daily tasks; v. different ongoing research work was continued and reviews of the internal procedures at stores and at the central kitchens were conducted, in order to simplify some processes and increase their efficiency and control.

International Expansion and Strategy – a division primarily focused on the research, analysis and evaluation of development opportunities and enhancement of the business portfolio of Jerónimo Martins.

It also coordinates and supports the implementation of strategic projects of the Group, with special emphasis on the areas of organisational and corporate restructuring and mergers and acquisitions (M&A).

It continued to develop its business of exploring new international markets in 2012, which might foster the development of new business units of sufficient substance to be added to the portfolio of Jerónimo Martins.

Fiscal Affairs – Provides all of the Group's Companies with assistance in tax matters, by ensuring compliance with legislation in force and the optimisation of the business units' management activities from a tax perspective. The Division also manages the Group's tax disputes and its relations with external consultants and Tax Authorities.

During 2012, within its scope of activity the Fiscal Affairs Division carried out the following: i. provided support to the Group's internationalisation and restructuring operations; ii. carried out special work in order to standardise the policies adopted or to be adopted by the different Group Companies as well as followed up the preparation of various applications for tax benefits within the scope of SIFIDE (System of Tax Incentives in Corporate R&D); and iii. drew up several documents necessary to defend the Group's best interests before the Tax Authorities.

Financial Operations – This Division includes two distinct areas: Financial Risk Management and Treasury Management. The activity of the first area is discussed in detail later in this Report.

Treasury Management is responsible for managing relations with the financial institutions that have or intend to have business dealings with Jerónimo Martins, establishing the criteria that these entities must fulfil. It also performs treasury planning with the aim of selecting the most suitable financial sources according to individual need, for all the Companies of the Group. The type of funding, corresponding terms, cost and back-up documentation must comply with the criteria established by the Board. Likewise, the Treasury is responsible for conducting business with financial institutions, optimising factors so that the best possible conditions may be obtained at all times.

A large part of the treasury activities of Jerónimo Martins is centralised in the Holding Company, which is a structure that provides services to all other Companies of the Group. The Distribution Companies in Portugal and the new business in Colombia are completely centralised, while the areas of Distribution in Poland, Manufacturing and Services still work independently in relation to processing payments to third parties. It is also this area's responsibility to elaborate and ensure compliance with the treasury budget that is based on the activity plans of the Group's Companies.

In compliance with the above-described activities during 2012, several Commercial Paper Programmes were restructured and new debt was issued, in order to refinance debt that matured during the year.

Human Resources – Founded on the Culture, Values and Principles of Jerónimo Martins, this area is responsible for defining and implementing the global strategy and policies of Human Resources. This Division, which acts across the Group as a whole, is responsible for ensuring compliance with the policies, standards, procedures and good practices as regards the main pillars of Human Resource Management - Recruitment, Training, Development, Compensation and Benefits - while respecting the individual nature of the different Companies and the uniqueness of the different geographical areas in which Jerónimo Martins operates.

The activities that this Functional Division carried out can be found in detail in Section 7 - Being a Benchmark Employer, of Chapter V - Corporate Responsibility in Value Creation, of the Annual Report of which this Corporate Governance Report is a part.

Investor Relations – This Division is responsible for the communication with investors – shareholders or not, institutional and private, national and foreign - as well as the analysts who formulate opinions and recommendations regarding Jerónimo Martins' share price.

It is also the responsibility of the Investor Relations Office to co-ordinate all matters related to the CMVM.

The activities carried out by this Functional Division can be found in detail in section 3.11. hereinafter.

Security – This area defines and controls procedures in terms of protecting the security of the Group's people and assets, intervening whenever there are thefts and robberies, fraud and other illegal and/or violent activities perpetrated in the facilities or against employees of the Group.

Information Security – This division is responsible for implementing and maintaining an information security management system which ensures the confidentiality, integrity and availability of information that is critical for the business and assures system recovery in the event of any disruption to the operations of Jerónimo Martins.

The core objective of this Functional Division is to protect the Group's information from a wide range of threats in order to guarantee business continuity, minimising the risk and maximising the automation of security processes. Through the Information Security Officers (ISO) in each country, it ensures compliance with the Information Security Policy, in which the rules for applying, using and maintaining Jerónimo Martins information assets are defined.

In 2012, the Information Security Division conducted a corporate audit of the critical store systems of the various banners and in collaboration with the Information Systems Division it surveyed and ensured the harmonization of information security software. In order to harmonise the identity management process, improvements were made and a nomenclature adopted for names to access the systems and the addresses of e-mail users. An information security awareness programmes was also developed, composed of twelve training contents and a manual of good information security practices.

Information Technology – Its mission is to harmonise the information systems of the Group and define common policies, procedures and processes for managing IT, as well as outlining a strategic IT plan aligned with the strategy of Jerónimo Martins.

It is responsible in particular for providing and supporting information and communication technology services that create the conditions for the business to achieve its goals and objectives. It is also responsible for defining and providing support to the architecture, communications, hardware and software infrastructure, design and development of appropriate applications that are necessary for the processes of the organisation.

In 2012, the implementation of the information systems for Colombia embodied this new approach: the know-how and best practices already implemented in Portugal and Poland were transferred to Colombia using a delivery model strongly grounded on global resources and skills that will serve as a benchmark for the future.

Significant progress was made in terms of convergence, through the alignment of various components of the infrastructure (communications, user environment, security and software) and the development of applications of comprehensive scope (e.g. Human Resources, Business Intelligence and Quality). Another important milestone was also the upgrading of the systems used by the Cash & Carry business.

2.3.2.2 Operational Areas

The organisational structure of Jerónimo Martins is aimed mainly at ensuring specialisation in the Group's various businesses by creating Geographical Areas and Operational Areas, thus guaranteeing the required proximity to the different markets.

The Food Distribution business is divided into Geographical Areas - Portugal, Poland and Colombia - and then further divided within those countries into Operational Areas. In Portugal there are two Operational Areas: Pingo Doce (Supermarkets and Hypermarkets) and Recheio (Cash & Carry). In Poland there are also two Operational Areas: Biedronka (food stores) and another one that includes Apteka Na Zdrowie (pharmacies) and HeBe (drugstores).

In the Manufacturing segment, Jerónimo Martins operates in partnership with Unilever, through the company Unilever Jerónimo Martins, Lda., which conducts the businesses of the Food, Personal Care and Home Care products and Ice Creams, and through the company Gallo Worldwide, Lda., which produces and sells olive oil and cooking oils.

Within the Group's portfolio there is also a business segment devoted to Marketing Services, Representations and Restaurant Services, which includes: i. Jerónimo Martins Distribuição de Produtos de Consumo, which represents in Portugal major international brands of food products and premium cosmetic brands, and which includes Caterplus, a specialist in the trade and distribution of specific products for Food Service; ii. Hussel, a retail chain specialised in chocolates and confectionary; and iii. Jerónimo Martins Restauração e Serviços, which owns the chain of Jeronymo coffee shops, Olá ice cream stores, and the Jeronymo Food with Friends restaurant.

Information about the organisation model is provided in Chapter 1 – Management Structure, of the Annual Report of which the present Corporate Governance Report is part.

2.4. Audit Committee Annual Report and Opinion

The annual report on the activities undertaken by the Audit Committee includes a description of the supervisory activities carried out and it has been published on the corporate website of Jerónimo Martins, together with the financial statements.

2.5. Risk Management and Internal Control Systems

2.5.1. Risk Management

The Company, and in particular, its Board of Directors, dedicates a great deal of attention to the risks affecting the businesses and their objectives. Success in this field depends on the ability to identify, understand and handle exposure to events, which, whether or not under the direct control of the management team, may materially affect the physical and/or financial assets of the Company. This concern is materialized in the Group's Risk Management Policy, which aims to stimulate and reinforce the behaviour necessary to manage risk successfully.

Because of the size and geographical dispersion of Jerónimo Martins' activities, successful risk management depends on the participation of all employees, who should assume this as an integral part of their jobs, particularly through the identification, reporting and management of risks associated with in their area. Therefore, all activities must be carried out with an understanding of what the nature of the risk is with an awareness of the potential impact of unexpected events on the Company and its reputation.

2.5.1.1. Risk Management Objectives

Within the Group, Risk Management aims to meet the following objectives:

- To promote the identification, evaluation, handling and monitoring of risks, in accordance with a methodology common to all the Companies in the Group;
- To assess regularly the strengths and weaknesses of key value drivers;
- To develop and implement programmes to handle and prevent risk;
- To integrate Risk Management into business planning;
- To promote the awareness of the workforce with regard to risks and also to the positive and negative effects of all processes that influence operations and are sources of value creation;
- To improve decision-making and priority-setting processes through the structured understanding of Jerónimo Martins' business processes, their volatility, opportunities and threats.

2.5.1.2. The Risk Management Process

Risk evaluation seeks mainly to distinguish between what is irrelevant from what is material and requires active management, therefore involving the assessment of sources of risk, the probability of occurrence of a certain event, and the consequences of their manifestation within the context of the control environment. The controls focus both on the probability of occurrence of a certain event and on the impact of its consequences.

The Risk Management Process (RMP) is cyclical in nature, considering: i. risk identification and evaluation; ii. definition of management strategies; iii. implementation of control processes; and iv. process monitoring.

The RMP of the Group complies with standards of the Federation of European Risk Management Associations (FERMA), which are seen as a model of best practices.

The objectives defined during the strategic and operational planning process are the starting point of the RMP. At this time internal and external factors that may compromise fulfilment of the established goals are identified and assessed.

This approach is based on the concept of Value Creation. It begins with the analysis of the key value drivers of both the operating profit and the cost of capital, in an attempt to identify the factors of uncertainty that may negatively influence the generation of value.

In this manner, a systematised, interconnected perspective of the risks inherent to the organisational divisions' processes, functions and activity is developed.

To reinforce the Risk Management process, at the end of 2012, we have formed at the group level a new corporate risk management department. This department, besides having the responsibility to oversee and monitor the group's major risk areas and respective mitigation policies in place, will also assure the constant revision and evolution of the Group's risk management processes and policies, in tune with the development of international best practices, promoting the alignment and standardization of processes in all geographies where the Group is present, reinforcing the key importance that this area has always had in the Jerónimo Martins Group.

2.5.1.3. Organisation of Risk Management

Risk management is organized around three categories:

- Strategic Risks
- Operating Risks
- Financial Risks

In the first category, attention is focused on the uncertainty which affects the viability of the business model and strategy. The other categories encompass the uncertainty affecting the implementation of the defined business model and strategy. The operating risks category also includes the relevance and quality of the information used for decision-making.

Communication, Reporting and Monitoring of the Risk Management Process

RMP monitoring involves the Managing Committee, the Audit Committee and the Board of Directors of the Company, the Operating Divisions, the Functional Divisions and respective risk managers of the Operation, the Corporate Risk Management department, and the Internal Audit Department.

Specifically, the Board of Directors, as the body responsible for the strategy of Jerónimo Martins, has the following objectives and responsibilities:

- To understand the most significant risks affecting the Group;

- To ensure that Jerónimo Martins possesses appropriate levels of knowledge of the risks affecting its operations, and how to manage them;
- To ensure that Jerónimo Martins' Risk Management strategy is cascaded to and understood across at all hierarchical levels;
- To ensure that the Group is able to minimise the probability and impact of risks to the business;
- To ensure that Jerónimo Martins can react to crisis situations;
- To ensure that the RMP is adequate and that it strictly monitors those risks that have the highest probability of occurrence or impact on Jerónimo Martins' activities.

Those responsible for critical processes of the business, along with members of the Risk Management Department, develop and implement the risk control mechanisms. In turn, the Group's Internal Audit Division evaluates the efficiency and effectiveness of these mechanisms.

Evaluation of the Internal Control System

The Internal Control objectives involve the assurance of the operational efficiency, the financial and operational reporting consistency and the fulfilment of applicable laws and regulations. To assure it, the Internal Audit activity plan takes in consideration the evaluation of the operational risks and the critical processes applicable to each company.

The results of the internal audits performed during each year are made available, on a quarterly basis, to the Audit Committee and to the Internal Control Committee and on a monthly basis to the Group's Managing Committee. Each quarter a report is prepared regarding the status of implementation of the scheduled recommendations for the previously audited areas.

During 2012, the processes related with stock management, cash collection, management of accounts payable, supplementary income, and information systems risks were audited. To address the scope of risks involved in the decision making processes, those audits included the analysis of the compliance with accounting principles.

2.5.2. Main Risks

Strategic Risks

Strategic risk management involves monitoring factors such as social, political and macro-economic trends; the evolution of consumers' preferences; the businesses' life cycle; the dynamics of the markets (financial, employment, natural and energetic resources); the competition's activity; technological innovation; availability of resources; and legal and regulatory changes.

The management team uses this information to understand if the analysis of the identified market needs is still up to date and if it is viable to develop a unique value proposition, which adequately meets those needs. That information is also used to know if there is a large enough market of customers who are willing and able to pay the price offered and to see if the Company has enough exclusive and sustainable competitive advantages to obtain a return that is adequate with the risks involved.

In this way, the management team tries to identify any opportunities and threats in the industries and sectors in which it operates, namely in terms of potential profitability and growth, but also in terms of both the strategic alignment and appropriateness of its business model in light of current and future market conditions.

These issues are assessed at the Management Committees' meetings and discussed during various internal forums throughout the year.

Operating Risks

The model used in managing Process Risks includes Operating Risks, Human Resources, Information Technologies and Information for Decision-Making. Given the cross-over inherent to some of the risks considered in each of these classes, their management is shared by different functional areas of the Companies.

The operational risks class covers risks related to sourcing, supply chain, stock management, cash management, investments, efficiency in the use of resources, business interruption and fraud.

Food Safety Risks

The following areas are the responsibility of the Quality and Food Safety Department of the different Companies: i. prevention, through selection, assessment, and follow-up audits on suppliers; ii. monitoring, by following the product throughout the whole logistics circuit, to analyse compliance with best practice and certification requirements; and iii. training, by carrying out periodic simulations and awareness initiatives.

Environment Risks

In the different Companies, the departments that manage environmental matters have the following responsibilities: i. minimizing the environmental impacts of the activities, products and services; ii. monitoring the establishments to assess their compliance with best practice and legal and certification requirements; iii. training employees to adopt environmental best practice; and iv. co-operating with internal department and external entities, with a view to obtaining process eco-efficiency.

Jerónimo Martins, considering the impact its activities have on the environment, has worked towards the gradual integration of environmental concerns throughout its value chain in order to ensure the sustainability of ecosystems and the business.

The conclusions resulting from the internal studies of 2010 on Biodiversity and Climate Change, two pillars on which the Group's environmental strategy is founded, listed the main risks and opportunities giving rise to an action plan in which short and medium-term actions were defined to mitigate the negative impacts generated.

Considering climate change in particular, we may consider the key risks to the business, among others, the negative effects on fisheries and aquaculture and the abundance and geographic distribution of species. The predictable decrease in agricultural productivity from geographical areas prone to droughts and rising global temperature may also have significant impacts on the business. These changes, along with the predictable decline of animal and plant species, and the significant reduction of coastal upwelling, could have significant effects in the medium-term on the management of the business and associated costs.

In order to promote sustainability, to protect biodiversity and to mitigate environmental impacts, Jerónimo Martins has a set of ongoing actions that can be found in Chapter V, sub-chapter "Respect the Environment", which aim to reduce the negative impacts on the value chain, with possible implications on sales, purchase price or the cost associated with the handling of some products.

Physical Security and People Risks

The Security Department is responsible for ensuring that conditions exist to guarantee the physical security of people and facilities, intervening against theft and robbery, as well as fraud and other illegal and/or violent activities perpetrated in the facilities or against the Group's employees. Its tasks are based on defining and controlling procedures for protection and security of the property, and also on providing support to the audits carried out on the security and risk prevention systems.

It is the Technical Departments' responsibility, in co-operation with the respective Operational Departments, to define and carry out the regular maintenance plans on the facilities, including supervising the status of electrical equipment, managing the means of protection and detecting fires, as well as storing flammable material.

In the Food Distribution area in Portugal, coordinating the management of Hygiene and Safety is the responsibility of the Director of the Environment and Occupational Safety. In Poland, this responsibility is decentralised among the various regions of the Biedronka operation. Regarding Manufacturing, the risk area in Health and Safety in the Workplace is managed centrally, covering all the Companies involved.

Physical Security and People risks management involves defining and publicising working standards and instructions, carrying out employee awareness initiatives and training, performing audits on the stores, risk assessments in all establishments, and performing emergency simulations.

Information Systems Risks

The risks associated to Information Technologies are analysed considering the different components: planning and organization of information technologies, development of information technologies, operations management, information security and continuity. The component of Information Security is the responsibility of the Information Security Department and consists of implementing and maintaining an information security management system that ensures confidentiality, integrity and availability of critical business information, and recovery of the systems in the event of interruption in the operations.

Regulation Risks

Compliance with legislation is provided by the Legal Departments of the Group Companies. With regard to the Holding Company, the Legal Affairs Division guarantees the coordination and implementation of strategies aimed at protecting the interests of Jerónimo Martins in legal disputes, and it also manages outside advisers.

In order to ensure the fulfilment of tax obligations and also to mitigate risk due to inadequate checks and balances, the Holding Company's Fiscal Affairs Division advises the Group's Companies, as well as oversees their tax proceedings.

Financial Risks

Risk Factors

Jerónimo Martins is exposed to several financial risks, namely: market risk (which includes exchange rate risk, interest rate risk and price risk), liquidity risk and credit risk.

The management of these risks is focused on the unpredictable nature of the financial markets and aims to minimize its adverse effects on the Company's or 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, under the supervision of the Chief Financial Officer. The Financial Risk Management Department is responsible for identifying, assessing and hedging financial risks, by following the guidelines set out in the Financial Risk Management Policy that was approved in 2012 by the Board of Directors.

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

a) Market Risk

a.1) Foreign Exchange Risk

The main source of exposure to foreign exchange risk comes from Jerónimo Martins' operations in Poland. Although insignificant today, there is also a currency risk in the initial investment in Colombia.

At 31 December 2012, a 10% depreciation of the zloty against the euro would have a negative impact on the net investment of 74 million euros. The Company's vulnerability to this risk increased during 2012 due to the growth of the net investment in Poland;

The other source of exposure regarding exchange rate risk comes from debt issued in US dollars in 2004, with the following characteristics:

Financing	Amount	Maturity
Private Placement #2	\$96,000,000.00	23-06-2014

In order to hedge this risk in the same year the Company contracted a swap that exactly replicates the terms of the financing:

Financing	Amount	Counter-amount	Maturity
Swap #2	\$96,000,000.00	€80,536,912.75	23-06-2014

Thus, net exposure to the US Dollar, as a result of these transactions is nil, with no changes occurring in 2012.

In addition to this exposure, within the scope of the commercial activities of its subsidiaries, the Company acquires merchandise that is denominated in foreign currency, mainly zloty and US dollars, for the Portuguese companies and euros and US dollars for the Polish companies. As a general rule, these transactions involve low amounts, and are very short dated. Notwithstanding when the cash flow of one commercial transaction exceeds € 1,000,000, the Group policy is to cover 100% of its value.

Management of the Operational Companies' exchange rate risk is centralized in the Group's Financial Operations Department. Whenever possible, exposure is managed through natural hedges, namely through loans denominated in local currency. When this is not possible, hedging structures are contracted using instruments such as: swaps, forwards or options.

The Group's exposure to foreign exchange risk in recognised financial instruments on and off balance sheet at 31 December 2012 was as follows:

(€'000)					
As at December 31st, 2012	Euro	Zloty	Dollar	Colombian Peso	Total
Assets					
Cash and cash equivalents	195,618	180,483	-	51	376,152
Available-for-sale financial investments	1,045	-	-	-	1,045
Debtors and deferred costs	135,177	123,860	-	5,808	264,845
Derivative financial instruments	-	-	-	-	-
Total financial assets	331,840	304,343	-	5,859	642,042
Liabilities					
Borrowings	591,096	45,277	77,529	3,169	717,071
Derivative financial instruments	8,572	4,432	2,931	-	15,935
Creditors and accrued costs	810,129	1,413,446	77	3,278	2,226,930
Total financial liabilities	1,409,797	1,463,155	80,537	6,447	2,959,936
Net financial position in the balance sheet	(1,077,957)	(1,158,812)	(80,537)	(588)	(2,317,894)
As at December 31st, 2011					
Total financial assets	406,076	312,482	-	80	718,638
Total financial liabilities	1,505,315	1,094,407	80,537	24	2,680,283
Net financial position in the balance sheet	(1,099,239)	(781,925)	(80,537)	56	(1,961,645)

a.2) Price Risk

With the investment in Banco Comercial Português, the Company is exposed to the risk of share price fluctuation. At 31 December 2012, a negative 10% variation in the trading price of BCP shares would have a negative effect of 15 thousand euros. At 31 December 2011, a similar variation would have had a negative effect of 28 thousand euros.

a.3) Interest Rate Risk (Cash Flow and Fair Value)

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

risk. Currently, according to the Board of Directors decision, 100% of all new Debt should be either issued at, or swapped into, fixed rates.

Exposure to interest rate risk is monitored continuously. In addition to evaluating future interest costs based on forward rates, sensitivity tests to variations in interest rate levels are performed. The Company is essentially exposed to the euro and the zloty interest rate curves, and we now have some exposure to the Colombian DTF rate.

The sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect interest gains and losses on variable financial instruments;
- 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 moment of the evaluation.

For each analysis, whatever the currency, the same changes to the yield curves are used. The analyses are carried out for the net debt, i.e., deposits and short-term investments with financial institutions and derivative financial instruments are deducted. Simulations are performed based on net debt values and the fair value of derivative financial instruments as of the reference dates and the respective change in the interest rate curves.

Based on the simulations performed on 31 December 2012, and ignoring the effect of interest rate derivatives, a rise of 50 basis points in interest rates, with everything else remaining constant, would have a negative impact of 1.7 million euros (compared to 1.1 million euros at the end of 2011). Incorporating the effect of interest rate derivatives, the net impact would be approximately zero.

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 in the initial moment.

b) 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; and customers.

The financial institutions that Jerónimo Martins chooses to do business with are selected based on the ratings they receive from one of the independent, benchmark rating agencies. Apart from the existence of a minimum accepted rating there is also a maximum exposure to each of these financial institutions.

However the bank in which Companies collect the deposits from stores may have a lower rating than the one defined the general policy; though, the maximum exposure cannot exceed two days of sales from the operating Company.

With regard to customers, the risk is mainly limited to Recheio Cash & Carry and to the Manufacturing and Services businesses, since in the other businesses sales are paid with cash or bankcards (debit and credit). This risk is managed based on experience and individual customer knowledge, as well as through credit insurance and by imposing credit limits, which are monitored on a monthly basis and reviewed annually by Internal Audit.

The following table shows a summary of the quality of credit deposits, short-term investments and derivate financial instruments with positive fair value, as at 31 December 2012 and 2011:

(€'000)

		2012	2011
Rating Company	Rating	Balance	Balance
Standard & Poor's	[A+ : AA]	113,148	184,949
Standard & Poor's	[BBB+ : A]	73,260	151,185
Standard & Poor's	[BB+ : BBB]	45,412	3,698
Standard & Poor's	[B+ : BB]	62,335	79,612
Standard & Poor's	[B]	-	4
Moody's	[A- : A+]	37,751	60,352
Fitch's	[A- : A+]	40,182	47,289
	Não disponível	6	8
	Total	372,094	527,097

The ratings shown correspond to the notations given by Standard & Poor's. When these are not available Moody's or Fitch's notations are used instead.

The following table shows an analysis of the credit quality of the amounts receivable from customers without non-payment or impairment.

(€'000)

Credit quality of the financial assets		
	2012	2011
	Balance	Balance
New customer balances (less than six months)	9,157	5,216
Balances of customers without a history of non-payment	75,205	73,456
Balances of customers with a history of non-payment	16,699	15,522
Balances of other debtors with the provision of guarantees	1,226	1,348
Balances of other debtors without the provision of guarantees	81,745	61,723
Total	184,032	157,265

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

(€'000)

Concentration of the credit risk from the financial assets				
	2012		2011	
	No.	Balance	No.	Balance
Customers with a balance above 1,000,000 euros	20	42,316	19	35,753
Customers with a balance between 250,000 and 1,000,000 euros	45	13,548	55	15,884
Customers with a balance below 250,000 euros	8,700	42,159	8,145	41,818
Other Debtors with a balance above 250,000 euros	41	44,066	34	31,353
Other Debtors with a balance below 250,000 euros	1,888	41,943	1,925	32,457
Total	10,694	184,032	10,178	157,265

The maximum exposure to credit risk as at 31 December 2012 and 2011 is the financial assets accounting value.

c) Liquidity Risk

Liquidity risk is managed by maintaining an adequate level of cash or cash equivalents, as well as by negotiating credit limits that not only allow the regular development of Jerónimo Martins' activities, but that also ensure some flexibility to be able to absorb shocks unrelated to Company activities.

Treasury needs are managed based on short-term planning, executed on a daily basis, which derives from the annual plans that are reviewed regularly during the year.

The following table shows Jerónimo Martins' liabilities by intervals of contractual residual maturity. The amounts shown in the table are the non-discounted contractual cash flow. In addition, it should be noted that all the derivative financial instruments that the Group contracts are settled at net value.

(€'000)

Exposure to liquidity risk			
2012	Less than 1 year	1 to 5 years	> 5 years
Borrowings			
Financial Leasing	12,603	5,944	-
Loans	161,899	602,827	-
Derivative Financial Instruments	6,013	2,857	-
Creditors	2,101,099	-	-
Operational Lease Liabilities	252,842	889,446	1,015,986
Total	2,534,456	1,501,074	1,015,986
2011			
Borrowings			
Financial Leasing	21,844	18,237	30
Loans	361,418	398,898	-
Derivative Financial Instruments	6,887	5,082	-
Creditors	1,795,649	-	-
Operational Lease Liabilities	192,710	661,549	778,035
Total	2,378,508	1,083,766	778,065

Jerónimo Martins, through its subsidiaries, has entered into some covenants in the Loan Agreements for the medium & long term debt in place.

These covenants include:

- Limitation on sales and pledge of assets above a certain amount;
- Limitation on mergers and/or demergers when these imply the reduction of assets in the consolidation perimeter;
- Limitation in the dividend payment of the subsidiary that issued the debt;
- Maintenance of the control of the issuing subsidiary by the Company;
- Observing a limit on the ratios of Net Debt/EBITDA and EBITDA/Interest charges.

In some cases, the breach of these covenants may trigger the early redemption of the associated debt.

In December 2012, Jerónimo Martins Group was in full compliance with the covenants assumed in the debt loans in place.

Capital Risk Management

Jerónimo Martins seeks to keep its capital structure at appropriate levels so that it not only ensures the continuity and development of its activity, but also to provide adequate returns to its Shareholders and to optimise the cost of capital.

The balance of the capital structure is monitored based on the financial leverage ratio (gearing), calculated according to the following formula: Net Debt / Shareholder Funds. The Board established a gearing ratio below 70% as a target for 2012, consistent with an investment grade rating.

The gearing ratios at 31 December 2012 and 2011 were as follows:

	(€'000)	
	2011	2011
Capital Invested	1,861,141	1,649,500
Net Debt	359,215	227,715
Shareholder's Funds	1,501,926	1,421,685
Gearing	23.9%	16.0%

2.6. Code of Conduct and Internal Regulations

The Company complies with current legislation and the rules of behaviour appropriate to its activity, adopting codes of conduct and internal regulations whenever the issues involved call for them.

Jerónimo Martins has always acted upon principles of absolute respect for the rules of good conduct in managing conflicts of interest, incompatibilities, confidentiality, and ensuring that Members of the Board of Directors and Group Managers do not use inside information. To this end, the Company has a regularly updated list of people who may have access to inside information, which is updated according to the circumstances.

Although the existing instruments and practices have proved adequate in regulating these matters, it was decided that a code should be drawn up for the existing rules concerning the aforementioned issues, as well as others that are specifically related to

the activities of the Jerónimo Martins' Companies. The aim of this code is to formalise commitments that require a high standard of conduct from everyone within the Group and provide a tool for optimising management.

Thus, and in addition to the Code of Conduct in force, there are in effect Regulations for the Board of Directors, the Managing Committee, the Audit Committee, the CCR, the ENC, the Ethics Committee and the ICC, which regulate the responsibilities and functioning of the mentioned bodies. There is also Company Share Transactions Regulations, applying to Jerónimo Martins' Board Members and Senior Management.

These Codes and Regulations may be viewed on the Jerónimo Martins website or requested to the Investor Relations Office. In addition to the abovementioned documents and applicable legal provisions with which the Company complies, there are no other internal regulations regarding incompatibilities and the maximum number of corporate positions that may be accumulated.

Section 2

The Board of Directors

2.7. The Board of Directors

According to the Articles of Associations, the Board of Directors is comprised of a minimum of seven and a maximum of 11 members. Currently, the Board of Directors has 11 members, one of whom is the Chief Executive Officer.

The existence of Independent Directors and Non-Executive Directors on the Board of Directors provides for the integration of a wide range of technical skills, contact networks and connections with national and international bodies, which enrich and optimise the Company's management in terms of creating value and ensuring adequate protection of the interests of all its Shareholders.

Accordingly, the Company has three Independent Directors out of a total of 11 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.

Unless otherwise provided for, decisions will be carried by a majority vote of the members present or represented, and of those who vote by post. In the event of a tie, the Chairman has the casting vote.

It should also be mentioned that it is the responsibility of the Chairman of the Board of Directors and of the other Non-Executive Members of that Board to evaluate the performance of the Executive Directors and of the various existing committees. They meet at least once per year in *ad-hoc* meetings specifically devoted to this matter, without the presence of the Executive Directors. At such meetings the performance of the Executive Directors and their influence on Jerónimo Martins' businesses is debated in depth, including an assessment of the impact of their activity and of the alignment with the medium- and long-term interests of the Company. The same procedure is used to analyse the performance of the various committees existing within the Group.

2.7.1. Chairman of the Board of Directors

The role of Chairman of the Board of Directors is performed by E. Alexandre Soares dos Santos. 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. The Chairman is also Chairman of the ENC, through which he closely and systematically monitors the matters under the jurisdiction of this Committee, with particular emphasis on management development.

2.8. Main Economic, Financial and Legal Risks

The identification and handling of economic, financial and legal risks inherent to the activity of Jerónimo Martins is addressed in section 2.5. of this Report.

2.9. Powers of the Board of Directors, namely in Relation to Deliberations on Capital Increases

Any capital increase is subject to prior deliberation by the General Shareholders' Meeting.

2.10. Information on the Rotation of Responsibilities Policy and Rules on the Appointment and Replacement of Members of the Board of Directors and of the Supervisory Board

2.10.1. Responsibilities of the Members of the Board of Directors

According to its current internal organisation, the Board of Directors has delegated to the Chief Executive Officer, Pedro Soares dos Santos, the powers detailed in section 2.21.1. of this report, which include the day-to-day management of the Company, and has assigned the following special tasks, pursuant to Article 407(1) of the Commercial Companies Code:

- to director Alan Johnson the special task as responsible for financial management of Jerónimo Martins, including investor relations;
- to director José Soares dos Santos the special task of monitoring the activities of the joint venture Unilever Jerónimo Martins, Lda., the activities of Jerónimo Martins – Distribuição de Produtos de Consumo, Lda. and the activities Jerónimo Martins – Restauração e Serviços, S.A..

Besides the delegation of powers and the special tasks assigned to the above-stated directors, the Board of Directors has also created specialised committees, which monitor certain specific matters, with the aim of working with the Board of Directors in the performance of its duties.

These committees, with the composition and powers described in the sections below - namely 2.21.3. and 2.21.4., are focused on the following subjects:

- **Committee on Corporate Responsibility** – Corporate Governance; Social Responsibility, Environment and Ethics; Sustainability; Conflicts of Interest;
- **Evaluation and Nominations Committee** –Assessment of the performance of the members of the statutory bodies of the Relevant Subsidiary Companies; nomination and succession of members of the statutory bodies of Relevant Subsidiaries; Management development and talent management policies for the Group, by identifying potential candidates for senior positions.

Since the internal organisation comprises different realities, on the one hand a CEO and, on the other, Directors and Specialised Committees responsible for monitoring specific matters, the Company considers that no division of responsibilities, strictly speaking, exist in the Board of Directors.

For this reason, the Company cannot follow the guideline for the rotation of responsibilities on the Board of Directors, in particular the rotation of responsibility for financial matters.

2.10.2. Rules Applying to the Appointment and Replacement of Members of the Board of Directors and of the Supervisory Board

The first article of the Regulations of the Company's Board of Directors foresees that this body has the composition that will be decided in the General Shareholders' Meeting pursuant to the terms indicated in paragraph one of Article Twelve of the Articles of Association, and it will be presided over by the respective Chairman, chosen by the General Shareholders' Meeting.

Paragraph number three of article eight of the same Regulations prescribes that in the event of death, resignation or impediment, whether temporary or definitive, of any of its members, the Board of Directors will agree on a substitute. If the appointment does not occur within 60 days of the absence of the Director, the Audit Committee will be responsible for appointing the substitute.

According to article one of the respective Regulations, and Article Nineteen of the Articles of Association, the Audit Committee is composed of three Members of the Board of Directors, one of whom will be its Chairman. The members of the Audit Committee are appointed simultaneously with the members of the Board of Directors, and the lists of proposed members of the latter body must indicate those that are intended to form the Audit Committee. The members of the Audit Committee cannot perform executive roles in the Company.

There is no specific regulatory provision regarding the appointment and replacement of Members of the Audit Committee, being applicable only what is set forth in law.

2.11. Number of Meetings of the Management and Supervisory Bodies, and Other Committees

During 2012, the Board of Directors met five times; the Managing Committee met 11 times; and the Audit Committee held six meetings. The CCR and the ENC met once, the Ethics Committee met seven times, and the ICC held 11 meetings. The respective minutes were prepared for all meetings.

2.12. Minutes of the Executive Committee and Information for the Members of the Corporate Bodies

The Board of Directors and its Chairman, in particular, have, apart from the powers on strategic matters of management of the Group, effective control on directing corporate activities by always seeking to be duly informed and by ensuring the supervision of the Company's management.

To this end, the Board of Directors has at its disposal the minutes of the Managing Committee, the ad-hoc body chaired by the Chief Executive Officer. These minutes contain the matters discussed and decisions taken in the meetings, and they are sent, via the CEO's Chief of Staff, to the Chairman of the Board of Directors and the Company Secretary.

Moreover, at each Board of Directors meeting the Chief Executive Officer reports on 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 2012 was provided in full and in a timely manner by the Chief Executive Officer.

2.13. Description and Identification of the Management Body

The Board of Directors has 11 members, one of whom is the Chief Executive Officer - Pedro Soares dos Santos, and the remaining 10 members are: E. Alexandre Soares dos Santos (Chairman of the Board of Directors), Alan Johnson, António Borges, António Viana-Baptista, Artur Santos Silva, Hans Eggerstedt, José Soares dos Santos, Luís Palha da Silva, Marcel Corstjens and Nicolaas Pronk.

Of the Non-Executive Directors - E. Alexandre Soares dos Santos, António Borges, Luís Palha da Silva, Marcel Corstjens, Nicolaas Pronk, Hans Eggerstedt, António Viana-Baptista and Artur Santos Silva - the last three comprise the Audit Committee, complying with the rules of incompatibility indicated in paragraph 1 of article 414-A of the Commercial Companies Code, except that provided for in sub-paragraph b).

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 independence criteria indicated in paragraph 5 of article 414 of the Commercial Companies Code, Artur Santos Silva, Marcel Corstjens and António Viana-Baptista qualify as Independent Directors. Each of them also complies with the rules of

incompatibility laid down in the above-mentioned paragraph 1 of article 414-A of the Commercial Companies Code, except that provided for in sub-paragraph b). The Company thus complies with the recommendation that the assessment of independence made by the management body takes into account the legal rules and regulations on independence requirements and the rules governing incompatibilities.

However, the Company once again expresses its disagreement with this recommendation for two reasons: i. it further accentuates the limitations arising from the application of the current statutory scheme on independence as provided for in the Commercial Companies Code, in a market of limited size, such as Portugal, where the number of people who may meet these requirements is increasingly reduced, ii. it submits the evaluation of the independence of the members of the management body to incompatibility criteria that are designed and exclusively adjusted to the exercise of supervisory functions.

Thus, it is the Company's opinion that the CMVM should adjust this recommendation to the size of the Portuguese market, review its adequacy to the shareholder structure of companies and distinguish the applicability of the concepts of independence and incompatibility according to the members of the corporate bodies in question.

2.14. Rules of the Selection Process of Candidates for Non-Executive Directors

As referred to in section 2.10.2 of this Report, the first article of the Regulations of the Company's Board of Directors foresees that this body has a composition that will be deliberated in the General Shareholders' Meeting pursuant to the terms indicated in paragraph one of Article Twelve of the Articles of Association.

The shareholders of the Company are thus primarily responsible for submitting to the General Shareholders' Meeting for approval proposals with candidates for positions on the Board of Directors, with the whole process conducted and supervised by the Chairman of the General Shareholders' Meeting, who guarantees its legality. The selection of candidates for Non-Executive Directors is, therefore, a process that depends entirely on the Shareholders, without interference from Executive Directors.

2.15. Inclusion in the Annual Management Report of the Description of the Activities Performed by Non-Executive Members

The annual management report includes a description of the activities performed by Non-Executive Members.

2.16. Professional Qualifications of the Members of the Board of Directors

The current Chairman of the Board of Directors, E. Alexandre Soares dos Santos, began his professional career in 1957, when he joined Unilever. From 1964 to 1967, he acted as Marketing Director for Unilever Brasil. In 1968, he joined the Board of Directors of Jerónimo Martins as Chief Executive Officer, a post he combined with that

of Representative of Jerónimo Martins' in the joint venture with Unilever. He has been the Group's Chairman since February 1996.

The Chief Executive Officer Pedro Soares dos Santos joined the Operating Division of Pingo Doce in 1983. In 1985, he joined the Sales and Marketing Department of Iglo/Unilever, and five years later, assumed the post of Assistant Director of Recheio Operations. In 1995, he was named General Manager of the Company. Between 1999 and 2000 he accepted responsibility for operations in Poland and in Brazil. In 2001, he also assumed responsibility for the operations area for Food Distribution in Portugal. He has been a Director of Jerónimo Martins, SGPS, S.A. since 31 March 1995, and has been Chief Executive Officer since 9 April 2010.

José Soares dos Santos holds a Degree in Biology from Universidade Clássica de Lisboa, joined Svea Lab AB in Sweden, in 1985, before going to work for the URL Colworth Laboratory in March 1987. In 1988, he joined the Human Resources Department of FimaVG – Distribuição de Produtos Alimentares, Lda., and in 1990 he was named Product Manager. Between 1992 and 1995 he worked for Brooke Bond Foods. He was a Director of Jerónimo Martins SGPS, S.A. between 31 March 1995 and 29 June 2001, and was reappointed on 15 April 2004 to the present day.

Alan Johnson is a British national, with a degree in Finance & Accounting obtained in the UK. He joined Unilever in 1976, where he made his professional career, occupying various financial positions in several countries such as United Kingdom, Brazil, Nigeria, France, Belgium, the Netherlands and Italy. Amongst other positions, he was Senior Vice President Strategy & Finance for Europe, Senior Vice President Finance & IT and CFO of Unilever Foods Division worldwide. Until March 2011, he was Chief Audit Executive, based in Rotterdam. He has been a member of the Market Oversight Committee of the Chartered Association of Certified Accountants since 2007 and a member of the Professional Accountants in Business Committee of the International Federation of Accountants based in New York since 2011. In January 2012, he joined the Jerónimo Martins Group as Chief Financial Officer, being Director of Jerónimo Martins, SGPS, S.A. since 30 March 2012.

Hans Eggerstedt is a German national, with a degree in Economics from the University of Hamburg. He joined Unilever in 1964, where he has spent his entire career. Among other positions, he was Director of Retail Operations, Ice Cream and Frozen Foods in Germany, President and CEO of Unilever Turkey, Regional Director for Central and Eastern Europe, Financial Director, and Information and Technology Director of Unilever. He was nominated to the Board of Directors of Unilever N.V. and Unilever PLC in 1985, a position he held until 1999. Between 2003 and 2012 he was a Non-Executive Director of the COLT Telekom Group S.A., from Luxembourg. He has been Non-Executive Director of Jerónimo Martins, SGPS, S.A. since 29 June 2001.

António Viana-Baptista holds a Degree in Economics from Universidade Católica Portuguesa (1980), has a postgraduate diploma in European Economics from Universidade Católica Portuguesa (1981) and an MBA from INSEAD (Fontainebleau, 1983). Between 1985 and 1991 he was Principal Partner of McKinsey & Co. in the Madrid and Lisbon office. He held the post of Director in the Banco Português de Investimento between 1991 and 1998. From 1998 to 2002 he was Chairman and CEO of Telefónica International. From 2002 to 2006 he was Chairman and CEO of Telefónica Móviles S.A. From 2006 to 2008 he was Chairman and CEO of Telefónica España. Between 2000 and 2008 he was a Non-Executive Director of the Board of Directors of Portugal Telecom. Since 2011, he is CEO of Crédit Suisse AG for Spain and Portugal. He is in his first term of office as a Non-Executive Director of the Company.

Artur Santos Silva holds a Law degree from Universidade de Coimbra. He was Director of Banco Português do Atlântico from 1968 to 1975, and Treasury Secretary of State between 1975 and 1976. From 1977 to 1978, he was Vice Governor of the Portuguese Central Bank. He was also a member of the Consulting Committee for the Portuguese Technological Plan and a member of the Consulting Committee to the CMVM. He has been President of Grupo BPI since 1981, a member of the Board of Directors of the Calouste Gulbenkian Foundation since 2002, being its Chairman since May 2012. He has been Non-Executive Director of the Company since 15 April 2004.

António Borges has a degree in Economics from Universidade Técnica de Lisboa and a PhD in Economics from Stanford University. He joined INSEAD in 1980. He was the Vice-Governor of the Portuguese Central Bank and *Dean* of INSEAD. He has taught at Universidade Nova de Lisboa and Stanford University, and he is visiting full professor of the Faculdade de Ciências Económicas e Empresariais da Universidade Católica Portuguesa. He has held various management posts, including at Citibank Portugal, Petrolgal, Vista Alegre, Paribas and Sonae. He was Vice-President of Goldman Sachs between 2000 e 2008. In June 2008 he was appointed Chairman of the Board of Directors of the Hedge Funds Standards Board and between 2010 and 2011 he was Director of the European Department of the International Monetary Fund. He was a Non-Executive Director of Jerónimo Martins, SGPS, S.A., between 29 June 2001 and 31 December 2010, and again from 30 March 2012 to the present day.

Luís Palha da Silva has a degree in Company Management from Universidade Católica Portuguesa and another in Economics from Instituto Superior de Economia e Gestão. He was an Assistant at Universidade Católica between 1985 and 1992. From 1987 on, he assumed Director's functions as various companies, including Covina, SEFIS, EGF, CELBI, SOGEFI e IPE. He was Secretary of State for Trade from 1992 to 1995, and Director of Cimpor, between 1998 and 2001. Since July 2012 he is Vice- President of the Board of Directors and Executive Vice-President of the Executive Committee of Galp Energia, SGPS, S.A.. He has been a Director of the Company since 29 June 2001, and was Chairman of the Executive Committee from 2004 to 9 April 2010.

Marcel Corstjens is a Belgian national, with a PhD in Business Administration, majoring in Marketing from the University of Berkeley. He is a Professor at INSEAD in Fontainebleau since 1978, being a Unilever Chaired Professor of Marketing since 2000. Since 1994, he has also been a Visiting Professor at Stanford University and at Cornell University, in the U.S.A. Since 1978, he has published numerous articles and books on Retailing and Marketing. He has been a Non-Executive Director of the Company since 7 April 2009.

Nicolaas Pronk is a Dutch national, and has a degree in Finance, Auditing, and Information Technology. Between 1981 and 1989 he worked for KPMG in the Financial Audit area for Dutch and foreign companies. In 1989 he joined the Heerema Group, created the Internal Audit Department, and since then has performed various functions within the Group, having been responsible for various acquisitions and disinvestments and defining Corporate Governance. Since 1999 he has been the Financial Director of the Heerema Group, including responsibility for the areas of Finance, Treasury, Corporate Governance, Insurance and Taxation, reporting to that Group's President. He has been a Non-Executive Director of the Company since 30 March 2007.

The numbers of Company shares that are held by officers are indicated in the point concerning the Annex to the Consolidated Management Report.

2.17. Positions that the Members of the Board of Directors Hold in Other Companies

The Members of the Board of Directors also hold positions in other companies, namely:

E. Alexandre Soares dos Santos

Chairman of the Board of Curators of Fundação Francisco Manuel dos Santos
Member of the Supervisory Board of Jeronimo Martins Polska, SA*
Director of Sindcom – Sociedade de Investimento na Indústria e Comércio, SGPS, S.A.
Director of Sociedade Francisco Manuel dos Santos, SGPS, S.A.
Director of Sociedade Francisco Manuel dos Santos, B.V.
Director of Sindcom – Sociedade Imobiliária, S.A.
Director of Sociedade Imobiliária da Matinha, S.A.
Director of Quinta da Parreira – Exploração Agrícola, S.A.

Pedro Soares dos Santos

Director of Jerónimo Martins Serviços, S.A.*
Director of Jeronimo Martins Polska, SA*
Director of Jeronimo Martins Colombia, SAS*
Director of Imocash – Imobiliário de Distribuição, S.A.*
Director of Recheio Cash & Carry, S.A*
Director of Recheio, SGPS, S.A.*
Director of Lidosol II – Distribuição de Produtos Alimentares, S.A.*
Director of Funchalgest – Sociedade Gestora de Participações Sociais, S.A.*
Director of Lidinvest – Gestão de Imóveis, S.A.*
Director of Larantigo – Sociedade de Construções, S.A.*
Director of João Gomes Camacho, S.A.*
Director of JMR – Gestão de Empresas de Retalho, SGPS, S.A.*
Director of Comespa – Gestão de Espaços Comerciais, S.A.*
Director of JMR – Prestação de Serviços para a Distribuição, S.A.*
Director of Supertur – Imobiliária, Comércio e Turismo, S.A.*
Director of Imoretalho - Gestão de Imóveis, S.A.*
Director of Cunha & Branco – Distribuição Alimentar, S.A.*
Director of Pingo Doce - Distribuição Alimentar, S.A*
Director of Casal de S. Pedro – Administração de Bens, S.A.*
Director of Masterchef, S.A. *
Director of Escola de Formação Jerónimo Martins Serviços, S.A.*
Director of Sindcom – Sociedade de Investimento na Indústria e Comércio, SGPS, S.A.
Director of Quinta da Parreira – Exploração Agrícola, S.A.
Manager of Jerónimo Martins – Distribuição de Produtos de Consumo, Lda.*
Manager of Desimo – Desenvolvimento e Gestão Imobiliária, Lda.*
Manager of Friedman – Sociedade de Investimentos Mobiliários e Imobiliários, Lda.*
Manager of Servicompra, SGPS, Lda.*

José Soares dos Santos

Director of Jerónimo Martins Serviços, S.A.*
Director of Fima – Produtos Alimentares, S.A.*
Director of Victor Guedes Indústria e Comércio, S.A.*
Director of Indústrias Lever Portuguesa, S.A.*
Director of Olá – Produção de Gelados e Outros Produtos Alimentares, S.A. *

Director of Jerónimo Martins – Restauração e Serviços, S.A.*
Director of Sindcom – Sociedade de Investimento na Indústria e Comércio, SGPS, S.A.
Director of Sindcom – Sociedade Imobiliária, S.A.
Director of Sociedade Imobiliária da Matinha, S.A.
Director of Sociedade Francisco Manuel dos Santos, SGPS, S.A.
Director of Sociedade Francisco Manuel dos Santos, B.V.
Director of SFMS – Imobiliária, S.A.
Director of Fundação Francisco Manuel dos Santos
Member of the Supervisory Board of Jeronimo Martins Polska, SA*
Manager of Unilever Jerónimo Martins, Lda.*
Manager of Gallo Worldwide, Lda.*
Manager of Jerónimo Martins – Distribuição de Produtos de Consumo, Lda.*
Manager of Transportadora Central do Infante, Lda.

Alan Johnson

Director of Jerónimo Martins Serviços, S.A.*
Director of JMR – Gestão de Empresas de Retalho, SGPS, S.A.*
Member of the Supervisory Board of Jeronimo Martins Polska, SA*

Hans Eggerstedt

Member of the Board of Directors of Arica BV.
Member of the Advisory Board of Amsterdam Institute of Finance (The Netherlands)
Member of the Supervisory Board of Jeronimo Martins Polska, SA*

António Viana Baptista

CEO of Crédit Suisse AG for Spain and Portugal
Member of the Board of Directors of Semapa, SGPS, S.A.
Member of the Board of Directors of Arica BV

Artur Santos Silva

Chairman of the Board of Directors of Banco BPI, S.A.
Chairman of the Board of Directors of the Calouste Gulbenkian Foundation
Chairman of the Board of Directors of Partex Oil and Gas (Holding)
Member of the Board of Directors of Sindcom – Sociedade de Investimento na Indústria e Comércio, SGPS, S.A.

António Borges

Manager of ABDL, Lda.
Manager of Sociedade Agrícola do Monte Barrão, Lda.
Manager of Sobreira Borges, Lda.

Luís Palha da Silva

Director of Fima – Produtos Alimentares, S.A.*
Director of Victor Guedes Indústria e Comércio, S.A.*
Director of Indústrias Lever Portuguesa, S.A.*
Director of Olá – Produção de Gelados e Outros Produtos Alimentares, S.A.*
Manager of Unilever Jerónimo Martins, Lda.*
Manager of Gallo Worldwide, Lda.*
Member of the Board of Directors of NYSE Euronext
Vice-President of the Board of Directors of Galp Energia, SGPS, S.A.
Member of the Board of Directors of Petrogal, S.A.
Member of the Board of Directors of Galp Exploração e Produção (Timor Leste), S.A.

Member of the Board of Directors of GDP, SGPS, S.A.
Member of the Board of Directors of Galp Gás Natural Distribuição, SGPS, S.A.
Member of the Board of Directors of Galp Power, SGPS, S.A.
Member of the Board of Directors of Galp Energia, S.A.
Member of the Board of Directors of Galp Energia España, SAU
Member of the Board of Directors of Petrogal Brasil, S.A.
Member of the Board of Directors of Galp Energia E&P BV
Member of the Board of Directors of Galp Sinopec Brazil Services BV
Member of the Board of Directors of Galp Exploração e Produção Petrolífera, SGPS, S.A.
Member of the Board of Directors of Galp Energia Overseas BV
Member of the Board of Directors of Galp Energia Rovuma BV
Member of the Board of Directors of Galp Bioenergy BV
Chairman of the Board of Directors of CLC - Companhia Logística de Combustíveis, S.A.
Chairman of the Managing Board of Petrogal Angola, Lda.
Chairman of the Managing Board of Petrogal Cabo Verde, Lda.
Chairman of the Managing Board of Petrogal Guiné-Bissau, Lda.
Chairman of the Managing Board of Petrogal Moçambique, Lda.
Chairman of the Executive Board of Galp Moçambique, Lda.
Chairman of the Board of Galp Gambia, Limited
Chairman of the Board of Galp Swaziland, Limited
Chairman of the General Shareholders' Meeting of Gesbanha - Gestão e Contabilidade, S.A.

Marcel Corstjens

Does not hold any post in other companies.

Nicolaas Pronk

Member of the Board of Directors of Antillian Holding Company N.V.
Member of the Board of Directors of Aquamondo Insurance N.V.
Member of the Board of Directors of Asteck S.A.
Member of the Board of Directors of Cellotek Finance Luxembourg S.à.r.l.
Member of the Board of Directors of Cellotek Holding (Luxembourg) S.A.
Member of the Board of Directors of Cellotek Holding Inc.
Member of the Board of Directors of Epcote S.A.
Member of the Board of Directors of Heavy Transport Group, Inc.
Member of the Board of Directors of Heavy Transport Holding Denmark ApS
Member of the Board of Directors of Heerema Engineering & Project Services, Inc.
Member of the Board of Directors of Heerema Engineering and Project Services (Luxembourg) S.à.r.l.
Member of the Board of Directors of Heerema Engineering Holding (Luxembourg) S.A.
Member of the Board of Directors of Heerema Fabrication Finance (Luxembourg) S.A.
Member of the Board of Directors of Heerema Fabrication Holding S.E.
Member of the Board of Directors of Heerema Group Services S.A.
Member of the Board of Directors of Heerema Holding Services (Antilles) N.V.
Member of the Board of Directors of Heerema International Group Services Holding S.A.
Member of the Board of Directors of Heerema International Group Services S.A.
Member of the Board of Directors of Heerema Marine Contractors Finance (Luxembourg) S.A.
Member of the Board of Directors of Heerema Marine Contractors Holding, S.E.

Member of the Board of Directors of Heerema Transport Finance (Luxembourg) S.à.r.l.

Member of the Board of Directors of Heerema Transport Finance II (Luxembourg) S.A.

Section 3 Remuneration

2.18. Remuneration Policy of the Board of Directors and of the Supervisory Board

The remuneration policy of the corporate bodies remained virtually unchanged from that adopted for the year 2011. The Remuneration Committee found no grounds for modification of the principles that, lately, were underlying to that policy.

With respect to the remuneration of Directors with executive duties, the Remuneration Committee maintained the existence of two components, one fixed and other variable, which together guarantee a more competitive remuneration in the market and also serve as a motivating element for high individual and collective performance, allowing ambitious targets of accelerated growth and the appropriate remuneration of Shareholders to be established and achieved.

By proposal of the Chairman of the Board of Directors, the variable component is defined annually by the Remuneration Committee, considering the contribution of the Executive Directors to results, shareholder value creation (EVA), the evolution of Company's share price, the work carried out during the preceding financial year, the degree of achievement of the projects included in the Group's Strategic Scorecard, as well as the criteria applied in the attribution of variable remuneration to the remaining managers.

The variable remuneration is thus dependent on predetermined criteria, to be fixed at the beginning of each year by the Chairman of the Board of Directors, that take into account the real growth of the Company, the wealth created for shareholders and long-term sustainability.

The Remuneration Committee, under these guiding principles, defines the rules for the attribution of performance bonuses to Executive Directors, bearing in mind the degree to which personal and Company objectives have been met.

The remuneration of the members of the Audit Committee as well as the remuneration of Directors with non-executive duties will continue to comprise a fixed component only.

Having established the CCR, and the ENC, which demand additional availability from the respective member Directors, the Remuneration Committee considers appropriate to attribute meeting fees to the Directors with non-executive duties who are members of those Committees.

The statutory auditor is remunerated in accordance with the contract for the provision of audit services concluded with the Group, which covers almost all of its subsidiaries and providing a fee in line with the values practiced in the market.

This remuneration policy was subject to discussion at the Annual General Shareholders' Meeting held last year.

The Company continues not to have any type of share award or share purchase option scheme for the Directors.

No remuneration was paid as profit-sharing in 2012, nor was any compensation paid to former Directors, whether executive or non-executive, related to the termination of their term of office. There is no kind of agreement or defined policy regarding the payment of compensation to Directors of the Company in the event of dismissal or termination of the contract, a situation that has never occurred.

2.19. Remuneration of the Members of the Board of Directors and of the Supervisory Board

With regard to this information, particularly that resulting from the obligation to individually disclose the remuneration of the members of the management and supervisory bodies, approved within the scope of that stated in Article 2 of Law 28/2009 of 19 June, the Company maintains the view that there are other options for verifying the internal distribution of remuneration and assessing the relationship between the performance of each Company sector and the level of remuneration of the members of the Board of Directors who are responsible for supervising these sectors, considering that such is achieved by indicating the overall remuneration of the Executive Directors on the one hand, and the Non-Executive Directors on the other.

It should be added that the internal and external resentment that such disclosure may provoke, does not, in the opinion of the Board of Directors, contribute towards improving the performance of its members. Nevertheless and due to the legal obligation, the Company discloses the information within the terms imposed.

The remuneration of the members of the Board in 2012 totaled 3,550,528.98 euros (2,841,298.98 euros relative to the fixed component and 709,230.00 euros regarding the variable component). All these remunerations have been paid and no other remunerations are paid by other companies in the Group.

Pedro Soares dos Santos received a total of 1,211,662.50 euros (704,062.50 euros as fixed remuneration and 507,600.00 euros as variable remuneration) in 2012. This total includes the contributions made in the financial year, in the amount of 176,662.50 euros, to the Retirement Pension Plan below mentioned

Alan Johnson earned a total of 467,496.33 euros during 2012 as fixed remuneration. This total includes the contributions in the financial year to the Retirement Pension Plan mentioned below, amounting to 49,700.00 euros.

José Soares dos Santos earned a total of 751,646.66 euros in 2012 (550,016.66 euros in relation to the fixed remuneration and 201,630.00 euros of variable remuneration). The variable component refers to the special duties allocated him by the Board of Directors. The contributions in the financial year to the Retirement Pension Plan mentioned below in the amount of 109,246.66 euros, are included in the above total.

The members of the Audit Committee earned a total remuneration of 194,000.00 euros, all as fixed remuneration.

Individually, the current members of the Audit Committee earned the following remuneration: Hans Eggerstedt received 68,000.00 euros, António Viana-Baptista received 68,000.00 euros, and Artur Santos Silva received 58,000.00 euros.

The remaining members of the Board of Directors received the following, individually and as fixed remuneration: António Borges received 50,000.00 euros, Luís Palha da Silva received 96,716.29 euros, Nicolaas Pronk received 30,000.00 euros and Marcel Corstjens received 60,000.00 euros.

The Chairman of the Board of Directors received 689,007.20 euros, as fixed remuneration.

The criteria for attributing the variable part of remuneration to the members of the Board are those stated in the previous section of this Report. In concrete terms the Remuneration Committee, following the performance evaluation carried out by the procedure referred to in section 2.7. of this Report, decided to award the above amounts based on the results obtained, the profitability of the businesses from the Shareholder's perspective (EVA), the relative share price performance, the work carried out during the year, the success of the projects undertaken bearing in mind the previously defined targets, and the criteria applied to the attribution of the variable remuneration to other senior managers.

In particular, the Remuneration Committee, in accordance with existing practice of the Company in recent terms, has sought to define a remuneration policy that rewards Executive Directors for the long-term performance of the Company and for satisfying the interests of the Company and of the Shareholders within this period. Therefore, the variable component that is approved on an annual basis by the Remuneration Committee considers their contribution to the development of business through: i. the achievement of EVA objectives included in the Medium- and Long-Term Plan approved by the Board of Directors; ii. share price performance; and iii. implementation of a group of projects across the Companies in the Group which, having been identified by the Board of Directors as being essential to ensuring the future competitiveness of the businesses, are scheduled so that one calendar year may be exceeded, and the Executive Directors are accountable for each phase of fulfilment.

The Remuneration Committee has held that the manner in which the remuneration of the Executive Directors is structured ensures full alignment of their interests with the positive performance of the Company in the long term without the need to stipulate any period of deferral for the variable component or to determine the thresholds for the fixed and variable components of remuneration. Moreover, following the study of 2011 regarding the possibility of deferral of the variable component of remuneration, the Remuneration Committee did not reach a conclusion on the advantages and inconveniences of its adoption. The Committee still considers the current remuneration structure to be adequate. The absence of deferral makes it unnecessary to have mechanisms to prevent the execution of contracts by Executive Directors that subvert the rationale of variable remuneration.

No plan is in place to attribute shares, or provide options to purchase shares, to Directors and managers, for the purposes of Paragraph 3 of Article 248-B of the Portuguese Securities Code. In the same way, no remuneration was paid as profit-sharing, nor was any compensation paid to former Directors, Executive Directors or otherwise, related to the cessation of duties, and the Company has no outstanding debt in this respect. The Executive Directors benefit from life and health insurances. They did not receive any other amount from any Company in a Group relationship or exercising control over the Company.

At the Annual General Shareholders' Meeting in 2005, a Retirement Pension Plan was approved. It is a Defined Contribution Pension Plan in which the amount of the contribution is fixed in advance – the percentage of the monthly contribution to the Fund is, currently, 17.5% – and in which the value of the benefits varies depending on earnings received. The Remuneration Committee defines the contribution rate of the Company and the initial contribution.

Plan participants, as defined in the respective regulation, include the Executive Directors of the Company. Those who opt for the current Pension Plan will forego eligibility for the Alternative Pension Plan, by way of expressly and irrevocably waiving it.

The retirement date is defined as either the actual day or the first day of the month following that in which the Participant reaches the natural age of retirement, as established by the General Social Security System (currently 65 years old). A Participant will be considered to be in a state of total and permanent invalidity if acknowledged as such by the Portuguese Social Security Authorities.

Pensionable salary is the gross monthly base salary multiplied by 14 and divided by 12. At the end of each calendar year, a variable amount made up of all the amounts received as variable remuneration is added to this monthly fixed amount. This amount is integrated into the above-stated sums indicated as the remuneration of the Directors. Plan Participants acquire the right to 100% of the total amount of the contributions of the Company for the Fund, provided that they complete two terms of office as Executive Directors.

As for the complementary pension or retirement systems, under the terms of current Regulations, Directors have the right to a Complementary Pension at retirement age, cumulatively, when they: i. are over 60 years old; ii. have performed executive functions; and iii. have performed the role of a Director for more than 10 years. This supplement was established in the Annual General Shareholders' Meeting of 1996 and only those Directors that have not opted for the Retirement Pension Plan mentioned above may benefit from this supplement.

Non-pecuniary benefits are not considered as remuneration not attained in the above situations.

There is no payment obligation whatsoever, in individual terms, in the event of termination of functions during the term of the Board of Directors.

The remuneration of Non-Executive Directors only incorporates a fixed component.

2.20 Communications Policy for Alleged Irregularities Occurring within the Company (Whistleblower Procedure)

Since 2004, the Ethics Committee of Jerónimo Martins has implemented a system of bottom-up communication that ensures that every employee at every level has access to communication channels to contact officers who are recognised within the Company with information on possible irregularities occurring within the Group. They may also make any comments or suggestions, particularly with respect to compliance with the procedural manuals in effect, especially the Code of Ethics.

This measure clarifies guidelines on questions as diverse as compliance with current legislation, respect for the principles of non-discrimination and equal opportunities, environmental concerns, business transparency and the integrity of relations with suppliers, customers and official entities, among other matters.

The Ethics Committee sent a message to all Jerónimo Martins employees to the effect that, if necessary, they could communicate with this body. This is possible by means of letter via freepost or internal or external e-mail with a dedicated address. Interested parties may also request from the respective General Manager or Functional Director any clarification of the rules in force and their application, or they may provide them with information regarding any situation that may question them.

Whichever communication channel is used, anonymity is assured for anyone who requires it.

Section 4

Specialised Committees

2.21. Composition of Specialised Committees and Number of Meetings during Financial Year

2.21.1. Chief Executive Officer and Managing Committee

The Board of Directors appointed a Chief Executive Officer, responsible for implementing the strategic decisions taken by the Board, in accordance with the delegated powers, and a Managing Committee, responsible for assisting the Chief Executive Officer in the duties delegated to that officer by the Board of Directors.

The role of Chief Executive Officer is performed by Mr. Pedro Soares dos Santos who, during 2012, had the following delegated powers:

- To manage businesses and carry out operations related to the Company purpose included in the scope of its current management, as an equity management company;
- To represent the Company, in court and outside of court, to propose and contest any lawsuits, settle and withdraw from lawsuits, and bind the Company in arbitration; for that purpose it may appoint one or more representatives;
- Contract loans in the domestic or foreign financial markets, and accept the supervision of the loaning entity up to 50 million euros;
- Make decisions regarding the Company providing technical and financial support, by means of loans, to companies in which it holds shares, quotas or social shares, in whole or in part;
- Decide on the transfer of real estate, as well as shares, portions, quotas and obligations of subsidiaries of the Company;
- Decide on the acquisition of any goods or real estate, and in general on making any investments up to the amount of 10 million euros, if they are included in the plans;
- After consulting the Chairman of the Board of Directors, designate the people to be proposed to the General Shareholders' Meetings of the companies in which it holds, in whole or in part, shares, quotas or social shares, to fill

positions in the respective corporate bodies, indicating those who will be responsible for performing executive functions;

- To propose annually to the Board of Directors the financial goals to be met by the Company and by the Companies in the Group in the following accounting year, for that purpose consulting with the Chairman of the Board of Directors;
- To approve the human resources policies to be followed by the Group, regarding the powers allocated to the ENC;
- To approve the expansion plans regarding the activities of each business area, as well as the Companies in the Group that are not included in business areas;
- To approve any investments projected in approved plans, with acquisitions of fixed assets up to 10 million euros;
- To approve any disinvestments projected in approved plans, with sales of fixed assets up to 10 million euros;
- To approve the organisation structure of the Group's Companies.

For the purposes of the delegation of powers, investments whose value exceeds more than 10% of the value of each heading established in the Plan are regarded as not provided for in the Annual Plan.

The Board of Directors has also appointed a Managing Committee which has the primary goal of assisting the Chief Executive Officer in the duties delegated by the Board, in relation to the daily management of the businesses that comprise the corporate object of the Company.

The Managing Committee of the Company, which has the same term of office as that of the Board of Directors that appointed it, is composed of the Chief Executive Officer, Pedro Soares dos Santos, who is the chair, Alan Johnson (the Group's Chief Financial Officer since 1 January 2012), Pedro Pereira da Silva, Marta Lopes Maia, Nuno Abrantes, Sara Miranda and Carlos Martins Ferreira. In accordance with its regulations, the Managing Committee has the following duties:

- Control of implementation by the companies in the Group of the strategic guidelines and policies defined by the Board of Directors;
- Financial and accounting control of the Group and of the companies that are a part thereof;
- Senior coordination of the operational activities of the different companies in the Group, whether integrated or not in business areas;
- Launching of new business and monitoring them until they are implemented and integrated in the respective business areas;
- Implementation of the management policy of human resources defined for the top-level management of the entire Group.

In 2012, the Managing Committee met 11 times, drawing up minutes of the meetings, which were sent to the Chairman of the Board of Directors and to the Company Secretary.

2.21.2. Audit Committee

The Audit Committee, which has three Non-Executive Directors as members - Hans Eggerstedt (Chairman), António Viana-Baptista and Artur Santos Silva, the last two being independent according to legal criteria – paid particular attention in 2012 to financial risk management and the analysis of reports and control of the execution of the corrective measures proposed by Internal Audit.

The Chairman of the Audit Committee, Hans Eggerstedt, is internationally recognised as one of the best managers of his generation, having worked, over the course of his long career, in positions of great responsibility in various countries. His solid academic training and professional experience in areas of management and control ensure he has the special skills to chair the Company's supervisory body.

Since the amendment of the Articles of Associations, approved in the 2007 Annual General Shareholders' Meeting, the Audit Committee is a statutory body, as a result of changes to the Commercial Companies Code imposed by Decree-Law 76-A/2006 of 29 March. Thus, as voted on in the mentioned General Shareholders' Meeting, and arising from the Board of Directors, the Audit Committee is responsible for supervising Company management.

The vast experience of the members of the Committee in corporate positions, as well as their special technical merit in this particular matter, have created particular added value for the Company, and have strongly contributed towards this matter becoming a central point in the Company's life.

In addition to the responsibilities conferred by law, the Audit Committee, in performing its activities, is particularly responsible 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;
- 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 auditing actions and the revisions of the procedures undertaken;
- Looking after the existence of an adequate internal risk management system for the companies of which the Jerónimo Martins is holder of shares or quotas, ensuring full compliance with its objectives;
- Approving the activity programmes of internal auditing, which respective Department will be functionally reporting to it, as well as of external auditing;
- Selecting, as proposed by the Managing Committee, the service provider for external auditing;
- Monitoring the legal accounts audit services;
- Assessing and monitoring the independence of the statutory auditor, especially when he performs additional services for the Company.

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.

In relation to performing these functions, it should be noted that, in accordance with the respective Regulation, the external auditor was chosen by the Audit Committee, under proposal of the then Executive Committee, which submitted to that body the results of the tender that it conducted in 2009 and that involved the most highly regarded international firms offering this type of service, which responded to strict specifications. Once again, considering the proposals presented, the Audit Committee decided on the firm that it thought most adequate for the interests of the Group.

In this respect, it should also be noted that the Company did not promote the rotation of the external auditor, but its maintenance was discussed and weighed up during the selection process mentioned in the previous paragraph, as results from the annual report on the activities of the Audit Committee for the year 2009.

Furthermore, as regards the performance of the duties of this committee, it could be mentioned that, by verifying and evaluating the activities of the external auditor in each accounting year, the Audit Committee ensures that the Company provides the Auditor with the best conditions to perform its services, and that information is presented in a timely manner with quality and transparency. This committee has also discussed the remuneration proposal of the external auditor and fixed the respective parameters.

Finally, it should be noted that since the External Auditor is also the Statutory Auditor of the Company, it is the Audit Committee's responsibility, arising from its duties to supervise and assess the provision of the audit and statutory audit services, to propose its dismissal to the General Meeting, pursuant to Article 419 of the Commercial Companies Code, whenever it considers there is good cause to do so.

2.21.3. Committee on Corporate Responsibility

The CCR is composed of three members of the Board of Directors, appointed by the Board. The members of this Committee are Luís Palha da Silva (Chairman), José Soares dos Santos and António Viana-Baptista, who is independent according to applicable legal criteria.

In carrying out its mission, the CCR 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 in a permanent manner 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.

In 2012, the CCR met once, drawing up minutes of the meeting that were distributed to the other members of the Board of Directors.

2.21.4. Evaluation and Nominations Committee

The ENC is composed of the Chairman of the Board of Directors, E. Alexandre Soares dos Santos, who is also Chairman of the Committee, and three members of the Board of Directors - Luís Palha da Silva, José Soares dos Santos and Artur Santos Silva, who are all appointed by the Board of Directors.

The mission of the ENC, as a support body of the Board of Directors, is to collaborate with the latter, by assessing and submitting to it proposals for strategic guidance in the area of policies of evaluation and nominations, as well as to monitor and supervise matters relating to: i. the assessment of the performance of the members of the statutory bodies of the subsidiary companies of Jerónimo Martins, SGPS, S.A. that are sub-holdings of it or that have a sales figure of more than 100 million euros (Relevant Subsidiary Companies); ii. the nomination and succession of members of the statutory bodies of the said subsidiary companies; and iii. the policies of management

development, including systems of assessment, career planning and salaries of the top level management of the Group, as well as the follow up of the processes for identifying potential and the validity of candidates for senior positions.

In 2012, the ENC met once, drawing up minutes of the meeting, which were sent to the other members of the Board of Directors.

2.21.5. Ethics Committee

The Ethics Committee of Jerónimo Martins is composed of three to five members appointed by the Board of Directors, on proposal by the Committee on Corporate Responsibility. It is currently composed of Sara Miranda (Chief Communications and Corporate Responsibility Officer), who chairs it, Inês Carvalho (Human Resources Manager of Recheio), Carlos Martins Ferreira (Chief Legal Officer of the Group), Marian Jaskowiak (Management Development Manager of Jeronimo Martins Dystrybucja SA) and Katarzyna Strugalska (Labour Relations Manager of Jeronimo Martins Dystrybucja SA). 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 with gathering such information as may be addressed to it in this connection; ii. ensuring the existence of an adequate system of internal control of compliance with the Jerónimo Martins Group Code of Conduct and with the appraisal of the recommendations stemming from such control; iii. appraising such issues as may be submitted to it by the Board of Directors, by the Audit Committee or by the CCR 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 CCR 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 lastly, v. drawing up an annual report on its activities to be presented to the Committee on Corporate Responsibility.

The Ethics Committee reports functionally to the CCR, 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 Ethics Committee, in 2012, scrutinized various issues submitted to it by the Group's employees and third parties, having observed a considerable increase in the number of questions whose essence was out of the scope of the Committee's competences and, for that reason, which were redirected to the respective Departments.

In 2012, the Ethics Committee met seven times, drawing up minutes of the meetings, copies of which were sent to the CCR. The minutes were made available to other members of the Board of Directors for consultation.

2.21.6. Internal Control Committee

The ICC, appointed by the Board of Directors and reporting to the Audit Committee, is specifically responsible for evaluating the quality and reliability of the internal control

system and the process of preparing financial statements, as well as evaluating the quality of the monitoring process in force in Jerónimo Martins' Companies, with a view to ensuring compliance with the laws and regulations to which they are subject. In performing this latter task, the ICC must obtain regular information on the legal and fiscal contingencies that affect the Companies of the Group.

The ICC meets monthly and is composed of a Chairman (David Duarte) and three members (José Gomes Miguel, Catarina Oliveira and Henrique Santos). None of the members is an Executive Director of the Company.

In 2012, 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.

2.21.7. Remuneration Committee

The Remuneration Committee is composed of three members, elected by the General Shareholders' Meeting. This committee comprises Arlindo do Amaral (Chairman), José Queirós Lopes Raimundo and Soledade Carvalho Duarte.

None of the members of the Remuneration Committee is a member of the Board of Directors of the Company, or has a spouse, family member or relative in such a position, nor do they have relationships with the members of the Board of Directors that may affect their impartiality in the performance of their duties. Furthermore, the members of this Committee have extensive knowledge and experience in management and remuneration policy, which gives them the necessary skills to perform their duties adequately and effectively. This Committee, in accordance with legal requirements, determines the earnings of the Members of the Board of Directors. During 2012, the Remuneration Committee met two times, and the respective minutes were prepared.

Last year, this Committee submitted a statement to the Annual General Shareholders' Meeting on the remuneration policy of the Company's Board of Directors and Supervisory board.

During 2012, the Remuneration Committee did not consider it necessary to contract services to support it in the performance of its duties.

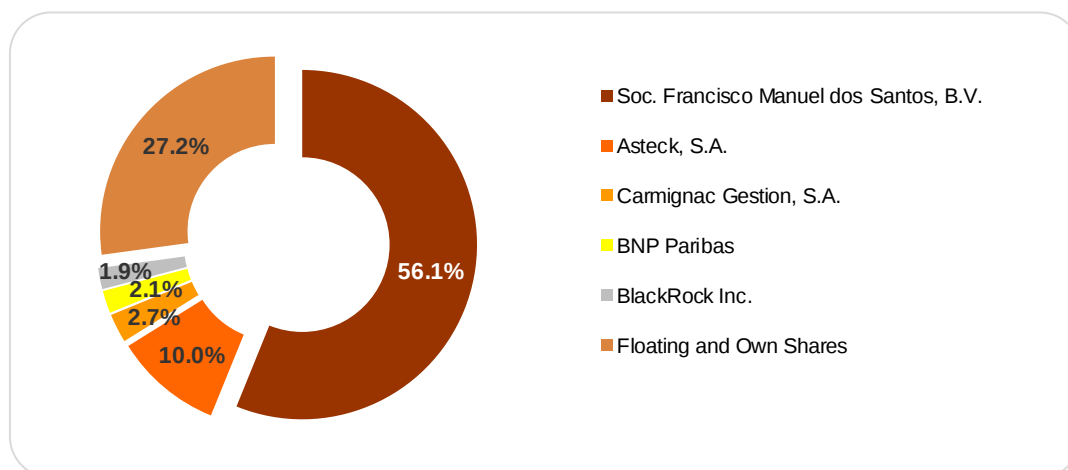
Chapter 3

Information and Auditing

3.1. The Company's Capital Structure

The Company's share capital is 629,293,220 euros. It is fully subscribed and paid in, and divided into six hundred and twenty-nine million, two hundred and ninety-three thousand, two hundred and twenty shares with nominal value of one euro each. There are no other share categories. All shares were admitted for trading and the Company holds 859,000 shares in its own portfolio, which were acquired in 1999 at an average price of 7.06 euros per share (price adjusted by the restatement of capital). These shares represent 0.14% of the Company's share capital. In 2012, there was no movement whatsoever of own shares.

3.2. Shareholder Structure



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

The Companies whose rights to vote under the terms of paragraph 1 of article 20 of the Portuguese Securities Code are identified in the note that refers the List of Qualified Shareholders as at 31 December 2012, included in the Annex to the Consolidated Management Report of Annual Report. Sociedade Francisco Manuel dos Santos, B.V., Asteck, S.A., Carmignac Gestion, S.A., BNP Paribas Investment Partners Ltd. Co. and BlackRock Inc. are qualified shareholders.

Special rights are not attributed to Shareholders in the By-Laws.

3.3. Restrictions Regarding Transferability of Shares, Shareholders Agreements and Rules Applicable to Amendment of the Company's Articles of Association

All issued shares are ordinary and there are no restrictions concerning their tradability.

The Articles of Association do not set limits on exercising the right to vote. Pursuant to the communication regarding the qualifying holding received by the Company on January 2, 2012, the Board of Directors become aware of a shareholders' agreement between Sociedade Francisco Manuel dos Santos, B.V. and Sociedade Francisco Manuel dos Santos, SGPS, S.A. concerning the exercise of voting rights. The Board, however, does not know of any restrictions concerning the transfer of securities or voting rights.

The Articles of Association do not define any rules applicable to amendment of the Company's Articles of Association, therefore the terms defined by the Law apply to these matters.

3.4. System for Employees' Participation in the Company's Capital

There is no system by which employees may participate in the Company's capital.

3.5. Share Price Performance

The benchmark index for the Portuguese market - PSI-20 - rose 2.9% in 2012. It was, despite the positive performance the second worst performing in Europe, just ahead of Spanish IBEX 35 index, which fell by 4.7%.

The PSI-20 devalued by 14.7% in the first seven months of 2012, similar to the indices of Southern Europe, which were pressured in the first half-year as a result of rumours that Spain might seek international financial assistance due to rising sovereign interest rates and the growing capital needs of financial institutions. The country ended up requesting financial assistance for the recapitalization and restructuring of its banking sector. This scenario had a contagion effect on the domestic market, leading to the negative performance of the PSI-20 recorded at the beginning of the year.

The recovery of the European indices in the second half of the year began soon after the announcement by the President of the European Central Bank (ECB), that it would do whatever was necessary to preserve the Eurozone and the ECB announcing it would purchase unlimited amounts of sovereign bonds, which led to a significant reduction of sovereign interest rates of the peripheral countries. In October, the Troika eased the deficit and public debt targets of Portugal for 2012-2014, after its fifth review.

Thus, the reversal of the trend during the second half of the year allowed the Portuguese stock index to end the year with a gain of 2.9%, though still well below the main European indices: the Greek index rose 33.4%, which was the best performing European index, Frankfurt increased 29.1%, Paris grew 15.2%, and Milan rose 9.2%. In the U.S.A., the first nine months of the year were very positive, taking the S&P 500 and the Dow Jones close to all-time highs while the Nasdaq 100 registered its highest value of the last decade.

Nine of the 20 listed companies on the PSI-20 recorded falls in value in 2012. The banks again led the declines, as they had done in 2011, with Banif falling 54.7%, Millennium BCP losing 44.9% and BES dropping 33.7%. The companies that gained

the most included BPI, which almost doubled its value (+96.0%), Mota Engil which rose by 51.4% and Sonae which grew 49.7%.

3.6. Performance of Jerónimo Martins Shares

Shares Description

Listed Stock Exchange	Euronext Lisbon
IPO (year)	November 1989
Share Capital (€)	629,293,220
Nominal Value	1.00 €
Number of shares issued	629,293,220

Euronext

Description	Type	ISIN Codes	Symbol
Jerónimo Martins- SGPS	Shares	PTJMT0AE0001	JMT

Other Codes

Reuters RIC	JMT.LS
Reuters REDD	40419
Bloomberg	JMT PL
Sedol	B1Y1SQ7
WKN	878605

Jerónimo Martins' shares are traded freely within the terms of the applicable general scheme, without any statutory restriction to their transferability.

The shares in question are part of 36 indices, namely the PSI-20, the Euronext 100 and the EuroStoxx Index, among others, and are negotiated on around 30 different platforms, mostly in the main European markets. Jerónimo Martins share was the eighth best performing of the Portuguese Stock Index (PSI-20) in 2012, gaining 14.2% in year-on-year value, after having recorded the highest appreciation of the Portuguese index in 2011 (12.2%).

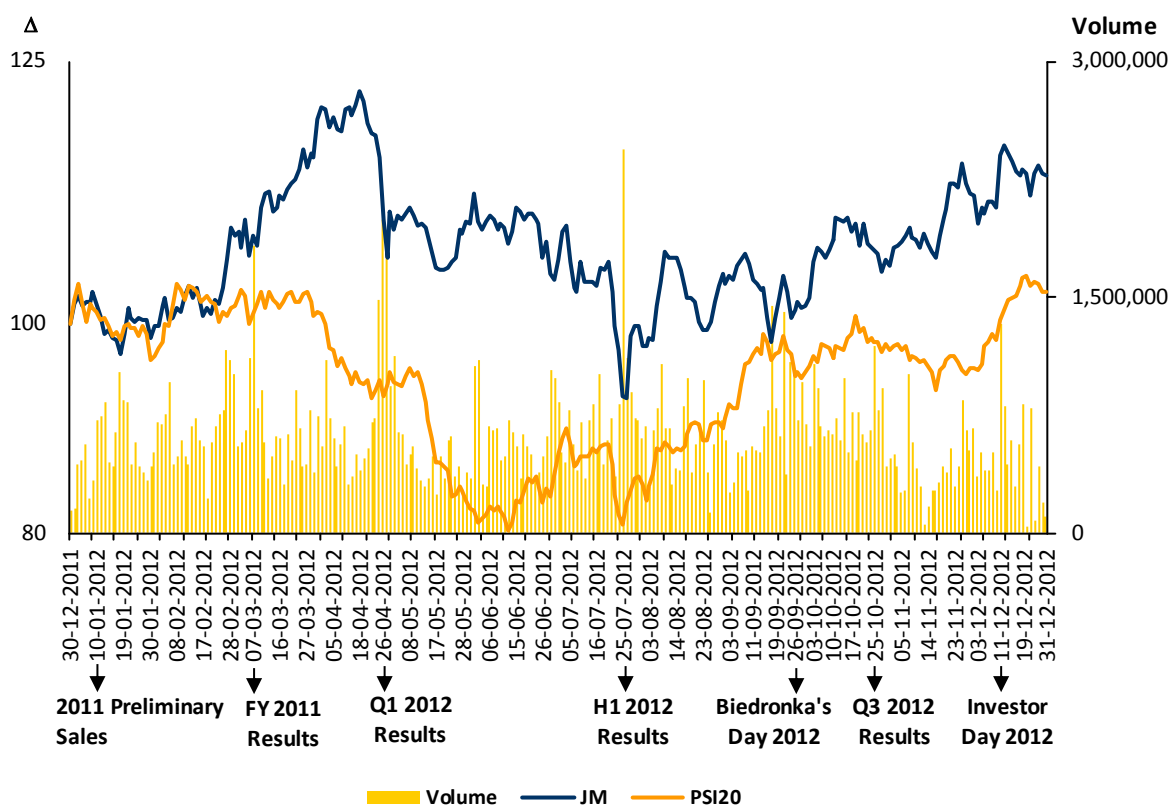
According to NYSE Euronext Lisbon, in 2012, Jerónimo Martins was the Portuguese company with the highest market capitalisation and closed the year with a relative weight of 17.2% in the PSI-20 – the benchmark index of the NYSE Euronext Lisbon. The Group ended 2012 with a market capitalization of 9.2 billion euros, compared with 8.0 billion euros at the end of 2011. Jerónimo Martins is one of five Portuguese companies on the Euronext 100 index, with a weight of 0.6% in the same, in line with the previous year.

Jerónimo Martins' shares were among the most traded on the NYSE Euronext Lisbon, with around 157.9 million shares traded, meaning a daily average of 616,900 shares (38% lower than in 2011), at an average price of 13.71 euros. In terms of turnover, these shares represented the equivalent of 10.8% (2.2 billion euros) of the overall volume of shares traded on the PSI-20 index in 2012 (20.1 billion euros).

Jerónimo Martins shares performed positively in the first four months of the year, despite a certain amount of volatility, recording an all-time high price of 15.62 euros

on 18 April, equivalent to a rise of 22.1% on the closing price of the previous year. After this positive performance the Jerónimo Martins share dropped sharply, cancelling out the gains previously accumulated and recording the lowest price of 2012 on 26 July (11.87 euros), lower than the 2012 closing price (12,79 euros). The performance of the final five months was positive, with the Jerónimo Martins shares closing 2012 with a year-on-year increase in value of 14.2%.

At the end of the year, 33.9% of the Jerónimo Martins shares were freely traded on the market (excluding the qualifying holdings of Sociedade Francisco Manuel dos Santos, B.V. and Asteck, S.A.), the highest portion of this percentage is held by institutional investors. The portfolio of shareholders includes investors from various countries and Jerónimo Martins' visibility in the international market was proven as almost all the institutional portfolio is distributed outside the country of origin. US, British and French institutional investors occupy the leading positions, accounting for a significant percentage of the total investors. Portuguese institutional investors account for around 0.2% of the free float.



	2012	2011	2010	2009	2008
Share Capital (€)	629,293,220	629,293,220	629,293,220	629,293,220	629,293,220
Number of shares issued	629,293,220	629,293,220	629,293,220	629,293,220	629,293,220
Own Shares	859,000	859,000	859,000	859,000	859,000
Free Float	29.0%	29.0%	31.2%	33.9%	31.5%
EPS (€)	0.57	0.54	0.45	0.32	0.26
Cash Flow per share (€)	1.03	0.96	0.82	0.69	0.55
Dividend per share (€)	0.51 *	0.21 **	0.14	0.11	0.10
Stock Market Performance					
High (€)	15.62	14.34	12.58	7.05	6.40
Low (€)	11.87	10.64	6.33	3.07	3.22
Average (Closing) (€)	13.71	12.33	8.63	4.97	4.92
Closing (End of year) (€)	14.60	12.79	11.40	6.99	3.97
Market Capitalisation (31/12) (million euros)	9,188	8,049	7,174	4,396	2,498
Transactions					
Volume (1.000 shares)	157,916	254,571	300,343	347,603	468,826
Annual Growth					
PSI-20	2.9%	-27.6%	-10.3%	33.5%	-51.3%
Jerónimo Martins	14.2%	12.2%	63.2%	75.9%	-26.5%

* This value includes the payment of a gross dividend of 0.275 euros per share, regarding the distribution of 2011 results and a gross amount of 0.239 euros per share, regarding the distribution of free reserves paid in December, 2012.

** This dividend, regarding the 2010 financial year, was paid by the end of 2010.

No shares or other securities were issued. The shares are not divided into different categories, therefore dividend payments were not affected.

3.7. Publication of Market Results

During the year, the Investor Relations Office published Jerónimo Martins' quarterly results and also released all relevant information on the performance of the Group's business areas, in order to keep investors and analysts informed as to the development of Jerónimo Martins' operational and financial activities.

In addition to the documents published, all investors and financial analysts who contacted the Investor Relations Office were provided with the information requested.

The financial statements were released to the market on the following dates:

10 January	Preliminary Sales 2011
7 March	FY 2011 Results
26 April	1 st Quarter 2012 Results
25 July	1 st Half 2012 Results
25 October	3 rd Quarter 2012 Results

The following table shows the performance of Jerónimo Martins' shares, taking into account the announcement of results and material information during 2012:

Events	Date	Price Variations JM		
		5 days before	1 day after	5 days after
Preliminary Sales 2011	10 January	0.8%	-1.0%	-3.4%
FY 2011 Results	7 March	2.5%	1.8%	5.7%
1st Quarter 2012 Results	26 April	5.4%	-5.1%	-4.8%
1st Half 2012 Results	25 July	8.1%	-4.4%	2.4%
3rd Quarter 2012 Results	25 October	1.5%	-0.1%	-1.5%

3.8. Dividend Distribution Policy

The Company's Board of Directors maintained a policy of dividend distribution based on the following rules:

- The value of the dividend distributed must be between 40% and 50% of ordinary consolidated net earnings;
- If, as a result of applying the criteria mentioned above, there is a drop in the dividend in a certain year compared to that of the previous year, and the Board of Directors considers that this decrease is a result of abnormal and merely circumstantial situations, it may propose that the value from the previous year should be maintained. It may even resort to free existing reserves, providing that the use of these reserves does not jeopardise the principles adopted for balance sheet management.

According to the guidelines above, the gross dividend paid to shareholders regarding the 2009 fiscal year was 0.143 euros per share. As regards the 2010 fiscal year it was 0.21 euros per share and was distributed at the end of 2010. With respect to the 2011 fiscal year, the gross dividend paid to shareholders was 0.275 euros per share.

In 2012, the Extraordinary General Shareholder's Meeting of 19 December approved the distribution of free reserves in the amount of 150,195,778.58 euros, equivalent to the gross amount of 0.239 euros per share.

In view of the net results of 2012 financial year and the established policy, at the General Shareholders' Meeting the Board of Directors will propose the distribution of a gross dividend of 0.295 euros per share, excluding the 859,000 owned shares in the portfolio.

This proposal represents an increase of 7.3% over the dividend paid in the previous year, corresponding to a dividend yield of 2.15% on the average share price in 2012, which was 13.71 euros.

3.9. Stock Options Plan

The Company does not have any plan in force to attribute shares or options to acquire shares. Although it is possible that the adoption of a plan of this type may be studied, the Board of Directors believes that it has found solutions that allow a fair and

effective system of management by objectives, based on analysis of indicators of profitability, business growth and generation of value for Shareholders.

3.10. Business between the Company and the Members of the Board, Companies in a Parent-Subsidiary or Group Relationship and Owners of Qualifying Holdings

3.10.1. Business with Members of the Board and Companies in a Parent-Subsidiary or Group Relationship

During 2012, no significant financial business or operations were carried out between the Company and members of its Management or Supervisory Bodies. Regarding the Companies in a Parent-Subsidiary or Group relationship, the business carried out with the Company was conducted in the normal operation of its business and pursuant to arms-length conditions.

3.10.2. Business with Owners of Qualifying Holdings

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.

In this regard it should be noted that, in terms of procedure, the responsibilities of the CCR, according to its regulations, are to prepare and monitor the decision-making of the corporate bodies and relevant committees on matters subject to prior opinion that give rise to conflicts of interest between the Company and members of its corporate bodies and the shareholders, particularly those owning a qualifying holding. The CCR is particularly empowered to comment on materially relevant business between the Company and owners of a qualifying holding.

During 2011, pursuant to a proposal presented by the CCR after consulting with the Audit Committee, the Board of Directors approved the relevance criteria, which determine the intervention of the supervisory body of the Company to assess and give advice on deals to be concluded between the Company and shareholders with a qualifying holding.

Thus, deals between, on the one hand, the Company or companies within Jerónimo Martins Group and, on the other hand, shareholders with a qualifying holding or entities with which the same are linked, shall be subject to the assessment and prior opinion of the Audit Committee, whenever one of the following criteria is fulfilled:

- a) Having an amount equal to or higher than 3 million euros, 1% of the purchases of Jerónimo Martins' Group, 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.

3.11. Investor Relations Office

3.11.1. 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, which respects the principles of symmetry and simultaneity and creates a faithful image of the Company's business performance and strategy for investors, shareholders, analysts and the general public.

Jerónimo Martins' Communication Policy regarding the financial market is designed to ensure that material information - history, current performance and outlook for the future - is available to all its stakeholders, in order to provide clear and complete information about the Group.

The financial Communication strategy outlined for each year is based on the principles of transparency, rigour and consistency, which ensure that all relevant information is transmitted in a non-discriminatory, clear and complete manner to stakeholders.

3.11.2. Activities of the Investor Relations Office

As mentioned at the beginning of this chapter, the Investor Relations Office of Jerónimo Martins is responsible for communication with all investors - institutional and private, national and foreign - as well as the analysts who formulate opinions and recommendations regarding the Company.

The Investor Relations Office is also responsible for matters related to the Securities and Exchange Commission, and the Legal Representative for Market Relations is the person responsible for the Investor Relations Office.

Annually, the Office draws up a Communication Plan for the Financial Market, which is duly included in the global communication strategy of Jerónimo Martins, and based on the above-mentioned principles.

Therefore, with the objective of transmitting an updated and clear vision of the strategies of the different business areas of Jerónimo Martins to the market, in terms of operational performance and outlook, the Investor Relations Office organises a series of events so that investors can learn about Jerónimo Martins' various businesses, its strategies and prospects for the future, and simultaneously follow the progress of activities during the year, by clarifying any doubts.

Throughout 2012, actions were carried out that allowed the financial markets to dialogue not only with the Investor Relations Office, but also the Jerónimo Martins management team. The following are highlighted:

- Meetings with financial analysts and investors;
- Responses to questions sent by email, addressed to the Investor Relations Office;

- Telephone calls;
- Release of announcements to the market through the CMVM (Securities and Exchange Commission) extranet, through the Jerónimo Martins and Euronext Lisbon web sites, and mass mailings sent to all the Company's investors and financial analysts listed in the database created and updated by the Office;
- Presentations to the financial community: presentation of results, roadshows, conferences, Annual and Extraordinary General Shareholder's Meetings;
- Investor Day.

Within the scope of information sent to the market, the following communications were published during the year:

Privileged Information

December 26, 2012	Financial Calendar Plan for 2012
December 19, 2012	Shareholders Meeting deliberation
December 11, 2012	Investor's Day Presentation – 2
December 11, 2012	Investor's Day Presentation – 1
October 25, 2012	Release - First Nine Months 2011 Results and deliberation on the proposal for free reserves distribution
July 25, 2012	Release - 1st Half 2012 Results
April 26, 2012	Release - 1st Quarter 2012 Results
March 30, 2012	Shareholders Meeting deliberation
March 7, 2012	Release - FY 2011 Results
January 10, 2012	Release - Preliminary Sales 2011

Financial Information

November 23, 2012	First nine months 2012 Report
August 31, 2012	First Half 2012 Report
May 22, 2012	First Quarter 2012 Report
March 30, 2012	2011 Annual Report - Approved in the General Shareholders Meeting
March 7, 2012	2011 Annual Report - To be approved in the General Shareholders Meeting

Corporate Governance

March 30, 2012	2011 Corporate Governance Report - Approved in the General Shareholders Meeting
March 8, 2012	2011 Corporate Governance Report

Dividends

December 19, 2012	Dividend Payment approved in the Extraordinary General Shareholders Meeting of December 19
March 30, 2012	Dividend Payment approved in the Extraordinary General Shareholders Meeting of March 30

Notice of Meetings

November 22, 2012	Item 2 of the agenda of the Extraordinary General Shareholders Meeting
November 22, 2012	Item 1 of the agenda of the Extraordinary General Shareholders Meeting
November 22, 2012	Notice Extraordinary General Shareholders Meeting
March 15, 2012	Item 6 of the agenda of the General Shareholders Meeting 2012
March 15, 2012	Item 4 of the agenda of the General Shareholders Meeting 2012
March 15, 2012	Amendment to the Notice of the General Shareholders Meeting 2012
March 7, 2012	Proposals - Items 1, 2, 3 and 5 of the agenda of the General Shareholders Meeting
March 7, 2012	Notice General Shareholders Meeting 2012

Qualifying Holdings and Shareholders Agreements

December 14, 2012	Amendment to the Qualified Participation of December 12
December 12, 2012	Qualified Participation - BNP Paribas Investment Partners
January 2, 2012	Qualified Participation - SFMS

Management Transactions

October 30, 2012	Management Transaction
May 25, 2012	Management Transaction - Replaces the May 24 Release
May 24, 2012	Management Transaction
May 21, 2012	Management Transaction
May 7, 2012	Management Transaction
May 4, 2012	Management Transaction

Board Members and Function

March 30, 2012	Appointment of Board Member approved in the General Shareholders Meeting
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Annual Summary of Information Disclosed

March 14, 2012	Annual Summary of Information Disclosed on 2011
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The Office may be contacted through the Market Relations Representative and the Investor Relations Office Manager, Cláudia Falcão - and via the *e-mail* address: investor.relations@jeronimo-martins.pt.

In order to make information easily accessible to all interested parties, the communications issued regularly by the Office are available in full on the Jerónimo Martins' institutional website at www.jeronimomartins.pt. The site not only provides mandatory information but also general information about the Group and the Companies that form it, in addition to other information considered relevant, namely:

- Announcements to the market about privileged information;
- Annual, six-month and quarterly reports of the Group, including the Annual Report on the activities of the Audit Committee;
- Economic and financial indicators and statistical data, updated every six or twelve months, in accordance with the Company or business area;
- Jerónimo Martins' most recent presentation to the financial community;
- Information about share performance on the stock market;
- The annual calendar of Company events, released at the beginning of every year, including, among others, General Shareholders' Meetings, the disclosure of annual, half-yearly and quarterly results;
- Information regarding the General Shareholders' Meetings;
- Information about Corporate Governance;
- Code of Conduct of Jerónimo Martins;
- Company Articles of Association;
- Current Internal Regulations;
- Minutes of the General Shareholders' Meetings, extracts of which are available within five days of the meeting's date;
- Historical lists of attendees, agendas, and decisions taken at the General Shareholders' Meetings held over the three previous years.

The website also has information in English and is a pioneer in its accessibility for the visually impaired, using a tool specially designed for this purpose.

The site also has a contact/information request form, which allows rapid interaction with the Company via e-mail, and inclusion in a mailing list.

The main contact information for the Investor Relations Office is as follows:

Address: Rua Actor António Silva, n.º 7, 1600-404, Lisboa
Telephone: +351 21 752 61 05
Fax: +351 21 752 61 65
E-mail: investor.relations@jeronimo-martins.pt

3.12. Yearly Remuneration Paid to the External Auditor

In 2012, the total remuneration paid to the External Auditor and other individuals or companies' belonging to the same network was 776,854.00 euros.

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

- Legal accounts and audit services: 95.2%;
- Fiscal consultancy: 1.1%;
- Other services (not legal accounts audits or external audits): 3.7%.

From the non-audit services requested by Group's companies to the External Auditor and/or to entities belonging to the same network, totalling 37,363.00 euros, reference is made to those related to the access to a tax database, fiscal consultancy and the analysis of potential effects on applying certain IFRS on the financial reporting of 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 better perform the said services. Besides being carried out by employees who do not participate in any auditing work for the Group, these services are marginal to the work of the auditors and do not affect, either by their nature or by their amount, the independence of the External Auditor during the performance of its role.

In this respect it should also be noted that in 2012 the Audit Committee regulated the commissioning of non-audit services to the External Auditor, as mentioned above in section 0.3.4. of chapter 0 of this Corporate Governance Report, allowing them to be commissioned as long as the independence of the External Auditor was assured and imposing their prior approval as of the moment the global amount of the respective fees in the year surpassed 10% of the global fees of the audit services.

3.13. Activity and Rotation Period of the External Auditor

During 2012 the external auditor monitored the efficiency and functioning of the internal control mechanisms, taking part in the meetings of the Internal Control Committee, reporting any deficiencies identified in the exercise of its activity, as well as making the necessary recommendations regarding the procedures and mechanisms that were analysed.

The external auditor was able to verify the implementation of the remuneration policies and systems by reviewing the minutes of the Remuneration Committee's meetings, the remuneration policy in force and other accounting and financial information that is essential to that purpose.

As regards the rotation of the External Auditor, the Audit Committee is the competent body for assessing the conditions for maintaining the external auditor or, instead, establishing the need to change the external auditor, stating its position on this issue, as referred to in section 2.21.2. of this Report.

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1. Our Approach

Creating Value and Sustainability

The Jerónimo Martins Group runs its businesses always seeking to grow and to create value in a continuous and responsible way, managing its activities sustainably, in order to ensure a balance between economic prosperity, social development and environmental preservation.

Throughout its 220 years of history, the Group has always incorporated social concerns into the running of its business, promoting the well-being of its employees and the surrounding communities.

As such, Jerónimo Martins was the first company in Portugal to implement the payment of a Christmas Bonus to its employees. At the beginning of the 1960s, the Fima and Lever factories in Sacavém already provided a medical office and a nursery for their employees and respective families.

It is pursuant to this approach that in 2011, due to the severity of the socio-economic situation felt in Portugal, the Group created the Social Emergency Fund. This aims to support employees who are in a situation of extreme need and therefore decide to turn to the Company for help.

Our approach to Corporate Responsibility is currently governed by the contribution towards improving the quality of life of the communities where the Group operates, by providing healthy products and food solutions, being actively responsible in our purchases and sales, defending human rights and working conditions and stimulating a fairer and more balanced social structure, as well as respecting the preservation of the environment and natural resources.

The Jerónimo Martins Group's Corporate Responsibility is achieved through the following lines of action, among others:

- Capacity to innovate and rethink its businesses according to the expectations and needs of its stakeholders, whilst incorporating the values of responsibility, thereby ensuring the sustainability of its operations;
- Involvement of business partners by establishing strategic partnerships and long-term relationships, based on trust and shared value-creation. These provide mutual advantages, thus allowing for greater efficiency in the use of production resources;
- Encouragement to producers in the primary sector to adopt best practices, thereby ensuring high standards of Quality and Food Safety and concern for including social and environmental criteria in production;
- Promotion of quality and diversity in the food products we develop and/or sell, thereby contributing towards improved food quality and diversity in the countries where the Group operates;
- Implementation of technologies and promotion of projects which aim to minimise the negative impacts of the Group's operations;
- Promotion of training policies and competency development as well as implementation of initiatives which aim to ensure the well-being of our employees and their families.

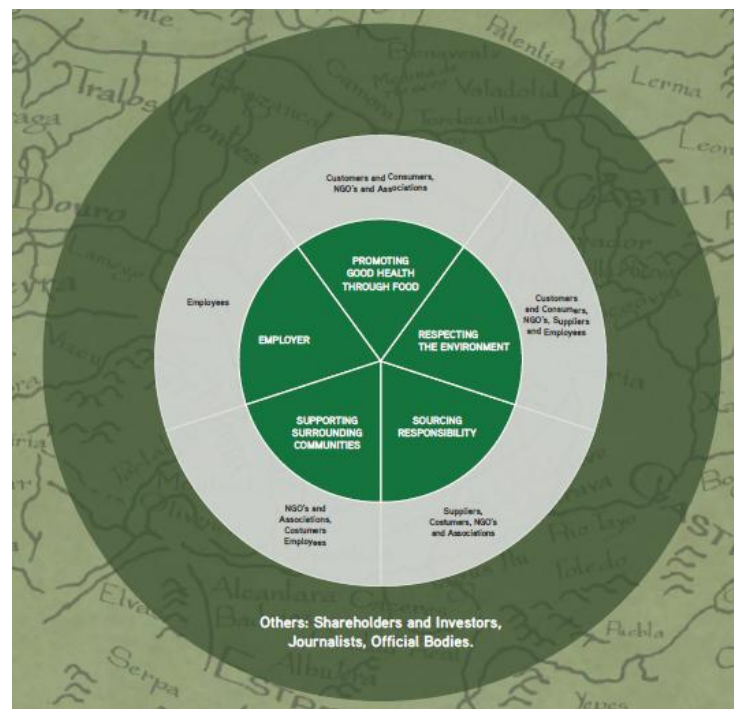
As such, the Jerónimo Martins Group seeks to responsibly and simultaneously maximise the positive impacts and minimize the negative impacts of its activity, throughout the entire value chain.



In order to monitor its performance in areas it considers to be relevant in terms of Corporate Responsibility, the Group defines three-year objectives (see objectives set for each area of activity for the 2012-2014 term, throughout this chapter).

1.1. Stakeholders

With a view to continuous improvement, we are involved with our stakeholders making use of communication channels and thereby endeavouring to ensure that we are better aligned with their needs and expectations.



Our principles of Corporate Responsibility have inspired the initiatives that have been carried out and are to be carried out in the different countries where the Group is present: Portugal, Poland and Colombia.

In this context we are referring to some of the actions that have taken place over the last few years, such as the "Milk Start" project in Poland, which was developed to fight food deficiencies in school-age children, or the "Mediterranean Flavours" programme, which aims to promote healthier eating habits amongst the Portuguese population, increasingly suffering from problems of obesity and related illnesses.

The Group's guidelines for Corporate Responsibility are available for consultation at <http://www.jeronimomartins.pt/responsabilidade/principios-da-responsabilidade.aspx?lang=en>.

The Group has two independent committees to ensure the fulfilment, dissemination and reinforcement of these principles: the Corporate Responsibility Committee, which works with the Board of Directors, and the Ethics Committee, which monitors the dissemination and compliance of the Code of Conduct within all the Group Companies.

In addition, other players and communication channels directed at the various audiences with whom we relate, are also made available, such as the Investor Relations Office, the Communications and Corporate Responsibility Department, the Human Resources Departments, as well as other entities which are part of the Group's Companies.

1.2. The Five Pillars of Corporate Responsibility

The Jerónimo Martins Group's Corporate Responsibility is based on five major themes across the countries where it operates and these are incorporated into the Companies' culture as well as in the processes which guide their actions.

I - Promoting Good Health through Diet

Promoting good health through diet is achieved through two action strategies: i. ensure the quality and diversity of the food products that we develop and/or sell and ii. promote food safety.

II - Respecting the Environment

Our aim is to help to link supply and demand effectively in order to foster more sustainable production and consumption practices, namely through initiatives in three priority areas: climate change, biodiversity and waste management.

III - Sourcing Responsibly

The Group endeavours to incorporate ethical and environmental concerns into its supply chains. It develops lasting business relationships, seeks to ensure that its prices are fair and stimulates national production in the countries in which it operates.

IV - Supporting Surrounding Communities

By tradition and out of a sense of mission, the Jerónimo Martins Group is deeply involved with the communities in which it is present supporting directly and through its Companies, causes and institutions that provide assistance to society's most vulnerable groups, such as children and young people as well as the elderly.

V - Being a Benchmark Employer

By creating employment, we aim to motivate the markets in which we operate. At the same time, we promote balanced pay policies and a positive, stimulating work environment as a firm commitment to our employees.

2. Highlights 2012

Promoting Good Health through Food

- Focus on innovation, achieved through the launch of eight Pingo Doce Brand products for consumers with special dietary needs, enriched with vitamins and minerals and/or convenience foods;
- Investment in products made with natural ingredients without added colouring, preservatives or flavour intensifiers such as: Pingo Doce Turkey Burgers or Roasting Seasonings;
- Nutritional reformulation of Private Brand products, in order to reduce the contents of sugar, salt and fat. In Portugal and in Poland, a total of 1,241 tons of sugar, 19 tons of salt and 36 tons of fat were eliminated;
- Priority given to reformulating products for children, as well as to launching healthier options aimed at this target audience, with a view to preventing child obesity and food-related illnesses.

Respecting the Environment

- Reduction of the total value of carbon footprint by nearly 9%;
- Reduction of the total energy consumption, in absolute values, by more than 9%;
- Reduction of the total water consumption, in absolute values, by more than 2%.

Sourcing Responsibly

- Maintenance of the policy for giving preference, under the same circumstances and whenever possible, to purchasing local products;
- Share of know-how and establishment of partnerships with suppliers, evidenced by the Group's technical support, contracts that guarantee the sale of production and payment of a fixed annual price being signed, as well as the reduction of some payment terms, a measure which included around 400 suppliers in Portugal.

Supporting Surrounding Communities

- In 2012, a total of 11 million euros was given in aid (in 2011, the overall value was of about 7 million euros), from which the weight of the support provided by Pingo Doce (77%) should be highlighted. It should also be noted that Biedronka almost doubled the value of the support given to the surrounding communities compared with the previous year.

Being a Benchmark Employer

- Launch of the "Global People Management Approach", aimed at the Group's managers in all the countries where the Group operates;
- Start of the Jerónimo Martins Study Grants programme, aimed at the Group's employees and their children in Portugal.

3. Promoting Good Health through Diet

3.1. Introduction

The Jerónimo Martins Group believes that a responsible business is one able to understand the sustainability challenges of its sector, adapting strategies to promote the creation of value for all the parties involved.

Therefore, we consider it crucial to supply to the market food products that have a positive impact on the lives of consumers, promoting food habits beneficial for health as well as better informed purchasing decisions.

For these objectives to be achieved, the Group steers the product development of its distribution brands according to a Nutrition Policy (available at: <http://www.jeronimomartins.pt/responsabilidade/promover-saude-pela-alimentacao/politica-nutricional.aspx?lang=en>) in which strategic priorities are established: i. innovate and nutritionally reformulate the range of products; ii. ensure product safety and quality; iii. provide a service of confidence; and iv. provide complete, useful and reliable nutritional information.

Our commitment to promoting health through diet, offering quality and diversity and guaranteeing the food safety of the products we sell, comes from our recognition of the role that nutrition can play in the prevention of diseases such as diabetes, obesity, osteoporosis and cardiovascular diseases, and hence its role in promoting quality of life.

3.2. Quality and Diversity

The Group Companies, always looking to innovate, focus on regularly and systematically knowing market trends and consumer expectations in relation to their product ranges. The adoption of healthier lifestyles through the consumption of food with balanced nutritional profiles that is also affordable, along with the focus on quality and the adequate quantities of food consumed, are the main guidelines of our Companies in Portugal and in Poland. With regard to this, we would highlight Biedronka's investment in Perishables, which in 2012 was reinforced by the conversion of 1,750 stores into a new layout that gives these products greater visibility within the store. This investment by the Company, of around 100 million euros, reflects its focus on quality and is in line with the preferences of the Polish consumers, who, as a result of the change in eating habits, are including an increasing number of Perishables in their "typical basket".

3.2.1. Launches

Launches - Distribution

The number of Pingo Doce's "Pura Vida" range has been raised to 68 products, with eight new references launched in 2012. This range is particularly aimed at consumers with special dietary needs such as vegetarians, people allergic to lactose or gluten, and also to consumers who prefer food that is less processed.

The highlights of this range are:

- Soy beverages – with exotic fruits and with fruits and cereals, for lactose intolerant persons;

- Pies with palmetto, peas and sesame seeds filling specially created for lactose and egg vegetarians. These pies have, from a nutritional perspective, a high content of fibre, phosphorus and B1 and D vitamins;
- Organic burgers of tofu and mushrooms, Provencal cereals and Oriental cereals, which contain a high fibre content, ideal for vegetarians;
- Soy samosas, which are a source of vegetable protein.

Pingo Doce also developed essential products for healthy eating in other product ranges, in 2012:

- Of note is a product aimed at children, which is a healthier option among juices and drinks for this target. The drink "Tropical Fruit and Vitamins" is the first on the market with a minimum fruit content of 85%, no added sugar, colouring or preservatives. It is made of nine types of fruit, and it is a source of calcium and vitamins essential for growth and the development of natural defences (A, B6, C, D and E);
- The frozen turkey burger is made of 100% meat without colouring agents, preservatives or hydrogenated fats. It is a product that can be cooked in the oven, in a healthier manner;
- The Temperos no Forno (Oven Seasoning) range has no colouring agents, preservatives and flavour enhancers and is available in the varieties for chicken, ribs and fish. It is an innovative range among Private Brands in Portugal.

In the Perishables area in Portugal, a range of *prokorn* cereal loaves was launched (with seven types of cereals, it is a bread rich in minerals, fibre and polyunsaturated fats), a *muesli* loaf that is fibre rich, a mix of organic dried fruits and also, in partnership with national producers, organic veal.

The Peru Bronze (wild turkey) was also launched. This is a range consisting of the meat of animals bred outdoors on cereal-based feed (65% by weight of total diet). This meat has a low fat content and is rich in protein and iron.

In Poland, the launch highlights of Private Brand food products focused on consumers with specific needs, include:

- Polaris Plus mineral water with a low sodium content;
- Two natural yoghurt products (Tola), one that is calcium-fortified and bifid-active and another with 0% fat;
- Pro Serce (Pro Heart) spread with plant sterols that foster the reduction of blood cholesterol levels;
- Tutti skimmed cream cheese;
- 4 Fit soft drink with 5% aloe vera pulp and no added preservatives;
- The innovative FruVita fruit mousse yoghurt with 13% fruit content;
- Na Sniadanko dairy desserts for breakfast, containing fruit and oatmeal.

Launches – Manufacturing

The Knorr brand launched in 2012, through Unilever Jerónimo Martins, a range of seasonings for cooking homemade meals quickly. "Sabores ao Minuto" (Tastes in a Minute) are seasonings for vegetable preparations in the microwave oven, saving on effort and with a short cooking time. They are manufactured from natural products, with no flavour enhancers, colourings or preservatives in their composition.

Calvé introduced a new product called "Ketchup Mediterrânico" with oregano and basil among its ingredients, thereby combining the consumption of this popular sauce with typical herbs of the Mediterranean diet.

Launches - Services

Arla is notable among the brands represented by Jerónimo Martins Distribuição de Produtos de Consumo (JMDPC) for launching a product inspired on the Mediterranean diet: Apetina Light is a white soft cheese (feta type) preserved in brine (salt water). It is unique because it only has 3% fat in its composition and no added preservatives. Arla also launched the powdered cheese Pasta Pamellano, gluten-free and enriched with calcium and vitamin B12, as part of its Finello range.

Kellogg's launched two innovative products: All Bran Crunchy and Special K – Chocolate and Strawberries. The former is a product with high fibre content, beneficial to the organism. The latter comprises breakfast cereals forming part of the Line segment with less than 3% fat content.

3.2.2. Reformulations

The Jerónimo Martins Group, as a specialist in the food area, has continually improved the range of Private Brand products, offering food with healthier nutritional profiles to consumers. In Portugal and in Poland the Group regularly analyses the ingredients used in its products and it also assesses the sizes of portions, to meet the above-stated aim and to foster innovation.

By working with our suppliers to promote the integration of health criteria in production processes, we believe we are contributing in general to ensuring a range of safer and more responsible products.

The Distribution Companies in Portugal and Poland have endeavoured in recent years to reduce the levels of salt, fats, sugars, preservatives and other artificial ingredients in products, adding greater amounts of fruit and fibre where possible.

Reformulation of products aimed at children

The Group Companies have made the inclusion of healthier products in their ranges a priority focus, especially those products intended for children.

In 2012, vitamins B12, D and calcium were added to Petit Líquido yoghurts, a product aimed at children, making them more complete foods for children's nutritional needs.

All ingredients likely to cause hyperactivity in children were removed from the bakery products produced at the fresh dough factory.

Reformulations - Portugal

During 2012, 71 Private Brand products in Portugal were reformulated. The impact of these reformulations allows the reduction of around 1,241 tonnes of sugar, 19 tonnes of salt and about four tonnes of fat. Several of the various reformulations carried out resulted in significant reductions of sugar percentages, as is the case of Pingo Doce

Iced Teas, in which sugar was reduced by about 33%. Other products, such as canned tomatoes and sweet corn, had the levels of salt/sodium decreased. Lasagne ready-meals were produced with a new recipe, with fresh dough and no hydrogenated fats used in its preparation.

Vitamin B6 and calcium was added to Actiplus dairy drinks, which contain bacteria beneficial to gastrointestinal equilibrium.

In the Perishables area it has so far been possible, as a result of the project started in 2010, to reduce a total of 274 tonnes of salt in the bread baked in our stores and at the fresh dough factory.

Reformulations - Poland

23 Private Brand products were reformulated in Poland:

- The replacement of hydrogenated fats, harmful to cardiovascular health, for non-hydrogenated fats in the range of snacks, such as Saltasy bread sticks or Bonitki butter biscuits;
- The removal of ingredients such as sodium glutamate, phosphates and preservatives in various products, including mashed potatoes, sausages and garlic butter baguettes;
- The reduction of fat and salt in some pork-based Kraina Miesa products (2% reduction of fat) and also a 0.5% reduction of salt in ham of the same product range.

Overall, around 32 tonnes of fat was removed as well as other ingredients such as additives, preservatives and artificial colourings.

3.2.3. Promoting Healthier Choices

Considering the fact that the Jerónimo Martins Group stands out in the market as a consequence of the confidence consumers have in the quality of our products and the educational role the Group plays in promoting health through diet, the examples described below show how we can leverage more informed purchasing decisions through a proactive engagement with consumers.

Portugal - Distribution

In Portugal, the commitment has been maintained to inform consumers in a clear and concise manner of the nutritional composition of the products of our Private Brands, by continuing to display nutritional tables with values per 100 grams and per serving. The signs used on the front of the package enable a more intuitive interpretation of the composition of the product regarding the percentage of calories, fat, saturated fat, sugar, salt or fibre based on the daily recommended values (for adults or for children).

Communication in the Pura Vida range remained focused on the health benefits as well as on the reformulated products.

In the Perishables area, the number of Bakery and Pastry products manufactured by suppliers that contain nutritional information increased. In 2012, 64% of our products in this range contained such information, which represents a 41 p.p. increase from the

previous year. All pre-packaged dried fruit, soups and salads already contained this information.

Moreover, the 26 free leaflets on the theme "Sabores Mediterrânicos" (Mediterranean Flavours) provided customers of Pingo Doce with recipes that emphasise the use of typical ingredients of the Mediterranean diet. The "Sabe Bem" bimonthly magazine, also directed at customers of Pingo Doce, gave relevance to this diet and also provided recipes and informative articles.

From the perspective of internal involvement, the "A Nossa Gente" magazine, designed to inform the Group's employees of the most relevant Group news and also published every two months, also included in all of its editions a section - Our Diet - aimed at promoting health through diet.

Similarly, customers of Recheio and Amanhecer had the opportunity to discover some suggestions for healthy meals and food with improved nutritional profiles, through the "Notícias Recheio" and "Amanhecer" publications.

Poland - Distribution

The partnership that Biedronka has in Poland with the Polish Institute of Food and Nutrition, for the regular study of the nutritional needs of the society of the country has been of particular importance in raising consumer awareness.

Besides the 17 articles produced with nutrition suggestions from experts in the magazines "Kropka TV" and in the weekly themed leaflets "Weekly Inspirations", Biedronka actively participated in the Annual Food Producers Conference, offering its perspective on the best ways to reduce the amounts of salt, sugar and fat of products at the production stage.

In December, a pilot project with the Swiss Contribution programme was started to fight obesity in Poland. The Physical Education University and Children's Health Institute are partners of this programme.

The "Milk Start" project (a multiple company platform that brings together the Mother and Infant Institute, Danone, Biedronka and Lubella) implemented four advertising initiatives to raise the awareness of child nutrition to the Polish society.

Manufacturing

In 2012 Gallo Worldwide continued its mission to introduce olive oil to the diet of the countries where it operates. Accordingly, Gallo launched its first global campaign to support the launch of the Novo Olive Oil. Three international chefs took part in this campaign. The Company launched, for the first time, an advertising campaign specifically directed at Angolan and Russian consumers.

The Olá brand of Unilever Jerónimo Martins was associated with the Lisbon Marathon, promoting a healthy lifestyle. Around 30,000 people took part in this initiative.

3.2.4. Highlights

The Pingo Doce and Recheio Companies renewed the certification of the Quality Management System according to the International Standard Organization (ISO)

9001:2008 during 2012, specifically in relation to "Private Brand Development and Product/Supplier Monitoring After Market Launch".

The Group Companies, accustomed to demanding customers, have been intensively working to ensure a Customer Support Service of quality and efficiency. In our view, contacts made by consumers are an important tool for the assessment and continuous improvement of our activities.

3.2.5. Partnerships

Promoting a spirit of sharing knowledge on food, nutrition and health, the Group has been actively involved through its Companies with other organisations and institutions of society in finding common positions to combat eating habits that may lead to diseases such as obesity or diabetes, and to publicise products for people with special needs.

Previously established partnerships between the Group Companies and various institutions continued in 2012, in Portugal and Poland.

Portugal - Distribution

- Portuguese Celiac Sufferers Association and Pingo Doce, to provide a list of gluten-free products;
- The Portuguese Cardiology Foundation kept its recommendations of the Pingo Doce cold meat products, with the award of the "Escolha Saudável" (Healthy Choice) symbols.

Poland - Distribution

- Polish National Institute of Food and Nutrition with Biedronka for the sharing of knowledge;
- Partnership with *Instytut Matki i Dziecka* (Mother and Infant Institute).

Manufacturing

- The Brazilian Cardiology Society maintained its recommendation of the Gallo olive oils;
- The partnership between the Becel Institute and the Portuguese Cardiology Foundation for the production of information material, as well as organising events to promote cardiovascular health was maintained.

3.3. Food Safety

The Jerónimo Martins Group believes that the safety and quality of the food products of the Private Brand and Perishables that it sells is a priority in promoting consumer's health. Accordingly, our vision is to continue to build the capital of trust and reputation that cements the sustainability of our activities.

We invest every year in the certification and monitoring of our processes, facilities and equipment, as well as our products. We rely on external auditors and our Quality officers to implement adequate procedures and assess performance indicators.

3.3.1. Certifications

In 2012, we monitored the certifications that were awarded in 2010, relating to:

- Hazard Analysis and Critical Control Point (HACCP) certification according to the *Codex Alimentarius* of the food service platforms of Recheio and Recheio stores (now encompassing 31 stores and 3 platforms);
- HACCP *Codex Alimentarius* certification of the Recheio store in Madeira;
- Certification of the integrated environment management system and HACCP, according to the ISO 14001:2004 standard and *Codex Alimentarius*, of JMR (Distribution Centres in Azambuja, Modivas and Guardediras);
- HACCP certification according to the *Codex Alimentarius* of the Pingo Doce central kitchens of Gaia and Aveiro, extended to the new unit of Odivelas;
- Biedronka: ISO 22000:2005 certification (warehousing, distribution and product development process), extending to the new Distribution Centre at Ruda Slaska;
- FIMA: ISO 9001 (Quality) and ISO 14001 (Environment) in the manufacture of margarines, spreads and edible fats for domestic and manufacturing purposes and production of stocks; British Retail Consortium (BRC) for the manufacture of stocks;
- OLÁ: ISO 9001, ISO 14001 and OHSAS 18001 (Occupational Health) in the manufacture of ice creams;
- Gallo Worldwide: ISO 9001, ISO 14001 and McDonald's Supplier Quality Management System (SQMS).

3.3.2. Audits

The Group's Quality and Food Safety officers use internal performance benchmarks to ensure compliance with food safety indicators, following a philosophy of continuous improvement of our processes, systems and equipment.

Distribution – Portugal

Stores and Distribution Centres	Pingo Doce		Recheio		JMR (*)	
	2012	2011	2012	2011	2012	2011
Internal Audits	1,899	1,780	93	103	4	10
External Audits	2	2	2	2	1	1
Follow-up Audits	576	639	126	152	101	155

(*) JMR – Distribution Centres.

The following levels of compliance were found in the internal audits:

HACCP Performance	2012	2011	Δ2012/2011
Pingo Doce	86%	87%	-1 p.p.
Recheio	74%	74%	-
Distribution Centres	71%	75%	-4 p.p.

Note: HACCP implementation in Pingo Doce is assessed on the basis of its own benchmarks. The assessment benchmark of Recheio is different since it has HACCP certification.

Due to their HACCP certification, the assessment *criteria* for Recheio and Distribution Companies are stricter, which explains why their performance indicators are lower than at Pingo Doce.

The Pingo Doce and Recheio Companies also conducted analysis of work surfaces, of the handlers of perishables and the perishables handled in stores to reduce microbiological risks, totalling 80 thousand analyses.

Distribution - Poland

Similarly, the stores and distribution centres in Poland conducted internal audits and, as was the case of distribution centres, they were externally audited to check the adequacy of the facilities and equipment.

Stores and Distribution Centres	Stores		Distribution Centres	
	2012	2011	2012	2011
Internal audits	2,797	2,653	20	18
External audits	-	-	11	11

The compliance levels based on the HACCP indicators were:

HACCP Performance	2012	2011	Δ2012/2011
Stores	79%	79%	-
Distribution Centres	91%	88%	+3 p.p.

Manufacturing

Unilever Jerónimo Martins conducted 402 audits of several agents of its supply chain, such as points of sale and business partners, in order to continuously improve supply. These audits are central to providing consumers with products of excellence, considering the assessment standards of Unilever, which include "Best Practices in the Ice Cream Distribution Chain" and "Consumer Relevant Quality Standards", as well as applicable legislation.

3.3.3. Laboratory Analysis of Products

The Jerónimo Martins Group undertakes, in addition to the above-referred audits of facilities and equipment, and to guarantee an effective integration of our food safety commitments, laboratory analyses to ensure the safety of the products sold.

Portugal

Number of Analysis/ Collected Samples	2012	2011	Δ2012/2011
Private Brand - Food	5,444	5,183	+5%
Private Brand – Non Food	2,333	2,119	+10%
Fruit & Vegetables	733	760	-4%
Meat	1,062	868	+22%
Fish	624	418	+49%
Bakery	126	101	+25%

Poland

Number of Analysis/ Collected Samples	2012	2011	Δ2012/2011
Private Brand	3,669	3,940	-7%
Fruit & Vegetables	379	368	+3%
Meat	600	600	-

3.3.4. Food Safety and Hygiene Training

Food safety and hygiene training in Portugal of the Group's employees totalled 12,451 trainees and about 110,500 training hours.

In Poland, the Product Development and Quality Team participated in several training sessions aimed at the food sector. Notable among the various initiatives are the training courses on food and labelling standards, on product safety and product sensorial assessment.

The total training data on these themes was 7,817 trainees and more than 41 thousand training hours in 2012.

In Unilever Jerónimo Martins, 38 training courses totalling 1,313 hours were held in the Quality and Food Safety area.

3.4. Commitments for 2012-2014

The commitments referred in the 2011 Annual Report encompass a time horizon to 2014. Since 2012 was the starting year, the Jerónimo Martins Group's Companies, in Portugal and Poland, focused in particular on commitments regarding a continuous improvement of Private Brand products' nutritional profile as well as the information made available for consumers. Therefore, the year's activity produced the following results in these areas:

- The reformulation of 94 Private Brand products in Portugal and in Poland, with around 1.241 tonnes of sugar, 19 tonnes of salt and 36 tonnes of fat removed;

- In Poland, 462 Private Brand SKUs (out of 800 SKUs) underwent *repackaging*, increasing the focus on nutritional information;
- In Portugal, special attention was devoted to the Bakery category and the co-operation with our suppliers allowed a growth of the percentage of references including nutritional information from 23% to 64%.

4. Respecting the Environment

4.1. Introduction

The major challenges that food sector businesses currently face relate to how their business strategies and operational processes influence the regeneration rate of natural resources and how they foster the reduction of negative impacts on ecosystems and society, in a world where raw materials are increasingly scarcer.

The priorities of the Jerónimo Martins Group that guide the Environmental Management of our activities focus on the areas of Biodiversity, Climate Change and Waste Management. The principles forming the foundation for our performance are to:

- Combine economic growth with environmental protection;
- Promote environmental management and eco-efficiency practices throughout the supply chain;
- Promote eco-innovation through differentiating environmental services and projects;
- Include environmental *criteria* in the development and performance of all activities.

With the objective of the continuous improvement of the environmental performance of the activities, products and services of the Distribution and Manufacturing Companies, the Group has ensured the update of the Environmental Management Systems - based on the principles and requirements of the ISO 14001 standard - as regards applicable environmental legislation, performing diagnostic and environmental audits of the business units, and monitoring environmental parameters.

Main Environmental Impacts

In 2012, the Group continuously worked on reducing the environmental impacts of the Distribution area in Portugal and Poland, arising from: i. water consumption, ii. energy consumption to preserve foodstuffs, lighting, HVAC and to operate equipment, iii. production of organic solid waste and paper, cardboard and plastic packaging and iv. atmospheric emissions and consumption of fossil fuels for transporting goods and for Group vehicles.

The Manufacturing Companies undertake the annual review and assessment of the environmental aspects they deem the most significant, an operation based on the Environmental Management Systems implemented.

Environmental Audits

In 2012, 177 internal environmental audits were completed at stores and Distribution Centres in Portugal to guarantee their compliance with legal requirements and the Group's environmental management procedures. In Poland, 14 internal environmental audits and four audits in Manufacturing with the same objectives were conducted.

Facilities with ISO 14001 Certification

Three of the eight distribution centres in Portugal (Azambuja, Vila do Conde and Guardediras) maintained ISO 14001:2004 certification for their environmental management system. The Manufacturing Companies' four factories also hold environmental certification according to that same standard.

4.2. Biodiversity

The assessment we make of the risks of our activities, considering we have increased responsibility in the protection of biological diversity as a consequence of our business, is crucial in order to assess the threats and opportunities for improvement while trying, whenever possible, to involve other partners of our supply chain, such as suppliers.

Using the Ecosystem Services Review (ESR) method proposed by the World Research Institute (WRI), the assessment of risks associated to the different ecosystem services permitted the identification of priority lines of action and the definition of a strategy to implement action to protect biodiversity.

Accordingly, some support projects for the Group's management systems and practices have been given added impetus:

- Information management;
- Training;
- Partnerships with suppliers;
- Research and Development.

A study was initiated in 2012 with the company MRAG-Marine Resources & Fisheries Consultants, following up on the threats and opportunities identified for priority business areas, which defined the requirements and principles of Jerónimo Martins as regards its policy of sustainable procurement of fish. During 2013, following on from this study, a risk assessment of the ten most important species for the Group in terms of biomass will be conducted.

4.3. Climate Change

The Jerónimo Martins Group's approach to climate change comprises measures to reduce energy consumption, minimising the emission of greenhouse gases from, for example, logistics processes or refrigeration gases.

4.3.1. Carbon Footprint

The Group's carbon footprint in 2012 was estimated at 892,415 tonnes of carbon dioxide equivalent, which was 8.8% less than in 2011, mainly due to the measures taken to rationalize the consumption of energy. Identically, the specific consumption fell from 0.099 to 0.080 tonnes of carbon dioxide equivalent per each 1,000 euros of sales.

Carbon Footprint	2012	2011	Δ2012/2011
Overall value (scope 1 and 2) – t CO₂ eq.	892,415	*978,324	-8.8%
Specific value (scope 1 and 2) – t CO₂ eq./'000 €	0.080	*0.099	-19.2%

Carbon Footprint - Indicators	2012 (t CO ₂ eq.)	2011 (t CO ₂ eq.)	Δ2012/2011
Overall Carbon Footprint (scope 1 and 2)			
• Distribution, Portugal	364,414	*436,347	-16.5%
• Distribution, Poland	509,915	524,084	-2.7%
• Distribution, Colombia	56	-	N/A
• Manufacturing	18,030	17,893	+0.8%
Carbon Footprint (scope 1 - direct impacts)			
• Leakage of refrigeration gases	175,009	141,702	+23.5%
• Fuel consumption	48,698	41,397	+17.6%
• Light vehicle fleet	15,803	16,129	-2.0%
• Renewable energy	-109	-95	+14.7%
Carbon Footprint (scope 2 - indirect impacts)			
• Electricity consumption	597,988	*767,540	-22.1%
• Heating	54,918	11,556	+375.2%
Carbon Footprint (scope 3 - other indirect impacts)			
• Transport of goods to stores (Distribution)	124,388	*104,239	+19.3%
• Disposal of waste in landfills	84,838	54,070	+56.9%
• Air travel by employees	1,657	1,439	+15.1%
• Leakage of refrigeration gases (equipment managed by Olá's customers)	760	*889	-14.5%
• Backhauling project	-5,256	-4,457	+17.9%

Notes: The carbon footprint of the different activities at Jerónimo Martins is calculated using the three levels of the WBCSD Greenhouse Gas Protocol method: direct impacts, indirect impacts and impacts of third parties.

The figures presented took into account emission factors defined by the IPCC - Intergovernmental Panel on Climate Change (fuels, refrigeration gases and waste), by the International Energy Agency (electricity), and by the European Environmental Agency (air travel). Emissions relating to the area of Marketing, Representations and Restaurant Services were not included (estimated to represent less than 1% of total emissions).

The values marked with * were corrected compared to the Annual Report for 2011.

4.3.2. Rationalisation of Energy and Water Consumption

Combating the phenomenon of climate change and the rationalisation of energy consumption are priorities for the Jerónimo Martins Group. These priorities are implemented through the establishment of a set of initiatives. Water consumption is likewise the object of rationalisation. This is an area of maximum importance and so initiatives to minimise water loss and increase efficiency in the use of this natural resource are continuously being developed.

Energy and Water Consumption Management Teams

One of the main initiatives of the Distribution Companies in Portugal in 2012 was the contribution from the "Energy and Water Consumption Management Teams". The main aim of this initiative is to rationalise energy and water consumption in Pingo Doce and Recheio stores. This project, which is driven by monthly challenges and an internal benchmarking system, achieved a reduction of like-for-like energy and water consumption of 1,885,026 kWh and 131,760 m³, i.e. of 0.4% and 10.1%, respectively. The initial target was a 2% reduction in both cases. Taking into account the figures from 2011, the rationalization of water consumption improved 8.8 percentage points, whereas the rationalization in energy showed a decrease of 1.4 percentage points.

Measures to Reduce Energy Consumption

Technologically advanced solutions were implemented in order to reduce energy consumption, the most notable being the replacement of the compressed air plant and replacement of lighting at the Gallo facilities, the replacement of traditional light bulbs for low energy bulbs at Lever and installing solar lighting tubes at the Olá production warehouse.

The measures implemented in this field by the various Companies result in a total expected savings of more than one million kWh every year.

Renewable Energies

Technology	No. buildings	Energy savings per month	CO ₂ saving per year
Solar collectors for water heating	8	59,500 kWh	30 t
Lamp posts powered by photovoltaic panels	1	60,000 kWh	30 t
Tubular solar light transport system	4	83,000 kWh	41 t
Solar collectors for hot water production used in the air conditioning system and for heating of domestic water	2	16,300 kWh	8 t

Measures to Reduce Water Consumption

The various measures taken by the Group Companies with this aim, such as changes to the automatic washing system of the Vila do Conde Distribution Centre and an adjustment of the set-point for cooling of low-pressure pumps as well as the optimization of warm water consumption in the canteen and restrooms at Lever with insulation of the hot water ring, result in expected savings of 3,277 m³ per year.

Environmental Indicators:

Energy Consumption (total)

Total consumption	2012	2011	Δ 2012/2011
Energy consumption			
• Overall value - GJ	5,348,956	*5,886,741	-9.1%
• Specific value - GJ/'000 €	0.477	*0.598	-20.2%
Energy consumption per business unit			
• Distribution, Portugal - GJ	1,810,860	*2,357,156	-23.2%
• Distribution, Poland - GJ	3,199,855	*3,186,109	+0.4%
• Manufacturing - GJ	281,407	291,968	-3.6%
• Others (estimate) - GJ	56,835	*51,507	+10.3%

The values marked with * were corrected compared to the Annual Report for 2011.
 GJ = Gigajoule is an energy measurement unit.

Water Consumption

Total consumption	2012	2011	Δ 2012/2011
Water consumption			
• Absolute value – m^3	2,558,521	2,612,679	-2.1%
• Specific value – $m^3/’000$	0.228	0.266	-14.3%
Water consumption per business unit			
• Distribution, Portugal – m^3	1,643,304	1,712,018	-4.0%
• Distribution, Poland – m^3	554,743	559,710	-0.9%
• Manufacturing – m^3	333,289	303,541	+9.8%
• Others (estimate) – m^3	27,186	37,410	-27.3%

4.3.3. Reduction of Environmental Impacts of Logistics Processes

The goal of the Group Companies is to progressively reduce the environmental impacts of logistics processes along the value chains of their operations by minimising consumption of natural and energy resources and reducing the emissions and waste generated. The following initiatives in this field were particularly important in 2012:

Emissions in Distribution

- The replacement of vehicles for the transportation of goods by more efficient Euro 5 trucks continued with the replacement, in Poland, of 152 vehicles working exclusively for Jerónimo Martins;
- Tests in Poland were conducted with CNG trucks (which use compressed natural gas as fuel);
- The backhauling operation in Poland entailed a total of 73,368 pallets collected, which resulted in a saving of 264,312 km and a reduction of 262 tonnes of CO₂ air emissions;
- The backhauling operation in Portugal amounted to 253,314 pallets collected. This measure resulted in a saving of 5,254,648 km and 4,994 tonnes less of CO₂ emissions;
- The speed limitation of 80 km/h for about 80% of the distribution fleet in Portugal resulted in a 1.6% reduction of diesel consumption per km travelled;
- Also in Portugal, the launch of a pilot project with two hybrid vehicles, for use in urban areas, resulted in a 14% reduction in fuel consumption compared to an equivalent diesel vehicle.

Emissions in Manufacturing

- There was an increase of about 25% in Lever of the transport of products directly from the factory to customers, thereby reducing transport and consequently cutting CO₂ emissions.

Reusable Packaging

- In Portugal reusable plastic boxes are used for meat, dairy products, fish, bakery, fruit and vegetable products:

Percentage of reusable boxes vs. total number of boxes transported	2012	2011	Δ 2012/2011
Portugal	16.7%	13.0%	+3.7 p.p.

4.3.4. Management of Refrigeration Gases

The Group considers the effective management of refrigeration gases to be essential in minimising the release of greenhouse gases and/or ozone depleting pollutants. Thus, various measures have been taken, including optimising leak controls, investing in cleaner technologies and co-operating with providers of refrigeration and HVAC services.

The only refrigerant used in the different Companies that contributes to ozone depletion is R22 gas, which has been systematically replaced by other substances with lower environmental impacts. In fact, a 24% reduction from 2011 has been achieved as regards the number of systems still using this gas:

Equipment	No. of establishments			
	Distribution Portugal	Distribution Poland	Manufacturing	Total
Refrigeration systems with R22	13	-	1	14
Air conditioning systems with R22	58	-	3	61

The assessment of fluorinated greenhouse gases (the impact on climate change) is considered in the calculation of the carbon footprint presented in section 4.3.1 of this chapter.

Biedronka has initiated investments to implement systems for cooling freezers to transport meat and frozen items (from seven distribution centres to the stores) using carbon dioxide dry ice, with substantially lower environmental impact than the most common refrigerants.

4.3.5. Rationalisation of Paper Consumption

Office paper consumption is substantial in the Group and a number of projects have been undertaken to reduce it, resulting in considerable benefits for the sustainability of forest resources.

Several initiatives have been undertaken by the Group in both Portugal and Poland, such as the electronic management of billing or the cutting of administrative processes, which have achieved an overall saving of more than 185 million sheets of paper, equivalent to 14 thousand fewer trees felled.

4.4. Waste Management

The Group is committed to the prevention and recovery of the waste generated not only in its own operations but also through the projects it develops aimed at consumers. Raising employee and public awareness of correct waste separation practices and seeking new recovery solutions constitute basic practices at our Companies.

Waste Recovery Rate

	2012	2011	Δ 2012/2011
Distribution - Portugal	57.8%	53.9%	+3.9 p.p.
Distribution - Poland	63.6%	75.6%	-12.0 p.p.
Manufacturing	92.0%	90.5%	+1.5 p.p.

In Poland, the figures obtained reflect the change in the business model in order to include more Perishables in Biedronka's offer. The process of organic waste collection was, therefore, implemented in a larger scale for the first time, causing a decrease in the total performance compared to 2011.

4.4.1. Characterisation of Waste

In the total of its activities, in 2012 the Jerónimo Martins Group produced 288,310 tonnes of waste.

Waste	Distribution Portugal	Distribution Poland	Manufacturing
Cardboard and Paper	39.6%	57.3%	14.3%
Plastic	3.3%	3.0%	3.1%
Wood	0.1%	1.3%	1.2%
Organic waste	6.5%	2.0%	1.2%
Unsorted	42.7%	36.4%	26.4%
Used cooking oil and fat (grease traps)	0.2%	0.0%	0.2%
Sewage Treatment Waste	5.2%	0.0%	0.0%
Hazardous Waste	0.0%	0.0%	0.7%
Other Waste	2.4%	0.0%	52.9%

4.4.2. Waste Recovery

The following projects were notable in 2012:

- Pingo Doce established itself as a reference for customers in the field of waste recovery. At year-end, 320 establishments had recycling points, accounting for 86% of all Pingo Doce stores. There are a total of 308 bins for recycling cooking oil, 309 bins for batteries (the card container installed by Ecopilhas exists in all other stores), 309 bins for small domestic appliances, 45 bins for fluorescent light bulbs and 45 bins for ink cartridges;

- The paper and card waste (1,390 t in 2012) of the Sieradz Distribution Centre (Poland) was sent to a factory that produced cardboard packaging to provide Biedronka's own suppliers;
- The unsorted waste of the Lever, Fima and Olá was considered as non hazardous waste to landfill and is energetically recovered;
- In Fima the bleaching earth of the Refinery began to be sent for composting and the unsorted waste sent for recovery as RDF (refuse derived fuel) by cement manufacturing factories.

Waste Dropped off by Customers in Recycling Bins at Stores

Distribution – Portugal

Waste (in tonnes)	2012	2011	Δ 2012/2011
Batteries	30.0	45.4	-33.9%
Waste Electrical and Electronic Equipment (WEEE)	127.2	135.5	-6.1%
Used cooking oil	150.1	183.5	-18.2%
Printer ink cartridges	2.2	2.3	-4.3%

In Portugal, these performance figures can be explained by two main reasons: i. since consumption rates have decreased, consumers have not invested in new electrical and electronic equipment justifying a smaller rate of waste dropped-off; and ii. investment of municipalities in recycling bins made easier to consumers to drop-off their waste nearer to their homes.

Distribution – Poland

Waste (in tonnes)	2012	2011	Δ 2012/2011
Batteries	29.9	16.8	+78.0%
Waste Electrical and Electronic Equipment (WEEE)	382.9	413.3	-7.4%

4.4.3. Ecodesign Project

The Jerónimo Martins Group, aware that an effective corporate responsibility strategy involves influencing the adoption of more sustainable methods by its suppliers, has also developed initiatives in the environmental field to reduce ecosystem degradation.

Both sides, in a win-win scenario, have worked to improve the eco-efficiency profile of packaging according to ecodesign strategies, with the goal of:

- Reducing the environmental impact of the packaging of items sold at our stores (especially those of the Private Brands);
- Reducing the costs of packaging materials and components and of packaging waste management;
- Optimising the movement, transport and display of goods.

The Companies of the Distribution sector in Portugal have been implementing initiatives with Private Brand suppliers, according to the principles described in the

Jerónimo Martins Ecodesign Packaging Manual, which have generated the following results:

Ecodesign	No.	Unit
Products encompassed	103	SKU**
Savings in packaging materials	1,918	t materials / year
Transport avoided	*395	t CO ₂ eq / year

** SKU – Stock Keeping Unit.

The values marked with * were corrected compared to the Annual Report for 2011.

A co-operation initiative with the producers of cardboard has begun in Poland, in order to improve the eco-efficiency of packaging used by the Private Brand suppliers. It is expected to generate initial results in 2013.

4.5. Other Initiatives

The Group has strengthened the inclusion of environmental criteria in all unit construction or revamping projects, in order to minimise the environmental impact of building work and the use of facilities. The highlights in 2012 were:

- The distribution sector (Portugal, Poland and also Colombia) produced documents (technical standards or specifications) that collate construction measures and equipment for new stores and revamped stores, in order to improve the environmental performance of the stores as well as contribute to greater savings and standardize operations during building and equipment lifetimes;
- Biedronka currently has 11 pilot eco-stores, five more than in 2011. These stores include ten standard measures to reduce water and energy consumption and to improve waste management;
- Biedronka has initiated the development of the second generation of eco-stores.

4.6. Raising Employee and Customer Awareness

The Group continued to focus in 2012 on training and raising the awareness of employees to changing behaviour so as to support the better management of natural resources, emissions and waste. The most important of the initiatives were:

- Development of internal signage for the stores in Portugal, focused on the rationalisation of water and energy consumption, and waste separation;
- The launch of the new edition of the Good Environmental Practices Manual and pocket manuals (water, energy and waste) in order to promote the adoption of good environmental practices by employees and to promote the rational use of natural resources in the stores and distribution centres in Portugal;
- Conducting training courses on good environmental management practices for employees of the Distribution Companies in Portugal, totalling 1,563 training hours (including service providers). Environmental training courses were also held in the industrial units of Manufacturing, totalling 72 training courses.

Aware of the need to encourage the Companies to adopt more sustainable behaviour that stimulate a closer relationship with the environment, the Jerónimo Martins Group developed several initiatives in 2012 aimed at customers and consumers:

- The Amanhecer Manual of Good Environmental Practices was developed in order to support the store owners that subscribe to the Amanhecer project. This manual promotes rational use of natural resources and efficient consumption of energy and water in the stores, among other environmentally responsible measures;
- Raising the environmental awareness and training of Recheio's Horeca customers through the publication of several articles in the "Notícias Recheio" magazine on themes such as the adoption of good environmental practices, the management of refrigeration gases and combating food waste;
- Raising the environmental awareness and training of Pingo Doce customers through the publication of various articles in the "Sabe Bem" magazine, on the adoption of more responsible behaviour in environmental terms and consequently encouraging domestic savings;
- Publicising through Pingo Doce the "Desperdício Alimentar" (Food Waste) environmental campaign promoted by APED - Portuguese Association of Distribution Companies, in order to raise consumer awareness regarding food waste;
- Sale of reusable plastic bags at a symbolic price of €0.02, in force since 2007. In six years, Pingo Doce has achieved the following results: 49% reduction of consumption of bags (by weight), 9,152 tonnes reduction of bags disposed of in landfills, 18,223 tonnes reduction of CO₂ emissions, representing a reduction of 14,236 tonnes of oil and natural gas. At the same time, Pingo Doce also sells trolleys and large reusable bags;
- Similarly, Biedronka started in 2008 the sale of reusable plastic bags, having recorded a reduction in its consumption by 11%, which represents a reduction of 3,083 tons of bags in landfill and a reduction of 6,139 tonnes of CO₂ emission, representing a reduction of 4,796 tons of oil and natural gas;
- Organisation of the third "We take care of ECO-practices" campaign, which collected more than 42 tonnes of glass waste at 30 Biedronka stores. Customers had the opportunity to complete a questionnaire on their environmental behaviour and needs with regards to waste separation;
- Launch of the "Em sintonia com a Natureza" (In Tune with Nature) environmental campaign, which collected 250 kg of aluminium packaging and nearly 10 tonnes of glass containers;
- Monthly publication of articles on environmental protection entitled "The green side of Biedronka", in the Kropka TV magazine.

4.7. Partnerships and Support

The Distribution Companies in Portugal took part in the following initiatives, focused on projects promoting natural habitats recovery and protecting biodiversity:

- Pingo Doce continued to sponsor the Lisbon Oceanarium, annually contributing with 100,000 euros;
- Pingo Doce maintained its partnership in 2012 with Liga para a Protecção da Natureza (Nature Protection League) regarding the ECOS-Locais project.

Joint initiatives with BCSD Portugal and GRACE

The Jerónimo Martins Group, as a member of BCSD Portugal – Business Council for Sustainable Development, participated in the Sustainability Yearbook published by this entity and Biorumo with the case study "Combating waste - water and energy consumption management teams". Jerónimo Martins also contributed to the publication of the "Economia Verde 2020 – Desafios e Oportunidades para as Empresas" (Green economy 2020 - Challenges and opportunities for companies) manual of GRACE (Discussion and Support Group for Corporate Citizenship) with three case studies about the Group, these being: "Rationalisation of consumption - avoid wasting natural resources", "Eco-stores project - promote good environmental practices" and "Ecodesign of packaging".

4.8. Commitments for 2012-2014

In 2012 there was a clear progress regarding most of the commitments covering the period 2012 to 2014:

- Energy consumption in Distribution in Portugal (per business unit) was reduced by more than 23%;
- Water consumption in Distribution in Portugal (per business unit) was reduced by 4%;
- In Poland, energy and water consumption (per business unit) remained practically unchanged despite the increase of the number of sites;
- The waste recovery rate in Portugal increased by nearly 4 p.p. in Distribution and by 1.5 p.p. in Manufacturing.

5. Sourcing Responsibly

5.1. Introduction

The activities developed by Jerónimo Martins involve an integrated approach to environmental, social and ethical concerns throughout its value chain. Accordingly, we seek to ensure that our presence causes the least possible impact on ecosystems, that the products we sell meet the needs of consumers and, in parallel, we are able to create and share value with all stakeholders.

A Policy for Sustainable Sourcing was developed in 2010 to fulfil these objectives (available at: <http://www.jeronimomartins.pt/responsabilidade/comprar-com-responsabilidade/politica-de-compras-sustentaveis.aspx?lang=en>), which defines the principles of quality and food safety, fair pricing, preference for foods with healthier nutritional profiles, social well-being and sustainability. In addition to the commercial contract we conclude with our Perishables suppliers in Portugal, they are also covered by a Suppliers Code of Conduct (available at: http://www.jeronimomartins.pt/media/447222/suppliers_code_of_conduct.pdf), thereby embodying the principles of this Policy and binding the entire value chain to the required standards.

The Jerónimo Martins Group has sought to establish a lasting relationship with producers through the direct procurement commitment. The Group's technical monitoring teams, implementing this commitment in the field, guide producers to optimize their production processes through proactive dialogue in seeking solutions with greater proximity.

5.2. Commitment: National/Local Origin

The Group's Distribution Companies, preferably and on an equal commercial footing, choose local or national suppliers in order to enhance the socioeconomic well-being of the locations in which they operate and minimise the carbon footprint of the products they sell.

In this context, the Group continued to promote in 2012 the choice of national products by consumers, by identifying them with "The Best of Portugal is Here" stickers, in the case of Pingo Doce. Various in-store campaigns promoting national production were implemented in both Portugal and Poland.

Reduction of payment deadlines to suppliers

In April 2012, Pingo Doce and the Portuguese Farmers' Confederation (CAP) announced the initiative of the Company's support to national fresh farmers in order to reduce the payment time to an average of 10 days for 350 domestic food suppliers. These suppliers represent about 600 producers, primarily composed of Small and Medium-Size Enterprises (SMEs).

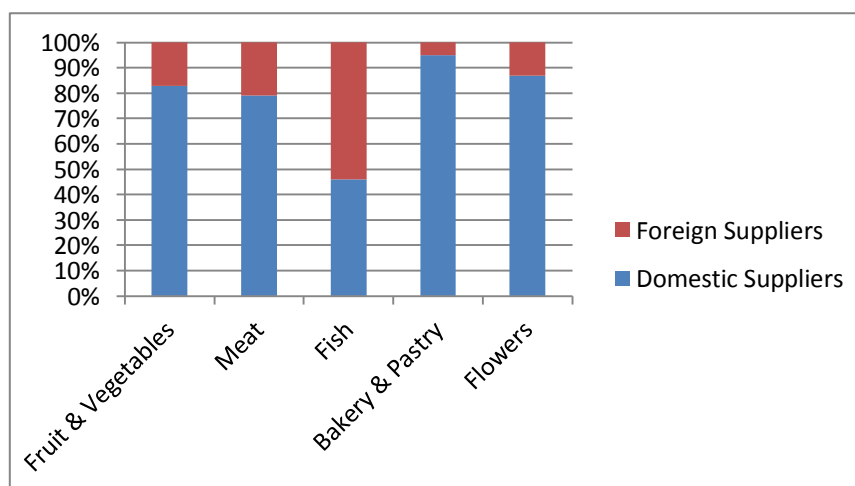
The measure was justified despite the investment involved, of 50 million euros, by the need to maintain the Company's food supply chain operating, in an economic climate of limited access to credit and higher production costs for domestic producers. The suppliers covered, benefitted from payment being made ten days after the orders are received – a period substantially below the market practice (60 days).

In Portugal, over 80% of the products sold were sourced from local suppliers. In Poland, more than 90% of food products sold in the Biedronka stores were sourced from local suppliers. Among these, milk and dairy products are entirely of Polish origin.

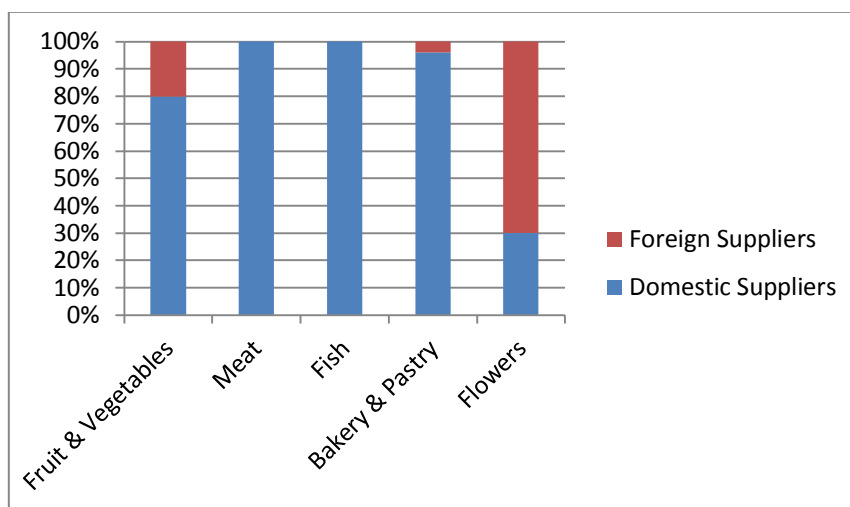
Perishables

In the Perishables area in Portugal (which includes the categories of Meat, Fish, Fruit and Vegetables, Bakery and Pastry and also Flowers), about 71% of products sold in the stores were sourced from local suppliers.

Perishables in Portugal
Domestic Suppliers vs. Foreign Suppliers



Perishables in Poland Domestic Suppliers vs. Foreign Suppliers



a) Fruit and Vegetables

The Jerónimo Martins Group chooses to source fresh fruit and vegetables preferably from domestic producers. Exceptionally, the Group resorts to imports in the following cases:

- i. For reasons of production seasonality such as the supply of oranges or apples during the summer;
- ii. When there is no domestic production or the quantity produced in the country is insufficient to guarantee the supply to the stores;
- iii. When the quality of domestic products does not allow the quality commitment of the Group to customers to be met.

Despite these reasons, about 75% of the fresh fruit sold in Portugal was sourced from domestic suppliers, which represents a decrease of almost 5 p.p. on fresh fruit imports compared with 2011. It should be noted that all the Bravo and Jonagred apples, Rocha pears and chestnuts sold by the Group, in 2012, were produced in Portugal, as well as 95% of Golden apples, white plums, watermelons and figs. More than 90% of the oranges sold were of national origin.

Under the partnership began in 2010 with Instituto Superior de Agronomia (Institute of Agronomy) for the development of consistent production of green melons with selected domestic farmers, the first harvest of this product occurred in 2012, after field testing and selection of the best varieties and producers. In this project we helped produce a variety of the "pele de sapo" (toad skin) streaked melon, very similar to the "nutmeg" species and which is of particular importance for Portugal. By supporting its production we have recovered a fruit for the domestic market that was almost exclusively sold in Spain.

2012 was also marked by a series of awareness campaigns to promote the consumption of domestic products, such as Portuguese oranges, Golden apples, soursop and passion fruit from Madeira, pineapple from the Azores and yellow pulp kiwi fruit, among others.

About 80% of the fruit sold in Poland came from Polish suppliers. The main fruits were apple, Packham pear and raspberry, which were only sourced from local suppliers.

Fresh vegetables in Portugal were wholly sourced from local suppliers, as well as 97% of 4th range products (cut, ready-washed vegetables for soups and salads), 98% of organic products and also 90% of root vegetables, which is an increase in all these ranges over the year 2011. Portuguese carrot, lettuce, pumpkin, cabbage, watercress, sprout and fennel were exclusively of national origin.

About 84% of vegetables in Poland were sourced from local suppliers. Mushrooms, potatoes, carrots, white and red cabbage, romaine lettuce, onion, chives, parsley, *courgettes*, raspberry tomatoes, asparagus, garlic, red radishes, among other vegetables, were all sourced solely from Polish producers.

b) Meat and Fish

79% of the meat sold in Portugal was sourced from local suppliers. Of note is the fact that 98% of poultry and 91% of lamb and goat sold have been reared in Portugal.

The lasting relationship with local suppliers has significantly driven these data. In 2012, we worked with around 400 suppliers, about one hundred more than in 2011, representing a total of 710 local producers. Significant improvements in production processes were developed. We continued to provide technical support to Portuguese producers of lamb, veal, pork and turkey, promoting the use of special cereal-based feed, advising on the management of livestock farms (giving priority to animals reared outdoors), the selection of slaughterhouses, and also the most efficient distribution paths.

The protection of indigenous breeds was also maintained through the renewal of the certification of beef, such as that of the Mertolenga, Barrosã and Alentejana breeds.

Domestic production of Aberdeen Angus meat

The stimulus to domestic production increasingly encompasses the creation of innovative solutions. In this context, the Jerónimo Martins Group invested in the production in Portugal of Aberdeen Angus beef, an indigenous breed of Scotland and Ireland, offering consumers a high quality meat. This production relies on an innovative process in Portugal that comprises the ageing of the meat before sale and the feed given to the animals: a unique concentrate of nutrients, developed in partnership with the Faculty of Veterinary Medicine, in Lisbon.

Working in partnership with the Aberdeen Angus Association of Portugal and CERTIS, the certification company, a product of excellence has been obtained, which in 2012 was sold exclusively to Pingo Doce.

This project drove the generation of economic value among domestic suppliers, which have thus included this product in their supply. This initiative also resulted in efficiency gains and a reduction of the carbon footprint due to decreasing the transportation distances.

With respect to fresh fish, Portuguese stocks are still insufficient to meet demand in Portugal. Nonetheless, and upholding the commitments made in 2011, the regular business partnerships with some 60 Portuguese vessels continued, thereby supporting

the national fishing industry. About 46% of the fish sold in Portugal in 2012 by the Jerónimo Martins Group was sourced from local suppliers, in line with the 2011 ratio.

All swordfish and hake were sourced from Portuguese suppliers, as well as 97% of sardines and 89% of sea bream. More than 80% of horse mackerel was also sourced from local suppliers.

All the fish sold in Poland was sourced from local suppliers, with particular emphasis on the salmon, trout, carp and bass.

c) Bakery and Pastry

In Portugal, as in Poland, about 95% of Bakery and Pastry products were sourced from local suppliers.

d) Flowers

The Flowers category represents an important investment for the Group in the Perishables area. The category registered a significant boost in 2012 due to growing demand for quality plants, flowers and floral arrangements at affordable prices.

We have worked in Portugal with around 87% of local suppliers in this area, in 2012, highlighting the development of a partnership of great significance from a production a social perspective.

Manufacturing

All of the extra virgin olive oil used by Gallo Worldwide is sourced from local suppliers, basing its business relations on lasting partnerships, such as those with the SAOV – Sociedade Agrícola Ouro Vegetal (Ribatejo), Olival Fonte dos Frades, Olivais do Sul (Alentejo) and Cooperativa Valpaços (Trás-os-Montes) cooperatives, among others.

5.3. Commitment: Human and Workers' Rights

According to our Sustainable Sourcing Policy, we only use suppliers who expressly commit to practices and activities that fully comply with national and international laws and agreements.

We are committed to severing business relations with suppliers if we ever learn that they or their suppliers violate human, children's and/or workers' rights or if they do not incorporate ethical and environmental concerns in the conduct of their business or they are not prepared to draw up a plan to remedy their operational failings. In the Suppliers Code of Conduct, our suppliers undertake to respect the social and labour laws and laws on occupational health, safety and hygiene in the countries where they operate.

Furthermore, at Unilever Jerónimo Martins and Gallo Worldwide, all supplies imply full acceptance of the principles of the Suppliers Code (available at: www.unilever.pt). The pre-audit questionnaire for Company suppliers includes questions on occupational health and safety and the Code of Business Principles.

The Group has also established a partnership with the Rainha Dona Leonor Special Education Centre to locally supply flowers, which promotes the rights of citizens of

vulnerable groups, based on equal opportunities. This Centre, working to build professional capacities and for the sustainability of its mission, certified by the Directorate General of Employment and Workplace Relations and by EQUASS (Assurance in Social Services), supplies the floriculture market and also ornamental material to retailers and the general public.

5.4. Promotion of More Sustainable Production Practices

The environment is, besides the social aspects mentioned above which define the aim of some of the supplier evaluation and monitoring criteria, one of the most evident concerns of our relationship with food production processes.

We advocate, aware of the need to ensure that future generations have access to the standards of quality of life that we have today, that diligent and careful management of available resources is imperative, turning environmental challenges into economic opportunities.

We endeavour to include in supply chains, together with our suppliers, an integrated approach to environmental criteria, which we consider to be essential in developing a responsible business and may minimise the impact on ecosystems of production processes.

The Jerónimo Martins Group has, in order to continuously raise these concerns among suppliers, exhaustively endeavoured to control the raw materials it sells, establishing systematic checking processes. Accordingly, material issues such as water, wastewater, waste, air emissions, noise and hazardous substances have been monitored through regular audits to ensure, among other things:

- The protection of groundwater;
- Compliance with wastewater discharge limits and the correct approach to the use of fertilizers in accordance with law;
- The management of the packaging produced and channelling of the different types of waste generated;
- Compliance with the emission limits set by law as well as emissions monitoring plans;
- Compliance with the law on the use of gases and refrigerants;
- The correct use of tanks and areas containing hazardous substances, in the context defined by law.

Initiatives

We maintained our focus in 2012 on fruit and vegetable production using biological methods of pest control. Through a process called "Biological Control", which is the use of insects to eliminate invading pests, we have been working with our suppliers to use increasingly fewer pesticides and toxic chemicals that cause the desertification of land, contaminate groundwater and contribute to the eutrophication of rivers.

We have also given priority to innovation in the field of new technologies, in Portugal. We have promoted the use of cogeneration for vegetables produced in greenhouses, in counter-cycle with harvests, which provides a continuous supply throughout the year, thereby reducing imports. The cogeneration process, in terms of power management, maximises the use of natural gas to heat the greenhouses.

In a different area, we focused in 2012 on the training of the Group's employees through training courses on sustainability in the supply chain of the Group. The employees, by being made aware of the main challenges and risks facing companies in the future, had the opportunity to learn and discuss how to promote responsible sourcing practices in relation to the producers.

An in-house annual conference cycle was also initiated in 2012. This year's theme was "Responsible Fish Sourcing". The many aspects addressed at this conference included the need to conduct a systematic evaluation and tracking of this source of raw material in our Sourcing areas, in both Portugal and Poland.

Gallo Worldwide promoted with its partners the development of packaging using recyclable materials.

Certification

As regards certification in Poland, the fruit and vegetable suppliers are Global Good Agricultural Practices (Global G.A.P.) certified, which encompasses environmental aspects, among others. The meat suppliers have British Retail Consortium (BRC) certification and other suppliers have ISO or HACCP certifications.

In Portugal, whenever the supplier is not covered by our audit system it must have a food safety certification recognised by the Global Food Safety Initiative, namely BRC, IFS, Global G.A.P., *Codex Alimentarius* or even ISO 22000:2005 certification.

We maintained our certification of the Pingo Doce brand canned tuna with "Dolphin Safe" labeling, during 2012. This ensures that there was no accidental capture of dolphins during the fishing process, thereby preserving dolphin sustainability.

Moreover, the 22 Pingo Doce brand personal and home care products that held Sustainable Forestry Initiative certification in 2011, which ensures that the raw material used in the design of these products comes from the legal felling of forests, had their certifications renewed.

The commitment to have all Ben&Jerry's ice creams FairTrade certified by the end of 2012 was achieved. This certification scheme ensures that business relations are established on the basis of fair prices for producers.

Gallo Worldwide maintained its commitment in 2012 to encourage its partners to use production practices of excellence, such as sustainable farming practices, the selection of olive varieties and defining optimal harvest times to maximise the quality-cost ratio. In relation to certification, the oil obtained from suppliers was accompanied by a Certificate of Origin where the term "Virgin" or "Extra Virgin" appears, identifying the mill where it is produced and the origins of the olive used, complying with legal provisions introduced at the start of the year.

5.5. Supplier Audits

Quality and Safety

Perishables and Private Brand suppliers are regularly audited for assessment and follow-ups. Such audits are mandatory for suppliers conducting their business in that country. The various aspects analysed include the management and control of

processes, the quality system implemented, the formulation of products, labour issues and environmental matters.

Each supplier is reassessed at predefined intervals based on the score obtained.

Audits to Perishables suppliers

	2012	2011	Δ 2012/2011
Portugal			
Evaluation Audits	160	270	-41%
Follow-up Audits	139	285	-51%
Poland			
Evaluation Audits	41	37	+11%
Follow-up Audits**	1,350	1,074*	+26%

The values marked with * were corrected comparing to the Annual Report for 2011.

** Follow-up audits include the *follow-ups* and product inspection.

Environment

The Companies of the Distribution sector recognise that cooperation with their suppliers is essential in order to minimise environmental impacts. Accordingly, 16 audits were performed in 2012 of service providers in the maintenance and waste areas.

5.6. Supplier Training

Quality and Food Safety

In Portugal, in-house seminars in the Fruit and Vegetables category were organised, aimed at our suppliers for the presentation of new projects (such as the case of the already mentioned Pingo Doce melon) and to divulge new, more sustainable production methods among suppliers. The topics discussed were, for example, "Nitrates in spinach and lettuce" and "Alternatives to sodium metabisulphite in pre-packed potatoes".

Also, as regards Bakery and Pastry products in Portugal, and following a philosophy of engagement of the production and food distribution sectors, the suppliers audited and evaluated at "Basic" level were instructed in the Nutrition Policy and other matters relating to food quality.

In Poland, three workshops on Fruit and Vegetables, Butchery, and Fishery were also held for in-house auditors.

Environment

A project with Portuguese suppliers in the Fruit and Vegetables area was developed in order to enhance the application of the Jerónimo Martins technical standard on "Environmental Management for Suppliers of Goods and Services". This initiative

added knowledge and skills as well as facilitated the audit processes performed by the Group.

In this context, it should be noted that the *learning-by-doing* methodology tested with these suppliers built their environmental management capacity and permitted the leverage of similar projects in other relevant areas of the Group (Private Brand and other Perishables areas). The project encompassed, in total, all domestic suppliers.

5.7. Commitments for 2012-2014

Although 2012 was the launch year for compliance with the commitments made in 2011, we are able to report some progress:

As regards to our first commitment - to ensure continuity of the sourcing of at least 80% of food products from local suppliers - the performance in 2012 was as expected both in Portugal and in Poland.

We are keeping our commitment to introduce certified products for the sustainability of the raw materials' sources in, at least, four Perishables products, as well as for two Private Brand products.

6. Supporting Surrounding Communities

6.1. Introduction

The Jerónimo Martins Group abides by a Policy for Supporting Surrounding Communities, which was approved in 2011 (available at: <http://www.jeronimomartins.pt/responsabilidade/apoiar-as-comunidades-envolventes/politica.aspx?lang=en>), which it uses to systematise the support it provides. Within the scope of this policy, the Group is involved in projects and initiatives committed to promoting the values of Humanity, Merit, Entrepreneurship and Citizenship, by fighting malnutrition and hunger and the cycles of poverty and social exclusion of two main groups that Jerónimo Martins considers to be society's most vulnerable: the elderly, and underprivileged children and young people.

The institutional support granted is largely through shopping vouchers that can be used to buy food and other items in the Group's stores. It may also be in the form of direct and indirect support to initiatives involving educational work for children and young people at risk, aiming to prevent early school drop-out and the factors which lead to social exclusion, as well as encouraging entrepreneurship.

Within the individual Companies, the majority of the support given is in food.

6.2. Managing the Policy

At Group level, all support activities are carried out within the scope of this policy and are properly monitored and an assessment is made of their impact, so that resources are allocated to social projects that are proven to be effective, reaching the largest possible number of underprivileged people.

All the institutions which receive our ongoing corporate support (with a protocol) have "Identity Cards" mentioning their mission, objectives and the number of beneficiaries. This information is regularly updated through information provided by the institutions and follow-up visits.

The main purpose of these visits is to assess the maintenance of the institutions' infrastructures and analyse the quality of the service provided to the beneficiaries.

6.3. Direct Support

Aware of the tough economic climate, the Group maintained its commitment to provide support to various institutions which carry out important social work, by providing both money and food.

In 2012, the direct support that the Jerónimo Martins Group gave to surrounding communities amounted to over 11.2 million euros, representing an increase of 65% in this type of support compared to 2011.

During the year, the Group provided support at a corporate level to a number of institutions amounting to 479,727 euros, around 2% more than in 2011. Of this amount, 262 thousand euros, i.e. 55%, was for social patronage, mainly for children and young people as well as the elderly.

Casa de Protecção e Amparo de Santo António (St. Anthony's Home for Protection and Support)

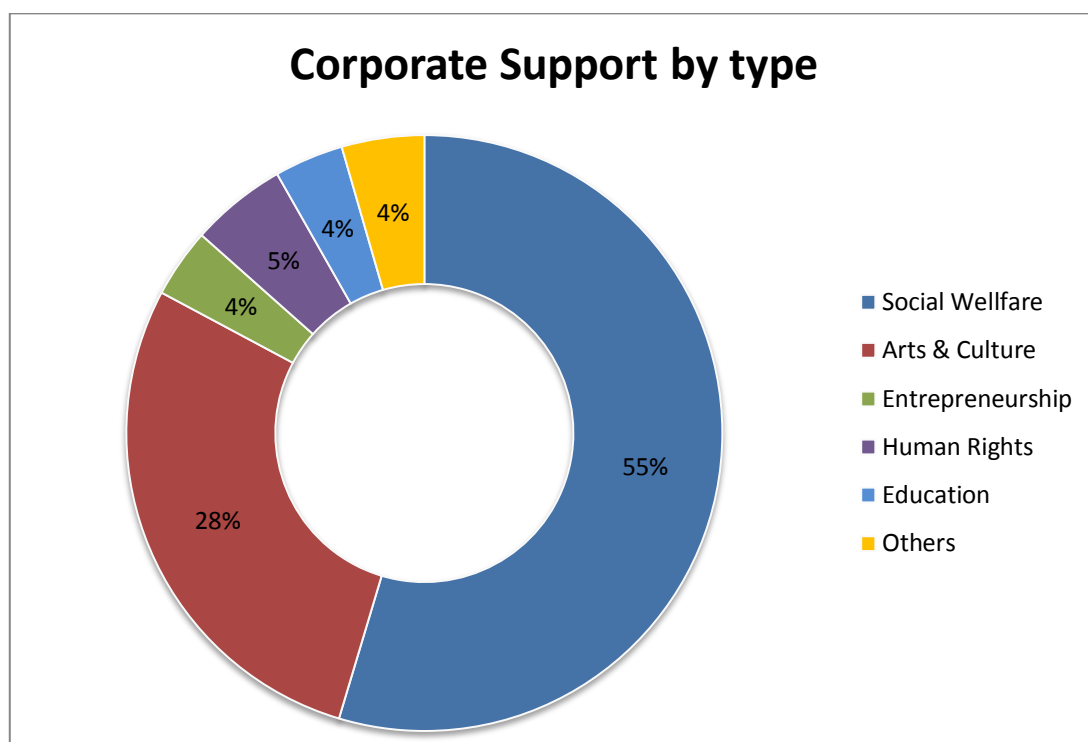
This institution was founded in 1931 in order to support pregnant adolescents at risk. In order to promote social cohesion whilst breaking away from the idea of simply providing welfare, this institution is made up of the following:

- A Casa das Mães (Mothers' House), aimed at creating maternal skills as well providing social and professional rehabilitation to the mothers being supported;

- A Casa das Crianças (Children's House), for daughters of the supported women and others, fostering their social interaction;

- A Casa dos Sabores (House of Flavours), which really is the driver of the institutions' sustainability. Through the support from several companies (including Jerónimo Martins) and private individuals, Casa de Santo António has invested in infrastructures and equipment for making food, so that it can sell products, thereby helping to maintain the other parts of the institution.

On a monthly basis, the Group also supports Casa das Mães by donating shopping vouchers to buy food and personal and homecare products. Whenever possible, we also hire the Casa dos Sabores catering for some of our events.



As an example we highlight the ongoing support given to Fundação Obra do Ardina, an institution geared towards socially rehabilitating children and young people who are vulnerable in social, family and psychological terms, with the objective of helping them to complete their education and have vocational training. The Jerónimo Martins Group is aware of the need to maintain an active and lasting involvement with this social partner and has therefore been supporting this institution since 2004.

In 2012, on a central level, Pingo Doce supported its surrounding communities through donations in kind and money, to a value of over 218 thousand euros. In addition to this aid, the stores and Distribution Centres also directly made in-kind donations to institutions in the areas where they operate. These donations came to over 8.6 million euros.

Of note also is the partnership we established with the Zero Desperdício ("Zero Waste") movement, an initiative promoted by the association DariAcordar. Pingo Doce was the first food distribution company to sign a protocol with DariAcordar. This association's mission is intrinsically linked to the Group's Policy for Supporting Surrounding Communities. Through the Zero Desperdício initiative, food which cannot be sold but which is fit for consumption, is recovered and made available to people with serious economic difficulties.

In Madeira, the support provided was mainly in food, which reached over 253 thousand euros in 2012, with a special mention for Centro de Apoio ao Sem-Abrigo (Centre for Supporting the Homeless). Apart from the above institution, the Associação de Desenvolvimento Comunitário do Funchal (Funchal Association for Community Development) also received food support.

Recheio provided donations of cash and food amounting to around 300 thousand euros.

Biedronka provided support, mainly in kind, to the value of around 1.1 million euros (4.3 million zloty), double than the support provided in 2011.

Children's Day

In Poland, of note in 2012 is the International Children's Day campaign, resulting from the partnership between Biedronka and Caritas Polska.

Biedronka wanted to provide a memorable day to children from poor families at risk of exclusion, and so helped to organise picnics in 20 Polish cities, where there were outdoor games, sports tournaments, shows and job demonstrations.

In 2012, Biedronka managed to bring together around 140,000 children at these initiatives.

Caritas Polska has been this brand's main partner for several years now. Both help to celebrate events such as the Children's Day (see highlight), World Day of the Sick and St Nicholas's Day. This support did not only take the form of donations of food products but also included assistance in sponsoring the institution's events, including advertising.

The Distribution Centres also supported paediatric hospitals, by donating hospital equipment and furniture.

In 2012, Unilever Jerónimo Martins supported 17 private charities, by donating products

and a total of 200 thousand euros. The Portuguese Food Bank was the main beneficiary of these contributions. Other protocols that we have established include Novo Futuro, an association which supports children from broken homes, Acreditar and Associação Crescer Bem.

In 2012, Jerónimo Martins Distribuição de Produtos de Consumo, Caterplus and Hussel supported the Portuguese Food Bank and the association Novo Futuro with in-kind donations to the value of 65 thousand euros.

6.4. Internal Volunteering and other Campaigns

During the 2011/2012 academic year, as in previous years, Jerónimo Martins' employees in Portugal were encouraged to take part in volunteering within the scope of the "Aprender a Empreender" ("Learning to be an Entrepreneur") programme organised by the Junior Achievement Portugal Association, of which the Group is a founder-member.

This association aims to instil and foster entrepreneurship in children and young people, through 11 theme-based programmes on topics such as Family, Community and Economy for Success. These programmes are taught by volunteers from various member companies.

Throughout the year, our employees in Portugal also had other opportunities of helping to support the target groups within the surrounding communities.

At Christmas time, an internal campaign took place called "Juntos pela Alegria" (Together for Joy) which, thanks to the contributions by our central office employees, enabled us to give 59 children from three charities the presents they wanted.

Make a Wish Foundation

This organisation was formed in 1993 in the United States and following rapid international expansion, it is now present in 48 countries.

Its main objective is to grant wishes to children and young people with serious illnesses, simultaneously giving them hope and happiness at the times in their lives that it is most needed.

Dreams such as visiting foreign cities, learning to cook, or being a fireman for a day, quickly become reality through the contributions by companies who support this organization.

At the Group managers' Christmas dinner this year, as in 2011, we maintained the matching donation initiative. On the theme "Life is not just figures, so let's make dreams come true", a partnership was established with the Make a Wish Portugal Foundation, endeavouring to make the dreams come true of five young people with serious, potentially life-threatening illnesses.

The Jerónimo Martins employees were touched by this initiative and donated a total of over 4,700 euros, which the Group then matched. By making their wishes come true, we gave these young people a message of hope, courage and solidarity at a very vulnerable time in their lives.

6.5. Indirect Support

In 2012, Pingo Doce participated in several campaigns which helped to boost collecting food and other goods to support underprivileged people.

Over 1,600 tons of food was collected for the Food Bank campaign by volunteers in the Pingo Doce stores and over 23 thousand shopping vouchers were sold.

The fundraising campaign for Associação de Cegos e Amblíopes de Portugal (ACAPO - Portuguese Association of the Blind and Poorly-Sighted) resulted in proceeds of 13 thousand euros.

The *10 Million Stars* campaign, in partnership with Cáritas Portuguesa, resulted in the sale of 174 thousand candles in 2012, thereby guaranteeing revenue of 80 thousand euros for this institution.

In the course of three campaigns in Poland, Biedronka managed to collect 700 tonnes of food in collaboration with the Polish Food Bank Federation. Activities for collecting food in partnership with Caritas Polska also took place.

6.6. Other Support

In 2012, the European Year for Active Ageing and Solidarity between Generations, the Jerónimo Martins Group heeded to the European Union's call of encouraging society's involvement in promoting the real integration of elderly people, fighting their isolation and social exclusion.

As such, apart from the Group's various ongoing support activities, in Portugal it also carried out *Roda Viva – Encontro de Gerações* (Live Wheel - Coming Together of Generations), a meeting in the country with tea and various educational activities where older people could share their knowledge and experience with younger generations.

There were over 150 participants at this meeting, which took place in October. Activities linked to traditional knowledge and rural activities took place, such as preparing cheeses and sausages, planting seeds and contact with animals.

With the support of Biedronka, along with other companies, the *Sniadanie Daje Moc* (Breakfast Gives you Power) programme was carried out. Products such as wholemeal sandwiches were freely distributed to the participating children.

Biedronka co-sponsored the visit of Muhammad Yunus, the creator of micro-credit in Bangladesh (through which partnerships with manufacturers of yoghurt for children were established) to the University of Warsaw and the University of Krakow. The aim of this visit was to discuss the importance of the economic agents being actively involved in eradicating child malnutrition.

6.7. Commitments for 2012-2014

If we consider the commitments for 2014 in this area, the percentage of Pingo Doce stores supporting charities through in-kind donations is currently 95%, which complies with the objective set for 2014. In 2011, 75% of the stores supported these institutions.

7. Being a Benchmark Employer

7.1. Introduction

The Jerónimo Martins Group plays an important role in stimulating local economies and improving the quality of life of the communities where it operates, through the number of jobs created and the competitive and balanced wage practices.

The concern for people who contribute daily to the Group's growth embodies the respect for Human and Labour Rights, investment in training employees and creating opportunities for career advancement, securing adequate safety and hygiene conditions, and promoting programmes of additional support for those who need it most.

Although 2012 was a year of major economic challenges, especially in Portugal and, to a lesser extent, in Poland, the Jerónimo Martins Group continued to assert itself as a dynamic agent of the labour markets in the geographical areas where it operates.

The Group created 3,173 jobs in 2012, equivalent to net growth of 4.8% from 2011. The operations in Poland had a significant contribution for these figures, taking into account the milestone of surpassing 2,000 stores in the country and the opening of 263 new Biedronka stores in 2012.

In Colombia, a country in 2012 where the Jerónimo Martins Group began to establish itself and take the first steps to starting a new business in the Distribution area, the Human Resources activity area focused on attracting and training employees, whilst seeking to convey the Group's Culture and values.

The main indicators for the Jerónimo Martins team are:

- We are 69,443 people;
- 77% are women;
- 37% of management positions are held by women;
- 14% are aged less than 25 years, 42% are aged between 25 and 34 years; 29% between 35 and 44 years; 11% between 45 and 54 years; 3% are aged 55 years or over;
- 81% are hired on a full-time basis;
- 67% are permanent staff.

7.2. Principles and Values

The Jerónimo Martins Group, in compliance with national regulations and also steered by guidelines of the International Labour Organization and the United Nations on Human Rights and Labour matters, ensures that its recruitment, selection and career development procedures were designed to prevent any direct or indirect discriminatory practice, ensuring the dignity of the person and access to the right to equal opportunities.

Assessments of employee performance are conducted every year, in an impartial and transparent manner. The aim is also to assess the need to invest in ongoing learning,

which is achieved through the training of specific skills. The culture within the organisation is one of meritocracy and justice.

Disclosure

The Code of Conduct (available at: http://www.jeronimomartins.pt/media/431763/code_of_conduct.pdf) aids the implementation of these principles and is a "compass" guiding the behaviour and attitudes that best contribute to a positive working environment. All employees who begin working for the Group are made aware of this Code.

In Poland, the Policy to Prevent Moral Harassment and Policy to Prevent Discrimination are also in force. These policies aim to prevent the discrimination of employees or any action that may threaten their dignity, by defining corrective practices and ensuring regular monitoring.

The Group makes use of internal communication platforms to supplement the formal implementation of the Code and supporting policies. These platforms include the in-house portal and the "A Nossa Gente" and "Nasza Biedronka" magazines, which disclose the principles and shared values of the organisation.

Application

The Group provides in both Portugal and Poland a telephone number, an email address or letter service for employees to report situations of non-compliance with the Code of Conduct or its underlying principles, thereby fostering a relationship of trust. These services guarantee total confidentiality and availability. They are also used by employees to request clarification of labour issues or seek social support.

The Ethics Committee, the area of Labour Relations or Internal Social Responsibility may be involved, depending on the areas concerned, to guarantee to employees the proper investigation and resolution of all situations.

	Employee Assistance Service	
	No. Contacts/Procedures initiated	% of procedures concluded
Portugal – "Entre Nós"	4,711	100%
Poland	1,831	98%

In relation to freedom of association, more than 90% of the Group's employees in Portugal are covered by collective bargaining agreements signed with trade unions.

7.3. Global Approach

Taking into account the dimension achieved by the Group as a result of its sustained expansion, 2012 was marked by the launch of the "Global Approach to People Management".

This approach cuts across all countries where the Group operates and is aimed at the managers of the Group, based on two major points of focus, creating a common vision in the management of teams:

- JM Way - a skills model which guides behaviour and attitudes, blending the business objectives with people;
- Taste Of – an integrated concept of people management based on five pillars, Taste of a New Journey, Taste of Ambition, Taste of Evolution, Taste of Recognition and Taste of Significance, that reflect the employee lifecycle within the Organization.

The areas of intervention of this approach mould the "life cycle" of the careers of the people who make up the Jerónimo Martins Companies, from the moment they are welcomed into the organisation.

An integrated tool - the Jerónimo Martins People Management Platform - has been created to put this approach into practice. This platform aligns the human resources policies and procedures in all geographical areas.

7.4. From Attraction to Retention

Internal mobility is a model used to provide skills to employees so that the functional areas can make use of their experience and technical skills. Nevertheless, the attraction of talent and external recruitment are considered alternatives to strengthen the Group's human resources in the countries where it operates.

Trainees and Internships Programme

The expansion and diversification of the portfolio of the Jerónimo Martins Group has made the promotion of international experiences a competitive advantage and which fosters the sharing of knowledge, culture, values and skills.

In this context, the International Management Trainees Programme was launched in 2012, which aims to provide training to trainees in another country.

We promote the mobility of young people with higher education qualifications through an exchange programme between Portugal and Poland. The aim is to ensure they are better adapted to real operational situations and can develop their potential in a multinational perspective.

479 curricular and professional internships were also implemented in Portugal and Poland. In Poland there were summer internships for 46 young people.

Internal Recruitment

This internal recruitment programme "Move Within" was created in 2011, in Portugal, and it is aimed at employees who voluntarily wish to evolve professionally and take up a new position in the Group and its Companies.

To encourage career advancement and, at the same time, the sustainability of the human capital of Jerónimo Martins, challenges are proposed that when matched by commitment and dedication, are decisive in an attractive compensation package. Eight employees moved to new duties under this programme in 2012.

In Poland, there are equal opportunities for professional progress available for the employees in the context of an internal recruitment programme. This programme's

scope is larger and includes also positions in stores and Distribution Centres. In 2012 about 2,500 new positions were proposed to employees.

Performance Assessment and Remuneration

The Group has, for several years, implemented policies and procedures that reward merit, believing that it is essential to reward the performance of employees in a balanced manner, motivating them to pursue careers that generate value in line with the organisation's strategic objectives.

In this context, the remuneration and benefits policies have also been updated, ensuring they are appropriate for the socio-economic circumstances of the countries where we operate.

In Portugal, the variable remuneration systems implemented in Pingo Doce, Recheio and Logistics since the beginning of the year have been geared to rewarding increased sales, while keeping shrinkage under control and minimising absenteeism. Accordingly, 15,827 employees were rewarded.

In 2012, in Portugal and Poland, there were 10,763 promotions.

Similarly, in Portugal, and although 2012 was a year of economic downturn, the minimum wages in the Companies increased 2% on average, compared to 2011.

The values of minimum wages were revised to above the legal reference in order to support employees and their families, with the objective of assuring balanced salary practices. Moreover, the Group allotted more than 5 million euros in the first half of 2012 in bonus payments to the employees of stores and Logistics in Portugal.

In Poland, the minimum wages of Biedronka's employees increased, on average by 3.9% against 2011.

Training

To build a cohesive organisation it is essential that employees are offered the tools with which they can efficiently perform their duties.

In Portugal, the Jerónimo Martins Training School, the Perishables School focused on the Perishables areas, as well as partnerships with renowned universities, have contributed to a sustainable policy for development.

The Training Academies in Poland are designed for the sharing of best practices and expanding on management concepts. They have different durations according to hierarchical levels, qualifications and experience.

Training Indicators	2012	2011	Δ2012/2011
Total No. of Sessions	22,655	21,378	+6%
Total No. of Training Hours *	1,781,898	1,466,017	+22%

* Total No. of Training Hours = No. training hours x No. employees in training

Training opportunities were also provided to the unemployed in initiatives under the National Qualifications Catalogue. In Portugal, we organised 16 training courses that encompassed 266 unemployed persons, and 101 people were hired.

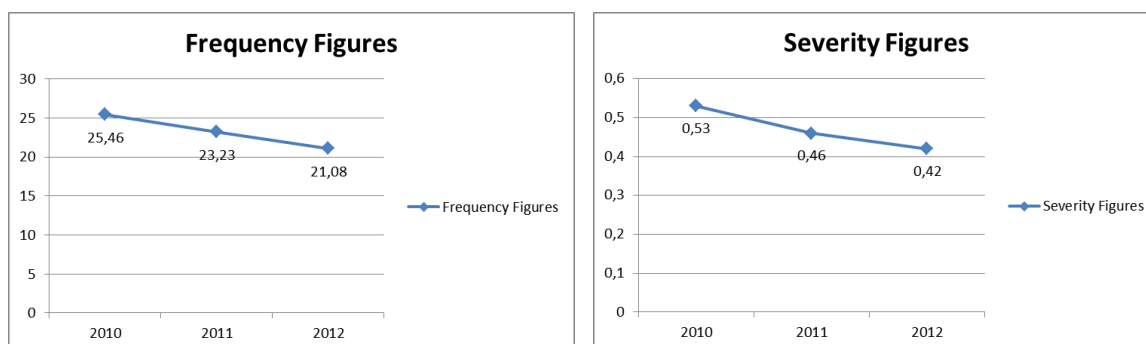
A cooperation protocol between the Jerónimo Martins Group and the University of Aveiro was concluded for the renewal of the Bachelor's Degree in Trade. The aim is to train professionals according to the needs of the companies. In this context, a tutoring programme was developed in which employees of the Group individually monitor students of this course.

7.5. Health and Safety in the Workplace

"Zero Tolerance for Accidents" is a premise that the Jerónimo Martins Group regularly strives to promote, trying to involve the teams, *top-to-bottom*, of the various Companies in this commitment.

The goal of reducing the number of occupational accidents, by complying with preventive criteria such as the management of personal protective equipment or other safety rules, was maintained in 2012. Intervention plans for the infrastructures were established for this purpose, providing safety training to employees.

Health and Safety in the Workplace Indicators (Group)



Distribution - Portugal

The investment in the distance learning project (through the *e-learning* platform), continued in the Distribution area in Portugal, having been expanded to include Logistics employees in 2012, making videos available that depict the specificity of tasks and the safety standards that must be complied with.

The Health and Safety at the Workplace (HSW) area of Distribution in Portugal carried out other activities in order to achieve improvements in the safety of its processes and its professionals, of which the following actions are highlighted:

- Provision of 3,128 hours of training on HSW matters;
- Conducting of 480 audits (compared to 441 audits in 2011).

Distribution - Poland

The health and safety at the workplace policy in Poland was updated.

A cooperation agreement with the Warsaw Fire School was also concluded which led to the students being involved in the creation and updating of the safety rules of Jerónimo Martins Polska.

In parallel, various actions were undertaken with the aim of improving the safety of employees of this Company. The 1,259 internal and external audits carried out at stores, Distribution Centres and central offices are of note in this field.

Restaurants and Services

The main activities in the Restaurants and Services area in 2012 were:

- Provision of 170 hours of training on HSW matters;
- Conducting audits of 78 stores.

Manufacturing

Unilever Jerónimo Martins understands that its mission to ensure Health and Safety at the Workplace goes beyond the tasks performed in the workplace. The following awareness raising campaigns were implemented in 2012:

- The "Make the Right Choice" safety campaign that addressed, among other issues, road safety and safety in the office;
- The "Driving and Phoning" campaign to discourage employees from using mobile phones while driving.

7.6. Occupational Health

In 2012, in addition to performing more than 20 thousand Occupational Health Medical Examinations required by law, occasional exams were also conducted to employees with a higher risk or considered vulnerable, such as pregnant women, employees returning to work after parental leave or employees returning after an accident at work.

In Pingo Doce stores 80 audits were also made according to the job post, in order to identify risks of occupational disease.

The External Automatic Defibrillation programme was implemented at the central offices of Jerónimo Martins to assist in situations of cardiac arrest. Three defibrillators were installed and basic life support and external automatic defibrillation training given to 18 employees.

7.7. Internal Social Responsibility

The Internal Social Responsibility area was created in 2009 with the mission of contributing to the improvement of the quality of life of the Group's employees and their families. This area constructed human resources policies and practices that promote and foster well-being and motivation, contributing to the sustainable development of the Group.

The area defined, through a process of internal consultation, three strategic axes following a perspective of support and training of its employees: Health and Well-Being, Education and Social Welfare. These are the pillars that support this area, known in Portugal as Jerónimo Martins Por Nós (Jerónimo Martins For Us).

Health and Well-being

A total of 247 employees participated in the nutrition consultations in Portugal, which aimed to prevent diseases resulting from obesity. The consultations had a symbolic price which was used to fund the Social Emergency Fund.

A dental screening of 50 children aged between two and five years was also carried out at the Azambuja nursery, to promote oral hygiene.

Psychology consultations were also provided during 2012, in order to assist employees going through difficult periods of their lives, such as socio-economic difficulties or family issues. Since May, when the programme began, 202 employees have attended consultations. The amount charged for the actions - one euro - was used to fund the Social Emergency Fund.

In Poland, under the "Let's Take Care of our Health" programme, medical check-ups for men or women were also provided on the premises of several partners of the programme. In 2012, more than 4,800 women joined this programme, which carried out breast cancer and cervical cancer screenings. In relation to men, about 600 underwent screenings for cardiovascular diseases. The programme of free vaccination against seasonal influenza continued in 2012, covering a total of 1,095 people.

Education

One of the priorities in this area is the capacity-building of our employees in order to solidify the sustainable development of our human resources. Such employees are afforded the opportunity to complete their academic careers.

In this regard, the internal "Learn and Develop" programme in Portugal, that was designed under the government's New Opportunities programme, allowed 680 employees to obtain academic equivalence to the 6th, 9th and 12th grade of schooling. This programme was implemented, as in previous years, at the Jerónimo Martins Training School.

The young children of our employees who entered primary school for the first time were offered school kits. 961 kits were offered in Portugal and 2,154 in Poland. During 2012, holiday camps for the children of employees were organised at several locations, with all costs paid. These camps encompassed a total of 1,716 children. In Portugal, the various activities included for the first time lessons on personal finance (under the "Faça Contas à Vida" programme), with the sharing of ideas for saving money and management of the family budget.

SOS Dentist Programme

It was launched in April 2012 with the aim of supporting employees with dental problems unable to undergo the necessary dental treatment due to cost.

There have been about 1,500 applications during the registration period, by employees of the different Group Companies from all parts of the country. All enrolled employees underwent a diagnosis and 1,360 started a dental plan. The investment in this programme was over 80,000 euros.

Also in Portugal, textbooks were offered to 79 large families with low incomes, double the families supported in 2011. We also established special conditions for the purchase (discount on the price, payment in instalments and delivery on time) of textbooks for about 1,791 families. 29 thousand coupons were also offered to all employees to obtain a discount of about 20% on school materials.

In both countries, the Group celebrated the World Children's Day by offering kits, books or cinema tickets to 24,400 children in Poland and 14,107 children in Portugal.

Social Welfare

The Social Emergency Fund, created in 2011 in Portugal, was designed to minimise the recessionary effects of the Portuguese economy on employees with economic difficulties and their families, through structured support in several areas.

It is to be noted that employees requesting support are accompanied in-house, during the various stages of the process, by a full-time volunteer specifically trained for this purpose. The "ambassador" volunteer uses financial and social criteria to propose an assistance model that allows the leveraging, in a structured manner, of more sustainable conditions for the employee.

In parallel, and because the programme was not designed as a welfare parachute, basic financial training is provided, which teaches basic financial concepts, prioritising spending and investments, and depositing savings.

In 2012, over 2,230 thousand euros were spent on more than 5,700 measures of assistance to employees and their families, broken down between food aid (35%), health (21%) and education, legal and financial advice (43%).

In Poland in 2012, the "You can count on Biedronka" programme – a Fund to assist employees in times of need, through monetary donations – carried on. Under this project more than 3 thousand employees were supported last year. We also supported over 200 families of employees with children with disabilities or chronic diseases.

Baby kits were offered to all employees who became mothers/fathers. A total of 761 kits were offered in Portugal, which is more than double the number of the previous year. In December, the tradition of offering Christmas vouchers to the children of employees was maintained, totalling 13,807 vouchers.

In Poland, around 2,063 baby kits were offered as well as 77,980 Christmas kits to Biedronka employees and their children.

Jerónimo Martins Scholarships

In September 2012, Jerónimo Martins For Us launched a scholarship program for the first time, aimed at employees and at the children of employees wishing to enrol or re-enrol in higher education.

The scholarships are awarded on an annual basis and are intended to cover expenses like tuition fees, books and school materials as well as housing, food or transport of employees who do not have the financial means to pay for such.

A total of 60 candidates were selected for these scholarships in this start-up year.

Under the Euro 2012, 36,439 "fan kits" were also offered to the children of employees,

7.8. Commitments for 2012-2014

The Group is engaged continuously in a dialogue with its employees with the aim of improving its understanding of their real situations and, consequently, to increase its positive impact on their lives.

VI - Individual Annual Report

Jerónimo Martins, SGPS, S.A.

Public Company

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

Share Capital: Eur 629,293,220

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JERÓNIMO MARTINS, SGPS, S.A.

PUBLIC COMPANY **MANAGEMENT REPORT**

Financial year 2012

As a manager of equity holdings, Jerónimo Martins (JMH) has a portfolio of investments characterized by a strong presence in food retail in Portugal (Pingo Doce and Recheio) and in Poland (Biedronka, Hebe and Apteka Na Zdrowie), in the industrial sector, where it maintains a long-standing partnership with Unilever Jerónimo Martins and Gallo Worldwide, in the specialized retail (where Hussen, Olá and Jerónimo stand out) and in the marketing and distribution services (JMDPC).

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

As the Group's holding company, JMH co-ordinates and provides consultancy services to its subsidiaries. The functional areas of support to the Group range from Administration to Internal Audit, Legal Affairs, Corporate Communication and Responsibility, Financial Control, Consolidation and Accounting, Strategy and International Expansion, Fiscal Affairs, Financial Operations, Quality Control and Food Safety, Human Resources, Investor Relations, Security, Information Technology. The turnover from these services, as well as management services for negotiation on behalf of the Group Companies, reached EUR 20,379 thousand.

1. The Group's operational performance and perspectives for 2013

The Group's business activities are analysed in detail in the Consolidated Management Report that accompanies the 2012 Consolidated Financial Statements.

2. Company's performance

JMH, as the Holding and manager of company holdings, presented in 2012 positive operating results of EUR 294 thousand, which represents an increase of EUR 497 thousand compared with 2011. This increase is due mainly to the minor operating costs regarding international expansion and the decrease in the exceptional operating losses registered in 2011 regarding restructuring plans and provisions for risks and contingencies.

The financial debt increased by EUR 91,173 thousand, to EUR 113,124 thousand (EUR 21,951 thousand in 2011). This increase is explained essentially by the short-term investments reduction due to the extraordinary dividend distribution, which occurred in December 2012.

The net financial costs were reduced, towards last year, in EUR 326 thousand, to EUR 5,110 thousand, if we disregard in 2011 the gains in derivative instruments and exchange differences in intercompany loans, in the net amount of EUR 10,416 thousand, which did not reprise in 2012. The increase in interests from short-term investments, partially compensated by the superior financial charges originated by a higher debt level in 2012, contributed for this reduction.

3. Risk management

JMH, and in particular, its Board of Directors, dedicates a great deal of attention to the risks affecting the businesses. Success in this area depends on the ability to identify, understand and handle exposure to events, which, whether or not under the direct control of the management team, may materially affect the physical, financial and/or organizational assets of the Company. The Group's Risk Management Policy, which aims to stimulate and reinforce the type of behaviour necessary for that success, provides the necessary guidance to the Management of the Group to manage risks and opportunities.

3.1 Financial risks

JMH is exposed to various financial risks, namely: market risk (which includes exchange rate risk, interest rate risk and price risk), liquidity risk and credit risk.

The management of these risks is focused on the unpredictable nature of the financial markets and aims to minimize its adverse effects on the Company's financial performance. To achieve this, certain types of exposure are managed using derivative financial instruments.

The activity in this area is carried out by the Financial Operations Department, under the supervision of the Chief Financial Officer. The Financial Risk Management Department is responsible for identifying, assessing and hedging financial risks, by following the guidelines set out in the Financial Risk Management Policy that was approved in 2012 by the Board of Directors.

a) Market risk

Price Risk

As a result of its investment in Banco Comercial Português (BCP), Jerónimo Martins is exposed to equity price risk. At 31 December 2012, a negative 10% variation in the trading price of BCP shares would have a negative effect of EUR 15 thousand in Other Reserves (negative EUR 28 thousand at 31 December 2011).

b) Interest rate risk (cash flow and fair value)

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

Exposure to interest rate risk is monitored continuously. In addition to evaluating future cash flows based on forward rates, sensitivity tests to variations in interest rate levels are performed.

c) Credit risk

Credit risk is managed centrally. The main sources of credit risk are bank deposits, short-term investments and derivatives contracted with financial institutions.

The financial institutions that Jerónimo Martins chooses to do business with are selected based on the ratings they receive from one of the independent, benchmark rating agencies. Apart from the existence of a minimum accepted rating there is also a maximum exposure to each of these financial

institutions.

The following table shows a summary of the deposits, short-term investments and derivative financial instruments with positive fair value, as at 31 December 2012 and 2011:

		2012	2011
Rating Company	Rating	Balance	Balance
Standard & Poor's	[A+ : AA]	39,505	112,258
Moody's	[A- : A+]	-	60,338
Standard & Poor's	[BBB+ : A]	12	69
Standard & Poor's	[BB : BB+]	9	84
Standard & Poor's	[B+ : BB]	354	2,489
Standard & Poor's	[B]	-	4
	Not Available	7	5
	Total	39,887	175,247

The ratings shown correspond to those given by Standard and Poor's. When not available, the company uses Moody's notations. The maximum exposure to credit risk, at 31 December 2012 and 2011 is the financial assets accounting value.

d) Liquidity risk

Liquidity risk is managed by maintaining an adequate level of cash or equivalents, as well as by negotiating credit facilities that not only allow the regular development of JMH activities, but also ensuring some flexibility to be able to absorb shocks unrelated to its activities.

To manage this risk, JMH uses, for example, credit derivatives in order to mitigate the impact of credit spreads increase that are the result of impacts beyond the control of JMH. Treasury needs are managed based on short-term planning (executed on a daily basis) which derives from the annual financial plans which are reviewed at least twice a year.

The following table shows JMH's liabilities by ranges of contractual residual maturity. The amounts shown in the table are the non-discounted contractual cash flow. In addition, it should be noted that all the derivative financial instruments that Jerónimo Martins contracts are settled at net value.

Exposure to liquidity risk			
2012	Less than 1 year	1 to 5 years	More than 5 years
Borrowings			
Loans	6,006	153,654	-
Derivative financial instruments	1,963	1,173	-
Creditors	1,414	-	-
Operational lease liabilities	409	414	-
Total	9,792	155,282	-
2011	Less than 1 year	1 to 5 years	More than 5 years
Borrowings			
Loans	52,747	163,695	-
Derivative financial instruments	1,164	1,035	-
Creditors	1,311	-	-
Operational lease liabilities	370	362	-
Total	55,592	165,092	-

4. Information on environmental matters

There are no environmental matters likely to affect the company's financial performance or its future development.

5. Results appropriation proposal

In the financial year of 2012, Jerónimo Martins, SGPS, S.A. declared consolidated profits of EUR 360,398,319 and a profit in the individual accounts of EUR 83,088,589.33.

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

- Legal Reserve 4,154,429.47 euros.
- Free Reserves 78,934,159.86 euros.

The Board of Directors proposes a distribution to Shareholders of EUR 185,388,094.90, an amount which corresponds to 50.0% of the ordinary consolidated net earnings, and which is to be taken from the free reserves available for distribution.

This proposal represents a gross dividend payment of 0.295 euros per share, excluding own shares in the portfolio.

8. Statements for legal purposes

Under the law, the Board of Directors is required to provide the following information:

- a) In addition to the facts referred above, and those that, in greater detail, are given in the Report that accompanies the Group's Consolidated Financial Statements for 2012, no other situation has come to the Board of Director's knowledge after the end of the year which warrants a special mention;
- b) Under the terms of Article 21 of Decree-Law nº 411/91, from 17 October, there are no debts of arrears of payments of Social Security costs;
- c) Under the terms of the paragraph 2, article 324 of the Portuguese Commercial Companies Code, there were no purchases or sales of own Shares, and therefore the number of own shares held at the end of 2012 was the same as on 31 December 2011: 859,000 own shares;
- d) The information regarding subsequent events, stakes held in the company by members of the board of directors and statutory auditor and the list of shareholders with qualifying stakes, can be found in the Consolidated Management Report.

Lisbon, 26th February 2013

The Board of Directors

INCOME STATEMENT BY FUNCTIONS
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

Euro thousand

	Notes	2012	2011
Services rendered		20,379	20,143
Cost of the services rendered	4	(12,210)	(10,789)
Gross profit		8,169	9,354
Other operating revenues	4	510	195
Administrative costs	4	(3,992)	(3,057)
Other operating costs	4	(4,030)	(2,953)
Exceptional operating profits/losses	10	(363)	(3,742)
Operating profit		294	(203)
Net financial costs	5	(5,110)	4,980
Gains/losses in subsidiaries and associated companies	8	88,185	582,471
Gains/losses in other investments	9	253	205
Profit/loss before taxes		83,622	587,453
Income taxes	7	(533)	(5,984)
Net profit/loss		83,089	581,469
Basic and diluted earnings per share – euros	22	0.132	0.925

To be read with the attached notes to the Individual Financial Statements

BALANCE SHEET AT 31 DECEMBER 2012 AND 2011

Euro thousand

	Notes	2012	2011
Assets			
Tangible assets	11	493	394
Intangible assets	12	436	-
Investment properties	13	2,470	2,470
Investments in subsidiaries	14	667,958	667,958
Loans to subsidiaries	15	554,817	699,641
Available-for-sale financial assets	16	153	277
Deferred tax assets	17	6,212	5,590
Total non-current assets		1,232,539	1,376,330
Taxes receivable	17	2,015	193
Loans to subsidiaries	15	56,770	63,050
Trade debtors, accrued income and deferred costs	18	7,396	6,998
Cash and cash equivalents	19	39,895	175,256
Total current assets		106,076	245,497
Total assets		1,338,615	1,621,827
Shareholders' equity and liabilities			
Share capital	21.1	629,293	629,293
Share premium	21.1	22,452	22,452
Own shares	21.2	(6,060)	(6,060)
Other reserves	21.3	(3,540)	(2,870)
Retained earnings	21.4	511,966	751,892
Total shareholders' equity		1,154,111	1,394,707
Borrowings	23	150,000	150,000
Derivative financial instruments	28	3,151	1,774
Employee benefits	29	16,821	16,492
Provisions for risks and contingencies	26	6,935	5,658
Deferred tax liabilities	17	1,462	957
Total non-current liabilities		178,369	174,881
Trade creditors, accrued costs and deferred income	27	5,786	5,767
Borrowings	23	-	45,000
Derivative financial instruments	28	-	500
Taxes payable	17	349	972
Total current liabilities		6,135	52,239
Total Shareholders' equity and liabilities		1,338,615	1,621,827

To be read with the attached notes to the Individual Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

Euro thousand

	2012	2011
Net profit	83,089	581,469
Fair value of cash flow hedging	(546)	353
Fair value of available-for-sale financial assets	(124)	(858)
Other comprehensive income	(670)	(505)
Total comprehensive income for the year	82,419	580,964

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Euro thousand

	Notes	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Shareholders' equity
Balance sheet at 1st January 2011		629,293	22,452	(6,060)	(2,365)	170,423	813,743
Fair value of available-for-sale financial assets	16				(858)		(858)
Fair value of cash flow hedgings							
- Gross amount	28				480		480
- Deferred tax	17.1				(127)		(127)
Other comprehensive income		-	-	-	(505)	-	(505)
Net Profit in 2011						581,469	581,469
Total comprehensive income		-	-	-	(505)	581,469	580,964
Dividend payment						-	-
Balance sheet at 31st December 2011		629,293	22,452	(6,060)	(2,870)	751,892	1,394,707
Fair value of available-for-sale financial assets	16				(124)		(124)
Fair value of cash flow hedgings							
- Gross amount	28				(742)		(742)
- Deferred tax	17.1				196		196
Other comprehensive income		-	-	-	(670)	-	(670)
Net profit in 2012						83,089	83,089
Total comprehensive income		-	-	-	(670)	83,089	82,419
Dividend payment	21.5					(323,015)	(323,015)
Balance sheet at 31st December 2012		629,293	22,452	(6,060)	(3,540)	511,966	1,154,111

To be read with the attached notes to the Individual Financial Statements

**CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011**

Euro thousand

	Notes	2012	2011
Operating activities			
Cash received from customers and other debtors		23,608	33,063
Cash paid to suppliers and employees		(22,515)	(21,095)
Cash generated from operations	20	1,093	11,968
Interest and other similar costs paid	5	(8,197)	(7,027)
Income taxes paid		(2,450)	(993)
Cash flow from operating activities		(9,554)	3,948
Investment activities			
Disposals of investments in subsidiaries	14	-	119,500
Repayment of loans and capital contributions from subsidiaries	15	165,684	340,466
Interest received	8	5,405	13,800
Dividends received	8	82,963	6,388
Acquisition and capital increase of subsidiaries	14	-	(72)
Acquisition and capital increase of joint-ventures		-	-
Loans and capital contributions given to subsidiaries	15	(14,580)	(388,005)
Acquisition of tangible assets	11	(166)	(132)
Acquisition of intangible assets	12	(512)	-
Cash flow from investment activities		238,794	91,945
Financing activities			
Received from loans	23	-	100,000
Interest and similar income received	5	3,414	12,095
Repayment of loans	23	(45,000)	(75,040)
Dividends paid		(323,015)	-
Cash flow from financing activities		(364,601)	37,055
Net changes in cash and cash equivalents		(135,361)	132,948
Cash and cash equivalents changes			
Cash and cash equivalents at the beginning of the year		175,256	42,308
Net changes in cash and cash equivalents		(135,361)	132,948
Cash and cash equivalents at the end of the year	19	39,895	175,256

To be read with the attached notes to the Individual Financial Statements

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1. Activity

Jerónimo Martins, SGPS, S.A. (JMH) is the parent company of Jerónimo Martins Group (Group) and has its head office in Lisbon, Rua Tierno Galvan, Torre 3, Piso 9, Letra J, 1099-008 Lisboa. The activity of JMH results mostly in the investment management in Group companies. JMH employs 77 people (71 in 2011).

Jerónimo Martins Group is essentially devoted to the production, distribution and sale of food and other fast moving consumer goods products. The Group operates in Portugal and Poland, and employs about 69,443 people (66,270 in 2011).

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

The Board of Directors approved these individual financial statements on 26th February 2013.

2. Accounting policies

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

2.1 Basis for preparation

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

The consolidated and individual financial statements of JMH were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), as at 31 December 2012.

The financial statements were prepared in accordance with the historical cost principle, except for investment property, derivative financial instruments, financial assets held for trading and available-for-sale financial assets, that includes equity holdings referred in note 2.8, which were measured at fair value (market value).

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. It is, however, firmly believed by 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 2.23).

The financial risk management, as defined in the IFRS 7 - Financial instruments: Disclosures, is detailed in the Corporate Governance report.

Change in accounting policy and bases for presentation

2.1.1 New and amended standards adopted by JMH

JMH adopted in 2012 the amendments to IFRS 7 - Financial Instruments: Disclosures, issued by the International Accounting Standards Board (IASB) in October 2010 and endorsed by the European Union in the Regulation no. 1205/2011. The amendments clarifies the disclosure requirements in a transfer of financial assets and its application is mandatory for financial years beginning on or after July 1, 2011, having no impact on JMH individual financial statements.

2.1.2 New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted

In 2012 the European Commission adopted several changes to International Accounting Standards issued by the IASB and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC):

Regulation	IASB Standard or IFRIC Interpretation	Issued in	Mandatory for financial years beginning on or after
Regulation no. 475/2012	IAS 1 Presentation of Financial Statements (Amendment)	June 2011	July 1, 2012
Regulation no. 475/2012	IAS 19 Employee Benefits (Fully Amended)	June 2011	January 1, 2013
Regulation no. 1254/2012	IFRS 10 Consolidated Financial Statements (New)	May 2011	January 1, 2014 ¹
Regulation no. 1254/2012	IFRS 11 Joint Arrangements (New)	May 2011	January 1, 2014 ¹
Regulation no. 1254/2012	IFRS 12 Disclosure of Interests in Other Entities (New)	May 2011	January 1, 2014 ¹
Regulation no. 1254/2012	IAS 27 Separate financial statements (Fully Amended)	May 2011	January 1, 2014 ¹
Regulation no. 1254/2012	IAS 28 Investments in associates and joint ventures (Fully Amended)	May 2011	January 1, 2014 ¹
Regulation no. 1255/2012	IFRS 1 First-time Adoption of IFRS: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)	December 2010	January 1, 2013
Regulation no. 1255/2012	IAS 12 Income Taxes: Deferred Tax - Recovery of Underlying Assets (Amendment)	December 2010	January 1, 2013
Regulation no. 1255/2012	IFRS 13 Fair Value Measurement (New)	May 2011	January 1, 2013
Regulation no. 1255/2012	IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New)	October 2011	January 1, 2013
Regulation no. 1256/2012	IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendment)	December 2011	January 1, 2013
Regulation no. 1256/2012	IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendment)	December 2011	January 1, 2014

¹ This new standards shall be applied at the latest, as from the commencement date of its first financial year starting on or after January 1, 2014. In general, if an entity wishes early application, it should apply all of the five standards early at the same time.

These new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2012, and were not applied in the preparation of these financial statements. None of them are expected to have a significant impact on the individual financial statements of JMH, except for those set out below:

- i) Amendment to IAS 1 'Financial Statement Presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially recycled subsequently to profit or loss (reclassification adjustments) or not. The amendments do not address which items are presented in OCI. Their application will result in minor changes on the presentation of items of OCI, with no impact in total equity of JMH;
- ii) Fully amended IAS 19 'Employee Benefits' improves recognition and disclosure requirements for defined benefit plans (DBP), eliminates the option for the corridor method and provides better information about the characteristics of DBP and the risks that entities are exposed on those plans. The major impacts on JMH will be the remeasurements of the net defined benefit liability on post-employment benefits - actuarial gains and losses and return on plan assets - to be presented in OCI and an increase in disclosures.

If JMH had adopted this revised standard in the preparation of these consolidated financial statements, the estimated impacts would be:

	December 2012			December 2011		
	Published	Reclassification	Restated	Published	Reclassification	Restated
Employee benefits						
Retirement benefits - defined contribution plan	387	-	387	476	-	476
Retirement benefits - defined benefit plan	941	(230)	711	3,164	(46)	3,118
Seniority awards	223	-	223	142	-	142
Profit or loss (operating costs)	1,551	(230)	1,321	3,782	(46)	3,736
Other reserves in equity	-	230	230	-	46	46
Other comprehensive income (OCI)	-	230	230	-	46	46
Total Shareholders' equity	1,551	-	1,551	3,782	-	3,782

JMH will adopt the above mentioned standards and amendments in the accounting period beginning on 1 January 2013.

In addition, the IASB issued in 2009 and 2012, the following standards that have not yet been endorsed by the European Union:

- i) In November 2009, IASB issued the new standard IFRS 9 - Financial Instruments: Classification and Measurement. This standard partially replaces IAS 39. This new standard is mandatory for accounting periods beginning on or after 1 January 2015;
- ii) In March 2012, IASB issued amendments to IFRS 1 - First-time adoption of International Financial Reporting Standards. The changes relate to the form of classification of loans received from governments, and their application is mandatory for financial years beginning on or after January 1, 2013;
- iii) In May 2012, IASB issued improvements to standards IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. Their application is mandatory for financial years beginning on or after January 1, 2013;
- iv) In June 2012, IASB issued improvements to standards IFRS 10, IFRS 11 and IFRS 12, regarding Transition Guidance. Their application is mandatory for financial years beginning on or after January 1, 2013;
- v) In October 2012, IASB issued improvements to standards IFRS 10, IFRS 12 and IAS 27, regarding Investment Entities. The changes introduced an exception to the principle that all subsidiaries shall be consolidated. Their application is mandatory for financial years beginning on or after January 1, 2014.

The application of these new standards and amendments will not have a significant impact on JMH individual Financial Statements.

2.2 Transactions in foreign currencies

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

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

2.3 Derivative financial instruments

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

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

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

Derivative financial instruments are recognised on the date they are negotiated (trade date), at their fair value. Subsequently, the fair value of derivative financial instruments is re-evaluated on a regular basis, and the gains or losses resulting from this re-evaluation are recorded directly into the results of the period, except in relation to cash flow hedge derivatives. Recognition of changes in the fair value of hedge instruments depends on the nature of the hedged risk and the type of hedge used.

2.4 Hedge accounting

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

- (i) At the starting date of the transaction, the hedge relationship is identified and formally documented, including identification of the item hedged, the hedge instrument, and evaluation of the effectiveness of the hedge;
- (ii) There is the expectation that the hedge relationship will be highly effective on the initial transaction date and throughout the life of the operation;

- (iii) The effectiveness of the hedge may be reliably measured on the initial transaction date and throughout the life of the operation;
- (iv) For cash flow hedge operations, those cash flows must have a high probability of occurring.

Interest rate risk (cash flow hedge)

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

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

2.5 Tangible assets

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

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

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

Financial lease agreements

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

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

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

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

Depreciation

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

	%
Buildings and other constructions	10
Tools	25
Transport equipment	25
Office equipment	10-25
Other tangible fixed assets	10

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

2.6 Intangible assets

Intangible assets are stated at acquisition cost net of accumulated amortisation and impairment losses.

Research and development 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 their development and start trading or using them.

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

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. 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.

Amortisation

Amortisations are recognized 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 depreciation rates are as follows (in percentage):

	%
Development expenditure	20-33.33

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

2.7 Investments and loans to subsidiaries

Investments and loans to subsidiaries, associates and joint ventures are stated at cost. When so justified, provisions are set up for loss of value.

2.8 Financial assets

Financial assets are recognised in the JMH balance sheet on their trade or contracting date, which is the date on which JMH commits to acquiring an asset. Financial assets are initially recognised by their fair value plus directly attributable transaction costs, except for financial assets carried at fair value through profit and loss in which the transaction costs are immediately recognised in the results. These assets are derecognised when: (i) JMH'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.

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

JMH classifies its financial assets into the following categories: financial assets held for trading, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Financial assets held for trading and derivative financial instruments

An asset is classified in this category if it was acquired with the principal intention of being sold in the short term. This category also includes those derivatives that do not qualify for hedge accounting. The gains and losses of changes in the fair value of financial assets measured at fair value through profit and loss, are recognised in the results of the year in which they occur in net financial costs, where interests received and dividends are also included.

Loans and receivables

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

Available-for-sale financial assets

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

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

These financial assets are marked to market, i.e., they are stated at the respective market price value as at the balance sheet date. When there is medium term expectation of significant decrease of the value below the listed value, impairment losses are registered to reflect permanent losses.

If the investments are unlisted, JMH uses, whenever possible, valuation techniques to determine the fair value of those investments. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same or estimation of discounted cash flow to be received in the future. Where none of these valuation techniques is feasible, they are measured at cost. When so justified, provisions for impairment losses are recognised.

Fair value changes are recognised directly in equity, until the financial asset is derecognised, at which time the accumulated gain or loss previously recognised in equity is included in net gains or losses for the period. The dividends of equity holdings classified as available for sale are recognised as gains in other investments, when the right to receive the payment is established.

2.9 Investment Property

Investment property, are land and buildings that are registered at fair value, determined by specialised independent entities, with appropriate recognised professional qualification 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 for the asset.

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

Changes to fair value of investment property are recognised in the income statement, in Gains/Losses in other investments, in accordance with IAS 40, since it is related with the expected return of a financial investment in assets owned for appreciation.

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

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

2.10 Customers and debtors

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

2.11 Cash and cash equivalents

Cash and cash equivalents includes cash, deposits on hand and short-term investments with high liquidity. Bank overdrafts are presented as borrowings in current liabilities.

2.12 Impairment

2.12.1 Impairment of non financial assets

Except for investment properties (note 2.9), and deferred tax assets (note 2.21), all other JMH assets are considered at each balance sheet date in order to assess for indicators of possible impairment losses. If such indicators exist, the assets recoverable amount is estimated.

The recoverable amount of assets with indicators of potential impairment loss is determined annually. Whenever the carrying value of an asset exceeds its recoverable amount, its value is reduced to the recoverable amount and the impairment loss recognised in the income statement.

Determining the recoverable amount of assets

The recoverable amount of non financial assets corresponds to the higher of net selling price and value in use. The value in use of an asset is calculated as the present value of estimated future cash flows. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the asset in question.

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

Reversal of impairment losses

Impairment losses 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, which would have been determined for the asset if no impairment loss was recognised.

2.12.2 Impairment of financial assets

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

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

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

Available-for-sale financial assets

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

Clients, debtors and other financial assets

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

- (i) Analysis of breach;
- (ii) Breach for more than 3 months;
- (iii) Financial difficulties of the debtor;
- (iv) Probability of the debtor's bankruptcy.

An impairment loss is determined by the difference between the recoverable amount and the carrying amount of the financial assets, and is recognised in the profit and loss. The carrying amount of these assets is reduced to the recoverable amount by using an impairment account.

When an amount receivable from customers and debtors is considered to be unrecoverable, it is written-off using the impairment account. Subsequent recovery of amounts that had been written-off is recognised as a gain.

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

2.13 Share capital

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

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

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

2.14 Dividends

Dividends are recognised as liabilities when they are declared.

2.15 Loans

Loans are initially recognised at fair value less the transaction costs that were incurred and are subsequently measured at the amortized 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 loans, in accordance with the effective interest rate method.

2.16 Employees benefit

2.16.1 Post-employment benefits (retirement)

Defined contribution plans

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

JMH contributions to defined contribution plans are recognised as expenses at the time they are incurred.

Defined benefit plans

Defined benefit plans are pension plans where the company guarantees a certain benefit to the employees included in the plan at the time such employees retire. JMH's obligation for defined benefit plans is estimated, for each plan separately, every semester at the accounts closing date by a specialised independent agent.

Actuarial valuation of liabilities assumed is made using the immediate rents method, taking into account that the plans include retired employees. The discount rate is the interest rate on medium and long-term risk-free bonds, for the period of the estimated maturity of the liabilities. The obligation thus determined is shown in the balance sheet net of plan assets.

The year's current service costs, interest, return on plan assets and actuarial gains or losses are recognised as costs or income for the year.

2.16.2 Other benefits

Seniority awards

The programme of seniority awards existing in JMH comprises a component of defined contribution and a defined benefit.

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

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

The costs of current services, interest as well as actuarial gains or losses are recognised as costs of the year.

2.17 Provisions

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

Restructuring provision

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

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

Legal claims provision

Provisions related with litigation, opposing JMH, are set up in accordance with risk assessments carried out by JMH, with the support of its legal advisers.

2.18 Suppliers and other creditors

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

2.19 Revenue

Services rendered

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

Rents

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

Dividends

Dividends are recognised as revenues at the time they are declared.

2.20 Costs

Operational leasing

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

Net financial costs

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

Exceptional operating profits/losses

The exceptional operating profits/losses (non recurrent) that by its nature or by its materiality, distort the financial performance of JMH, as well as their comparability, are presented in a separate line of the Income Statement by Function. These results are excluded from the operational performance indicators adopted by Management.

2.21 Income tax

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

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

Deferred tax is calculated in accordance with the balance sheet liability method on temporary differences between the carrying amount of assets and liabilities and the respective tax base.

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

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

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

2.22 Segment information

No segment information has been provided in these individual financial statements. Detailed information is presented in the Group Consolidated Financial Statements.

2.23 Critical accounting estimates and judgments

Tangible and intangible assets and investment properties

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

Fair value of financial instruments

The fair value of financial instruments not quoted on an active market is determined based on valuation methods and financial theories. The use of valuation methodologies requires using assumptions, with some assumptions requiring the use of estimates. Therefore, changes in those assumptions could result in a change in the fair value reported.

Impairment of investments in associated companies

As a rule, an investment is recorded as impaired according to the IFRS when the carrying amount of the investment exceeds the present value of future cash flows. Calculating the present value of estimated cash flows and the decision to consider an asset as permanently impaired involves judgment and substantially relies on management's analysis of the future development of its associated companies. When measuring impairment, market prices are used if they are available, or other evaluation parameters are used, based on the information available from the associated companies. In order to determine if the impairment is permanent, 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 associated company, the economic situation, and the status of the sector.

Deferred taxes

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

Impairment losses of clients and debtors

Management maintains a provision for impairment losses of clients and debtors, in order to reflect the estimated losses resulting from clients' inability to make required payments. When evaluating the reasonableness of provisions for the mentioned impairment losses, management bases its estimates on an

analysis of the time of non-payment on accounts receivable from its clients, its historical experience of write-offs, the client's credit history and changes in the client's payment terms. If the client's financial conditions deteriorate, impairment losses and actual write-offs may be higher than expected.

Pensions and other long-term benefits granted to employees

Determining responsibilities for pension payments requires the use of assumptions and estimates, including actuarial projections, estimated profit from investments and other factors that may impact the costs and liabilities of the pension plan.

If the discount rates used were lower by 50 bps, the liabilities of the Group related to benefits granted to employees would be higher by EUR 696 thousands, if instead the rates used were higher by 50 bps, its impact would be a reduction of EUR 651 thousand.

Provisions

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

2.24 Fair value of financial instruments

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

JMH applies valuation techniques for unlisted financial instruments, such as, derivatives, fair value financial instruments through profit and loss and assets that are available for sale. The valuation models most frequently used are discounted cash flow and options models which incorporate, for example, interest rate curves and market volatility.

In case of more complex derivatives, advanced valuation models are used. These models include assumptions and data that are not directly observable in the market, for which JMH uses estimates and internal assumptions.

Cash and cash equivalents, debtors and accruals

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

Available-for-sale financial assets

Listed financial assets are recognised in the balance sheet at their fair value.

Borrowings

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

Creditors and accruals

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

Fair Value Hierarchy

The following table shows JMH financial assets and liabilities that are measured at fair value at 31 December, according with the following hierarchy levels as established in IFRS 7:

- Level 1: the fair value of financial instruments is based on quoted prices in active and liquid markets at balance sheet date. This level includes essentially equity investments, debt investments (ex: NYSE Euronext) and quoted forwards in active markets;
- Level 2: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Main inputs used on these valuation models are based on observable market data. This level includes essentially the over-the-counter derivatives entered by the Group;
- Level 3: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, and main inputs are not based on observable market data.

	2012	Level 1	Level 2	Level 3
Assets measured at fair value				
Available-for-sale financial assets				
Equity Investments	153	153		
Liabilities measured at fair value				
Derivatives used for hedging	3,151		3,151	
	2011	Level 1	Level 2	Level 3
Assets measured at fair value				
Available-for-sale financial assets				
Equity Investments	277	277		
Liabilities measured at fair value				
Derivatives used for hedging	2,274		2,274	

2.25 Financial instruments by category

	Derivatives defined as hedging instruments	Borrowings and accounts receivable	Available-for-sale financial assets	Other financial liabilities	Total assets and financial liabilities
2012					
Assets					
Cash and cash equivalents	-	39,895	-	-	39,895
Available-for-sale financial assets	-	-	153	-	153
Loans to subsidiaries	-	611,587	-	-	611,587
Debtors and accrued income	-	7,187	-	-	7,187
Total assets	-	658,669	153	-	658,822
Liabilities					
Borrowings	-	-	-	150,000	150,000
Derivative financial instruments	3,151	-	-	-	3,151
Creditors and accrued costs	-	-	-	3,209	3,209
Total liabilities	3,151	-	-	153,209	156,360
2011					
Assets					
Cash and cash equivalents	-	175,256	-	-	175,256
Available-for-sale financial assets	-	-	277	-	277
Loans to subsidiaries	-	762,691	-	-	762,691
Debtors and accrued income	-	6,886	-	-	6,886
Total assets	-	944,833	277	-	945,110
Liabilities					
Borrowings	-	-	-	195,000	195,000
Derivative financial instruments	2,274	-	-	-	2,274
Creditors and accrued costs	-	-	-	2,957	2,957
Total liabilities	2,274	-	-	197,957	200,231

3. Corporate reorganization

As described in the management report regarding the year 2011, Jerónimo Martins implemented a corporate reorganization, which implied the contribution and disposal of some of the Company's assets.

The impact of these operations in the financial statements is summarized below:

	2012	2011
Balance sheet		
Investments in subsidiaries	-	311,260
Investments in joint-ventures	-	(6,663)
Non current loans to subsidiaries	-	189,574
Non current loans to joint-ventures	-	(189,574)
	-	304,597
Income statement		
Gains/(losses) in subsidiaries and associated companies	-	304,597

4. Operating costs

The costs of services rendered correspond to the costs incurred by JMH in rendering a set of technical and specialized services to its subsidiaries. In this sense, the costs incurred, in each one of JMH cost centres, are charged to the companies in the percentage that each one has in the referred services rendering.

The administrative costs shown in the income statement include, among others, the percentage of the costs, incurred by each of the cost centres, which is not charged to the companies, as well as the non deductible VAT arising from the application of the effective allocation method.

Other operational costs and losses include, among others, the costs incurred with studies about other markets, as well as donations and sponsorships granted according with the Group Social Responsibility policies.

4.1 Operational costs by nature

	2012	2011
Supplies and services	9,396	9,026
Rents	869	864
Staff costs	7,926	7,589
Depreciations and profit/loss with tangible and intangible assets	150	100
Other operational profit/loss	1,381	(975)
	19,722	16,604

4.2 Staff costs

	2012	2011
Wages and salaries	5,342	5,154
Social security	637	626
Employee benefits (see note 29)	1,551	3,782
Other staff costs	754	758
	8,284	10,320

Other staff costs include namely labour accident insurance, social responsibility costs, training costs and indemnities, among others. The number of employees at the end of 2012 was 77 (2011 was 71). The average number of employees during the year was 73 (69 in 2011).

In 2012, the difference between the total staff costs stated in note 4.1, and the total amount of note 4.2, in the amount of EUR 358 thousand, refers to exceptional operating costs associated with the change in the actuarial assumptions. In 2011, the same difference, in the amount of EUR 2,731 thousand, refers to exceptional operating costs associated with the change in the actuarial assumptions (EUR 5 thousand) and exceptional operating costs related with restructuring plans (EUR 2,726 thousand).

5. Net financial costs

	2012	2011
Interest expense	(7,095)	(5,855)
Interest received	3,167	1,248
Fair value of held for trade financial assets		
- Derivative instruments (see note 28)	-	10,845
Net foreign exchange	-	(429)
Other financial costs and gains	(1,182)	(829)
Net financial costs	(5,110)	4,980

Interest expense includes the interest related with loans measured at amortised cost as well as, interest on cash flow hedge derivatives (note 28).

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. Changes to fair value in held for trade financial assets are referred in note 28.

5.1 Fair value of financial instruments that do not qualify as hedge accounting recognised in the income statement

	2012	2011
Held for Trade derivatives		
Currency forwards	-	10,845
	-	10,845

6. Operating leases

The costs recognised in the income statement as operating leases are as follows:

	2012	2011
Buildings – Third parties	165	161
Buildings – Group	203	202
Vehicles – Third parties	437	415
IT equipment – Third parties	36	37
	841	815

Apart from the costs above, there were occasional rentals throughout the year which amounted EUR 28 thousand (2011: EUR 49 thousand).

Vehicle and IT equipments lease contracts entered by JMH are treated as operating lease. These contracts do not include renewal or purchase option at termination date, nor any amount relating to contingent rents. All contracts may be cancelled by means of prior notice and do not provide any type of restrictions concerning dividends or debt.

The minimum lease payments related with vehicles and IT equipment lease are as follows:

	2012	2011
Payments in less than 1 year	409	370
Payments between 1 and 5 years	414	362
Payment in more than 5 years	-	-
Total future payments	823	732

All the contracts may be cancelled upon the payment of a penalty clause. At the end of 2012, the liabilities arising from penalty clauses were EUR 74 thousand (2011: EUR 89 thousand).

7. Income tax recognised in the income statement

7.1 Income tax

	2012	2011
Current tax		
Current tax of the year	(449)	(1,041)
Adjustment to prior year estimation	(5)	-
	(454)	(1,041)
Deferred tax		
Temporary differences originated or reversed in the year	(704)	(5,435)
Change to the recoverable amount of tax losses and temporary differences from previous years	625	3,666
	(79)	(1,769)
Other losses related to taxes		
Impact of changes in estimates for tax litigations	-	(3,174)
	-	(3,174)
Total income tax	(533)	(5,984)

7.2 Reconciliation of effective tax rate

	2012	2011
Profit/loss before taxes	83,622	587,453
Income tax using the Portuguese corporation tax rate – 26.5%	(22,160)	(155,675)
Non taxable or non recoverable results	21,510	146,962
Non-deductible expenses	(312)	(262)
Change to the recoverable amount of tax losses and temporary differences from previous years	625	3,666
Adjustment to prior year estimation	(5)	-
Results subject to special taxation	(191)	(675)
Income tax for the year	(533)	(5,984)
Effective tax rate	0.64%	1.02%

8. Gains/Losses in subsidiaries and associated companies

	2012	2011
Dividends received	82,963	6,388
Interest from loans to subsidiaries and associated companies	5,222	13,322
Disposal of subsidiaries and associated companies	-	119,445
Adjustments of acquisition cost of shares in subsidiaries (note 26)	-	138,719
Corporate reorganization (see note 3)	-	304,597
	88,185	582,471

9. Gains/Losses in other investments

	2012	2011
Sale of rights over BCP shares	-	25
Rents from investment properties	182	180
Income from short-term investments	71	-
	253	205

10. Exceptional operating profits/losses

	2012	2011
Reimbursement of notary fees resulting from court decision	-	1,473
Impact of actuarial assumptions changes	(358)	(5)
Costs related with restructuring plans	-	(2,726)
Provisions for risks and contingencies (note 26)	-	(2,484)
Others	(5)	-
	(363)	(3,742)

11. Tangible assets

11.1 Changes occurred during the year

Gross assets

	01/01/2012 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2012 Closing balance
Buildings and other constructions	340	100	-	-	440
Transport equipment	79	-	-	-	79
Tools and utensils	2	-	-	-	2
Office equipment	1,956	73	-	-	2,029
Other tangible assets	389	-	-	-	389
	2,766	173	-	-	2,939

Accumulated depreciation and impairment

	01/01/2012 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2012 Closing balance
Buildings and other constructions	176	32	-	-	208
Transport equipment	63	6	-	-	69
Tools and utensils	2	-	-	-	2
Office equipment	1,805	36	-	-	1,841
Other tangible assets	326	-	-	-	326
	2,372	74	-	-	2,446
Net book amount	394				493

11.2 Changes occurred in the previous year

Gross assets

	01/01/2011 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2011 Closing balance
Buildings and other constructions	248	92	-	-	340
Transport equipment	79	-	-	-	79
Tools and utensils	2	-	-	-	2
Office equipment	1,879	77	-	-	1,956
Other tangible assets	389	-	-	-	389
	2,597	169	-	-	2,766

Accumulated depreciation and impairment

	01/01/2011 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2011 Closing balance
Buildings and other constructions	146	30	-	-	176
Transport equipment	57	6	-	-	63
Tools and utensils	2	-	-	-	2
Office equipment	1,751	54	-	-	1,805
Other tangible assets	326	-	-	-	326
	2,282	90	-	-	2,372
Net book amount	315				394

11.3 Equipment under financial lease

At the end of 2012 and 2011, there was no equipment under financial lease.

11.4 Guarantees

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

12. Intangible assets

Intangible assets are made up of research and development expenses and include expenses incurred with the implementation of information system platforms.

12.1 Changes occurred during the year

Gross assets

	01/01/2012 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2012 Closing balance
Research and development expenses	309	512	-	-	821
	309	512	-	-	821

Accumulated amortisation and impairment

	01/01/2012 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2012 Closing balance
Research and development expenses	309	76	-	-	385
	309	76	-	-	385
Net book amount	-				436

12.2 Changes occurred in the previous year

Gross assets

	01/01/2011 Opening Balance	Increases	Disposals	Transfers and write-offs	31/12/2011 Closing Balance
Research and development expenses	309	-	-	-	309
	309	-	-	-	309

Accumulated amortisation and impairment

	01/01/2011 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2011 Closing balance
Research and development expenses	299	10	-	-	309
	299	10	-	-	309
Net book amount	10				-

13. Investment properties

JMH owns a property, which was partially rented to a Group company generating profits in the amount of EUR 182 thousand (2011: EUR 180 thousand). This property is valued at its market value, according to an independent valuation, and is recorded at EUR 2,470 thousand (2011: EUR 2,470 thousand).

In 2012, JMH incurred in expenses regarding this property in the amount of EUR 4 thousand (2011: EUR 5 thousand), recognised in results in other operating costs.

14. Investments in subsidiaries and joint ventures

14.1 Investments in subsidiaries

	2012	2011
Net value at 1 January	667,958	217,962
Increases	-	72
Decreases	-	(55)
(Increases)/decreases in provisions for impairment loss (see note 26)	-	138,719
Corporate reorganization (see note 3)	-	311,260
Net value at 31 December	667,958	667,958

The net amount in investments in subsidiaries, reflects the deduction of EUR 121,026 thousand, regarding impairment losses (see note 26).

14.2 Investments in joint ventures

	2012	2011
Net value at 1 January	-	6,663
Increases	-	-
Decreases	-	-
Corporate reorganization (see note 3)	-	(6,663)
Net value at 31 December	-	-

15. Loans

15.1 Loans to subsidiaries

Non-current loans	2012	2011
Net value at 1 January	699,641	413,581
Increases	14,580	373,797
Decreases	(159,404)	(277,311)
Corporate reorganization (see note 3)	-	189,574
Net value at 31 December	554,817	699,641

Non-current loans are granted as supplementary capital contributions (which do not bear interest), and as medium and long-term shareholders loans (remunerated at normal market rates).

Current loans	2012	2011
Net value at 1 January	63,050	113,273
Increases	-	12,932
Decreases	(6,280)	(63,155)
Net value at 31 December	56,770	63,050

Current loans are liable to interest rates at normal market levels.

15.2 Loans to joint ventures

Non-current loans	2012	2011
Net value at 1 January	-	188,727
Increases	-	1,276
Decreases	-	-
Foreign currency loans translation differences	-	(429)
Corporate reorganization (see note 3)	-	(189,574)
Net value at 31 December	-	-

16. Available-for-sale financial assets

	2012	2011
BCP shares	3,705	3,705
Fair value adjustment (see note 26)	(3,552)	(3,428)
	153	277

As of 31 December 2012, all BCP shares in the company's portfolio (2,035 million shares) were marked to market – price as of 31 December 2012 of Euro 0.075 – Euronext Lisbon. The changes in the fair value of these assets of a negative EUR 124 thousand were recognised directly in equity (2011: negative EUR 858 thousand).

17. Taxes

17.1 Deferred tax assets and liabilities

Deferred taxes are presented in the balance sheet as follows:

	2012	2011
Deferred tax assets	6,212	5,590
Deferred tax liabilities	(1,462)	(957)
	4,750	4,633

Movement in deferred taxes during the year:

	01/01/2012	Impact on results	Impact on equity	31/12/2012
Deferred tax liabilities				
Revaluation of assets	(238)	15	-	(223)
Other temporary differences	(719)	(520)	-	(1,239)
	(957)	(505)	-	(1,462)
Deferred tax assets				
Employee benefits	4,370	87	-	4,457
Recoverable losses	-	-	-	-
Fair value in derivative financial instruments	562	-	196	758
Excess over legal provisions	658	339	-	997
	5,590	426	196	6,212
Net change in deferred tax	4,633	(79)	196	4,750

Movement in deferred taxes during previous year:

	01/01/2011	Impact on results	Impact on equity	31/12/2011
Deferred tax liabilities				
Revaluation of assets	(243)	5	-	(238)
Other temporary differences	-	(719)	-	(719)
	(243)	(714)	-	(957)
Deferred tax assets				
Employee benefits	3,675	695	-	4,370
Recoverable losses	2,408	(2,408)	-	-
Fair value in derivative financial instruments	689	-	(127)	562
Excess over legal provisions	-	658	-	658
	6,772	(1,055)	(127)	5,590
Net change in deferred tax	6,529	(1,769)	(127)	4,633

17.2 Unrecognised deferred taxes on tax losses

The company did not recognise deferred tax assets relative to tax losses in respect of which, with reasonable assurance, no sufficient taxable profits are expected to guarantee the recovery of deferred tax assets.

Unrecognised deferred taxes on tax losses are as follow:

	2012	2011
Tax losses	4,546	7,047
Tax rate	25%	25%
Deferred tax assets (Unrecognised)	1,137	1,762

17.3 Taxes receivable and payable

Taxes receivable	2012	2011
Income tax receivable	2,013	192
VAT receivable	2	1
	2,015	193
Taxes payable		
VAT payable	118	399
Income tax payable	-	177
Income tax withheld	152	322
Social security	75	69
Municipal real estate tax	4	5
	349	972

18. Trade debtors, accrued income and deferred costs

	2012	2011
Subsidiaries and associated companies	898	840
Receivables from suppliers	13	14
Staff	9	8
Other debtors	188	159
Accrued income	5,335	4,643
Deferred costs	953	1,334
	7,396	6,998

Amounts recognised in subsidiaries and associated companies concern mainly to invoices issued to group companies relating to various services provided.

Accrued income respects namely to EUR 4,865 thousand regarding the rendering of technical and administrative services to subsidiaries and EUR 409 thousand of interest receivable.

Deferred costs includes EUR 573 thousand of prepaid expenses with bonds, bank loans and commercial paper, EUR 171 thousand of commercial paper anticipated interests, and EUR 209 thousand of other costs relating to future periods, paid in 2012 or when not paid, already charged by the competent entities.

19. Cash and cash equivalents

	2012	2011
Bank deposits	537	23,547
Short-term investments	39,350	151,700
Cash and cash equivalents	8	9
	39,895	175,256

20. Cash generated from operations

	2012	2011
Net results	83,089	581,469
Adjustments for:		
Income tax	533	5,984
Depreciation and amortisation	150	100
Net financial costs	5,110	(4,980)
Gains/losses in subsidiaries and associated companies	(88,185)	(582,471)
Gains/losses in other investments	(253)	(205)
	444	(103)
Changes in working capital:		
Trade debtors, accrued income and deferred costs	(1,020)	6,304
Trade creditors, accrued costs and deferred income	64	659
Provisions and employee benefits	1,605	5,108
	1,093	11,968

21. Capital and reserves

21.1 Share capital and share premium account

The authorised share capital is represented by 629,293,220 ordinary shares (2011: 629,293,220), all with one euro par value.

The owners of ordinary shares have the right to receive dividends in accordance with the deliberations of the General Meeting, and have the right to one vote for each share owned. There are no preferential shares. Rights relating to own shares are suspended until they are placed on the market.

During the year 2012, no changes occurred in the amount of EUR 22,452 thousand showed in share premium.

21.2 Own shares

Own shares reflect the cost of shares held by the company in portfolio. As of 31 December 2012, the company held 859,000 own shares (2011: 859,000).

21.3 Other reserves

	Cash flow hedging	Available-for- -sale financial instruments	Total
Balance as at 1 January 2011	(1,911)	(454)	(2,365)
Fair value of cash flow hedging instruments:			
- Gross value	480	-	480
- Deferred tax	(127)	-	(127)
Fair value adjustment of available-for-sale financial instruments	-	(858)	(858)
Balance as at 1 January 2012	(1,558)	(1,312)	(2,870)
Fair value of cash flow hedging instruments:			
- Gross value	(742)	-	(742)
- Deferred tax	196	-	196
Fair value adjustment of available-for-sale financial instruments	-	(124)	(124)
Balance as at 31 December 2012	(2,104)	(1,436)	(3,540)

These reserves are not able to be distributed to the Shareholders.

21.4 Retained earnings

At 31st December 2012, the total amount of retained earnings was EUR 511,966 thousand, resulting from profit generated in the financial year, and previous years.

Of this amount, EUR 274,742 thousand are not able to be distributed, as provided in articles 32, 218, 295, 296 and 324 of the Legal Code for Commercial Companies.

21.5 Dividends

According with the Board of Directors decision, in March 30th 2012 Shareholders Meeting, the amount of EUR 172,819 thousand, was distributed, in April 2012, to JMH Shareholders.

The Board of Directors, decided also, in December 2012, to distribute free reserves in the amount of EUR 150,196 thousand.

In accordance with the dividend distribution policy and described in the section regarding the Dividend Distribution Policy included in the Corporate Governance chapter, which is an integral part of the consolidated annual report, the Board of Directors proposes to the shareholders the distribution of the amount 185,388,094.90 euros, which corresponds to a dividend per share of EUR 0.295 (excluding own shares in the portfolio).

22. Earnings per share

22.1 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated based on the net profit attributable to Shareholders of EUR 83,089 thousand (2011: EUR 581,469 thousand) divided by the weighted average of outstanding ordinary shares, numbering 628,434,220 (2011: 628,434,220). The diluted earnings per share are equal to basic earnings per share as there are no dilution events.

	2012	2011
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)	83,089	581,469
Basic and diluted earnings per share – euros	0.132	0.925

23. Borrowings

This note provides information on the terms of loan contracts and other forms of financing. For further details regarding the company's exposure to interest rates see note 28.

23.1 Current and non-current loans

	2012	2011
Non-current loans		
Bank loans – commercial paper	50,000	50,000
Non-convertible bond loans	100,000	100,000
	150,000	150,000
Current loans		
Bank loans – commercial paper	-	10,000
Non-convertible bond loans	-	35,000
	-	45,000

23.2 Loan terms and maturities

	Average rate	2012	Payable in less than 1 year	Payable between 1 and 5 years
Bank loans – Commercial Paper	5.48%	50,000	-	50,000
Non-convertible Bond loans JM2014	3.78%	100,000	-	100,000
		150,000	-	150,000

	Average rate	2011	Payable in less than 1 year	Payable between 1 and 5 years
Bank loans – Commercial Paper	3.97%	60,000	10,000	50,000
Non-convertible Bond loan JM2012	3.44%	35,000	35,000	-
Non-convertible Bond loans JM2014	4.23%	100,000	-	100,000
		195,000	45,000	150,000

JMH uses, with other Group companies, grouped credit lines, which means that, until the maximum amount approved by a financial entity, it can be used simultaneously by more than one company. Thus, the amount of credit lines, granted to JMH, which are not being used amount to EUR 41,750 thousand (2011: EUR 41,750 thousand).

23.3 Bond loans

	2012	2011
Non-convertible bond loan JM2012	-	35,000
Non-convertible bond loans JM2014	100,000	100,000
	100,000	135,000

Non-convertible bonds

In September 2007, a bond loan in the amount of EUR 70,000, with variable interest rate was issued, with maturity of EUR 35,000 thousand in 2011 and EUR 35,000 thousand in 2012.

In September 2011, a bond loan in the amount of EUR 100,000, with variable interest rate was issued, with maturity in 2014.

23.4 Bank loans: Commercial paper

There are several bank loans in the form of a commercial paper programme, in the amount of EUR 220,000 thousand, with variable interest rate. In the end of 2012, of the total amount subscribed, only EUR 50,000 thousand were in use, with the following maturity:

Maturity	Amount
2014	50,000

24. Financial debt

	2012	2011
Non-current loans	150,000	150,000
Current loans	-	45,000
Derivative financial instruments	3,151	2,274
Accruals and deferrals (financial headings only)	(140)	(76)
Bank deposits	(537)	(23,547)
Short-term investments	(39,350)	(151,700)
	113,124	21,951

25. Financial risks

JMH is exposed to several financial risks, namely: market risk (which includes interest rate and price risks), liquidity risk and credit risk. Risk management is focused in the unpredictable nature of the financial markets and tries to minimize its adverse effects in the company financial performance. The information regarding financial risks management is detailed in the Management Report.

26. Provisions and adjustments to the net realisable value

2012	Opening balance	Provisions set up	Provisions used	Closing balance
Investments in subsidiaries	121,026	-	-	121,026
Available-for-sale financial assets	3,428	124	-	3,552
Total adjustments to the net realisable value	124,454	124	-	124,578
Other risks and contingencies	5,658	1,541	(264)	6,935
Total provisions	5,658	1,541	(264)	6,935

2011	Opening balance	Provisions set up	Provisions used	Closing balance
Investments in subsidiaries	259,745	-	(138,719)	121,026
Available-for-sale financial assets	2,570	858	-	3,428
Total adjustments to the net realisable value	262,315	858	(138,719)	124,454
Other risks and contingencies	-	5,658	-	5,658
Total provisions	-	5,658	-	5,658

The adjustment set up in 2011 on Investments in subsidiaries, in the amount of EUR 138,719 thousand, corresponds to the increase in fair value of subsidiaries for which it had been recognized impairment losses in previous years. The adjustment for available-for-sale financial assets corresponds to upgrade to fair value, as described in note 16.

The heading other risks and contingencies consists of provisions for possible compensation to be paid by JMH regarding guarantees provided in business sales agreements celebrated over the last few years and provisions for litigation processes where there are no prospects for resolution in less than one year.

27. Trade creditors, accrued costs and deferred income

	2012	2011
Payables to subsidiaries	60	279
Other trade creditors	1,347	632
Other non-trade creditors	7	400
Accrued costs	4,356	4,441
Deferred income	16	15
	5,786	5,767

Accrued costs includes salaries and wages payable in the amount of EUR 2,561 thousand, and interest's payable in the amount of EUR 801 thousand. The remaining EUR 994 thousand relates to various costs (utilities, insurance, consultants, rents, among others), regarding for 2012 and not invoiced by the respective entities prior to the end of the year.

28. Derivative financial instruments

	Notional	2012				Notional	2011			
		Assets		Liabilities			Assets		Liabilities	
		Current	Non current	Current	Non current		Current	Non current	Current	Non current
Cash flow hedge derivatives										
Interest rate swap	150 million EUR	-	-	-	3,151	76 million EUR	-	-	500	1,774
Total assets/liabilities hedge derivatives		-	-	-	3,151		-	-	500	1,774
Total assets/liabilities derivatives		-	-	-	3,151		-	-	500	1,774

In 2012, the values shown include interest receivable or payable related with these financial instruments that are due. The net payable amount is EUR 289 thousand (2011: EUR 154 thousand payable).

Cash flow hedge

JMH enters into interest rate swaps to hedge interest rate risk, regarding future interest payments on the loans. At 31 December 2012, the bank and bond loans with derivative hedge instruments were EUR 150,000 thousand (2011: EUR 85,000 thousand).

JMH set a portion of future interest payments on loans, through entering into interest rate swaps. The hedged risk is indexed to the variable rate 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 is not hedged. Swaps have a notional EUR 150,000 thousand (2011: EUR 76,250 thousand), and the fair value of these instruments at 31 December 2012 was negative EUR 3,151 thousand (2011: negative EUR 2,274 thousand). The changes in fair value of these instruments were recognised in other reserves in the amount of negative EUR 742 thousand (2011: positive EUR 480 thousand).

Derivatives held for trading

In 2011 JMH hedged the economic risk of its exposure to the zloty exchange rate. To do so, JMH entered into currency forwards with a notional of PLN 375,000 thousand, with maturities in September and December 2011. This operation originated a profit of EUR 10,845 thousand, registered in the profit and loss accounts in net financial costs.

28.1 Impacts on financial statements

	2012	2011
Fair value of the financial instruments at 1 January	(2,274)	(2,948)
(Receipts) / payments made	1,421	(9,138)
Fair value of financial instruments held for trade (P&L)		
- Exchange rate derivative	-	10,845
Fair value of financial instruments that qualify as hedge accounting (reserves)	(742)	480
Interest expenses from financial instruments that qualify as hedge accounting (P&L)	(1,556)	(1,513)
Fair value of the financial instruments at 31 December	(3,151)	(2,274)

29. Employee benefits

Amounts of employee benefits in the balance sheet:

	2012	2011
Retirement benefits - defined benefit plan paid for by the group	16,318	16,198
Seniority awards	503	294
Total	16,821	16,492

Amounts reflected in the income statement – staff costs (note 4.2):

	2012	2011
Retirement benefits – defined contribution plan	387	476
Retirement benefits - defined benefit plan paid for by the group	941	3,164
Seniority awards	223	142
Total	1,551	3,782

29.1 Defined contribution plans for employees, with a fund managed by third party

The company has a defined contribution plan for all employees who have permanent contract status, with a fund managed by third party.

This plan controls the costs of the company of the related benefits, while simultaneously creating an incentive for the employees to participate in their own pension scheme.

Movement in the year:

	2012	2011
Liabilities at 1 January	-	-
Staff costs on the year	387	476
Contributions of the year	(387)	(476)
Liabilities at 31 December	-	-

29.2 Defined benefit plans for former employees managed by the Group

Independent actuaries evaluate this plan every six months. According to the actuarial calculation reported on 31 December 2012 the liability is EUR 16,318 thousand, provisioned entirely in liabilities in the employee benefits heading.

Movement in the year:

	2012	2011
Balance at 1 January	16,198	13,710
Past services costs	-	2,516
Interest costs	711	602
Actuarial (gains)/losses	230	46
Retirement pensions paid	(821)	(676)
Balance at 31 December	16,318	16,198

Actuarial assumptions used:

	2012	2011
Mortality table	TV 88/90	TV 88/90
Discount rate	4.5%	4.5%
Pensions growth rate	2.5%	2.5%

The mortality assumptions used corresponds to the most common adopted in Portugal, and was set based on actuarial advice in accordance with published statistics.

29.3 Other long-term benefits granted to employees

The Company has adopted an incentive programme based on the granting of awards according to seniority.

The programme consists in granting of awards to employees when they reach 15 and 25 years of service. The responsibilities regarding the seniority awards are evaluated annually by an independent actuary.

According to the actuarial calculation reported as of 31 December 2012, the liabilities amount to EUR 503 thousand, and are provisioned entirely, in liabilities, in the employee benefits heading.

Movement in the year:

	2012	2011
Balance at 1 January	294	158
Current service costs	80	129
Interest costs	15	8
Actuarial (gains)/losses	128	5
Bonus paid	(14)	(6)
Balance at 31 December	503	294

Actuarial assumptions used:

	2012	2011
Mortality table	TV 88/90	TV 88/90
Discount rate	4.5%	4.9%
Salaries growth rate	2.5%	2.5%

30. Guarantees

The bank guarantees are as follows:

	2012	2011
Guarantees for D.G.C.I. (Portuguese tax authority)	1,991	1,949
Financing bank guarantees	10,521	-
Other guarantees provided	1,420	1,584
	13,932	3,533

31. Contingencies

There are several disputes arising out of the ordinary course of the JMH's businesses. The material issues pending resolution are detailed below. With respect to these issues the Board of Directors, supported by the opinion of its tax and legal advisors, assesses the outcome of each proceedings, and for those where the Board estimates that a future cash outflow may occur, a provision is taken (note 26):

- The Portuguese tax authorities have informed Jerónimo Martins, to restate the dividends received, amounting to EUR 10,568 thousand, from its subsidiary in the Madeira Free Zone in 2004 and 2005, considering them as interest for tax purposes. According to the Portuguese tax authorities the said income should be subject to Corporate Income Tax (CIT) as opposed to dividends received that are exempt. Board of Directors, supported by their tax consultants and legal advisors, consider that the report issued by the Tax Authorities does not have any legal basis or validity, and will challenge it;
- The Portuguese Tax Authorities have claimed EUR 989 thousand from Jerónimo Martins in relation to the CIT for an indemnity paid by the Company due to an agreement reached in arbitration court, and which the Tax Authorities considered as dealing with a payment to an entity subject to a more favourable tax regime, and therefore not accepted for tax purposes. The Board of Directors, with the support of its tax and legal advisers, does not consider the report of the Tax Authorities to have legal basis or validity, and thus has challenged it;
- The Portuguese tax authorities have claimed from Jerónimo Martins the amount of EUR 480 thousand, regarding the year 2008. The assessment concerns swap payments, treated as interest in that year, which the tax authorities consider should have been subject to withholding tax. Board of Directors, supported by its tax consultants, have challenged this assessment, believing that the tax authorities have no grounds to request the payment of such amounts;
- The Portuguese Tax Authorities have informed Jerónimo Martins, that they do not accept losses on capital gains associated with a liquidation of one Company and the sale of another, amounting to EUR 24,660 thousand, which generated a correction on the company's tax losses, regarding year 2007. Board of Directors, supported by their tax consultants and legal advisors, consider that the report issued by the Tax Authorities does not have any legal basis or validity, and will challenge it;
- Tengelmann KG filed arbitration proceedings against Jerónimo Martins, SGPS, S.A. before the German Institute of Arbitration, in Cologne. The plaintiff argues that Jerónimo Martins, SGPS, S.A. is liable for the non-payment of rents and contractual penalties, plus accrued interests, by Dystrybucja Integrator Sp. Z o.o. (previously Plus Discount Sp. z o.o. - Plus Poland), in the amount of EUR 2,716 thousand, under the guarantee granted by Jerónimo Martins, SGPS, S. A. in the SPA regarding Plus Discount Sp. z o.o.. Jerónimo Martins, SGPS, S.A. considers the allegations ungrounded, therefore presented its statement of defense in the arbitration proceedings. Tengelmann KG presented its response and expanded the amount claimed to EUR 5.640 thousand, plus accrued interest from June 1, 2012. Jerónimo Martins presented a rejoinder. Meanwhile, court hearings have taken place and the period for the post hearing briefs by the parties has begun.

32. Subsidiaries, joint-ventures and available-for-sale investments

The direct investments owned by JMH, at 31 December 2012, 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	92	88	7
Jerónimo Martins Serviços, S.A.	a)	Lisbon	100.00%	50	3,249	370	117
Imocash – Imobiliário de Distribuição, S.A.	a)	Lisbon	1.00%	30	69,979	12,764	1,134
Larantigo – Sociedade de Construções, S.A.	a)	Lisbon	0.20%	1	1,300	1,291	2
Eva – Soc. de Investimentos Mobiliários e Imobiliários, Lda	a)	Funchal	5.60%	28	72,257	72,241	1,142
Friedman – Soc. de Investim. Mobiliários e Imobiliários, Lda	a)	Funchal	100.00%	5	61	45	(15)
Warta – Retail & Services Investments B.V.	a)	Amsterdam	100.00%	18	423,707	419,586	242,259
Tagus – Retail & Services Investments B.V.	a)	Amsterdam	100.00%	18	673,656	673,643	10,681
Monterroio – Retail & Services Investments B.V.	a) b)	Amsterdam	100.00%	18	370,271	280,072	8,092
New World Investments B.V.	a)	Amsterdam	100.00%	18	15,984	14,391	(223)
Available-for-sale financial assets							
BCP - Banco Comercial Português, S.A.	b)	Oporto	0.01%	2,036	89,744,039	4,000,188	(1,219,053)

a) For the purposes of the article 486, paragraph 3, of the Portuguese Commercial Companies Code, we declare that we hold the control of the companies indicated.

b) A fair value adjustment provision has been set up.

33. Group companies and joint-ventures – direct and indirect stakes

Table below describes the companies directly and indirectly held by Jerónimo Martins, SGPS, SA, as of 31 December 2012:

Group companies

Company	Head office	% Owned
JMR – Gestão de Empresas de Retalho, SGPS, S.A.	Lisbon	51.00
Pingo Doce – Distribuição Alimentar, S.A.	Lisbon	51.00
Supertur – Imobiliária, Comércio e Turismo, S.A.	Lisbon	51.00
JMR - Prestação de Serviços para a Distribuição, S.A.	Lisbon	51.00
Imoretalho – Gestão de Imóveis, S.A.	Lisbon	51.00
Casal de São Pedro – Administração de Bens, S.A.	Lisbon	51.00
Jerónimo Martins Finance Company (2), Limited	Dublin (Ireland)	51.00
EVA – Sociedade de Investimentos Mobiliários e Imobiliários, Lda.	Funchal	51.00
Cunha & Branco – Distribuição Alimentar, S.A.	Lisbon	51.00
Jerónimo Martins Retail Services, S.A.	Klosters (Switzerland)	51.00
Comespa – Gestão de Espaços Comerciais, S.A.	Lisbon	51.00
Escola de Formação Jerónimo Martins, S.A.	Lisbon	51.00
Funchalgest – Sociedade Gestora de Participações Sociais, S.A.	Funchal	75.50
João Gomes Camacho, S.A.	Funchal	75.50
Lidosol II – Distribuição de Produtos Alimentares, S.A.	Funchal	75.50
Lidinvest – Gestão de Imóveis, S.A.	Funchal	75.50

Company	Head office	% Owned
Recheio, SGPS, S.A.	Lisbon	100.00
Recheio – Cash & Carry, S.A.	Lisbon	100.00
Imocash – Imobiliário de Distribuição, S.A.	Lisbon	100.00
Larantigo – Sociedade de Construções, S.A.	Lisbon	100.00
Masterchef, S.A.	Lisbon	100.00
Jerónimo Martins Polska S.A. ¹	Kostrzyn (Poland)	100.00
Optimum Mark Sp. Z.o.o.	Warszawa (Poland)	100.00
JM Nieruchomosci – Sp. Z.o.o.	Kostrzyn (Poland)	100.00
JM Nieruchomosci – Sp. Komandytowo-akcyjna	Kostrzyn (Poland)	100.00
JM TELE – Sp. Z.o.o.	Kostrzyn (Poland)	100.00
Jerónimo Martins Drogerie i Farmacja Sp. z o.o. ²	Kostrzyn (Poland)	100.00
Bliska Sp. Z.o.o.	Warszawa (Poland)	100.00
Belegginmaatschappij Tand B.V.	Amsterdam (Holand)	100.00
Warta – Retail & Services Investments B.V.	Amsterdam (Holand)	100.00
Tagus – Retail & Services Investments B.V.	Amsterdam (Holand)	100.00
Monterroio – Retail & Services Investments B.V.	Amsterdam (Holand)	100.00
New World Investments B.V.	Amsterdam (Holand)	100.00
Jerónimo Martins Colombia S.A.S.	Bogota (Colombia)	100.00
Jerónimo Martins – Distribuição de Produtos de Consumo, Lda.	Lisbon	100.00
Caterplus – Comercialização e Distribuição Produtos de Consumo, Lda.	Lisbon	100.00
Hussel Ibéria – Chocolates e Confeitaria, S.A.	Lisbon	51.00
Jerónimo Martins – Restauração e Serviços, S.A.	Lisbon	100.00
Friedman – Sociedade Investimentos Mobiliários e Imobiliários, Lda.	Funchal	100.00
Desimo – Desenvolvimento e Gestão Imobiliária, Lda.	Lisbon	100.00
Jerónimo Martins – Serviços, S.A.	Lisbon	100.00
Servicompra, SGPS, Lda.	Lisbon	100.00

Joint-ventures

Company	Head Office	% Owned
Unilever Jerónimo Martins, Lda.	Lisbon	45.00
Fima – Produtos Alimentares, S.A.	Lisbon	45.00
Victor Guedes – Indústria e Comércio, S.A.	Lisbon	45.00
Indústrias Lever Portuguesa, S.A.	Lisbon	45.00
Olá – Produção de Gelados e Outros Produtos Alimentares, S.A.	Lisbon	45.00
Gallo Worldwide, Lda.	Lisbon	45.00

Associates

Company	Head Office	% Owned
Perfumes e Cosméticos PUIG Portugal – Distribuidora, S.A.	Lisbon	27.55

34. Related parties

Note: transactions with related parties are always carried out at market prices.

34.1 Transactions with related parties (shareholders)

JMH is owned 56.136% by Sociedade Francisco Manuel dos Santos BV, there were no direct transactions between this Company and any other Group company in 2012.

¹ Previously assigned as Jerónimo Martins Dystrybucja, S.A.. Amendment made on June 2012.

² Previously assigned as JM Usługi - Sp. Z o.o.. Amendment made on February 2012.

34.2 Transactions with other related parties

34.2.1 Technical and administrative services provided

As the Group's holding company, JMH co-ordinates and provides consultancy services to its subsidiaries. The functional areas of support to the Group range from Administration to Internal Audit, Legal Affairs, Corporate Communication and Responsibility, Financial Control, Consolidation and Accounting, Strategy and International Expansion, Fiscal Affairs, Financial Operations, Quality Control and Food Safety, Human Resources, Investor Relations, Security, Information Technology. JMH is remunerated for these services, as well as management services for negotiation on behalf of the Group companies.

Income from technical and administrative services provided to subsidiaries during 2012 was EUR 17,639 thousand (2011: EUR 16,343 thousand).

34.2.2 Financial services

The Financial Operations Department of the holding centralises part of the Jerónimo Martins Group companies' financial management.

This management includes acting on behalf of the companies in the negotiation and contracting with banks and other financial institutions, debt conditions and application of funds. The purpose of this centralized management is to obtain more favourable conditions for funding and applications than would be obtained if negotiated on an individual basis. This centralised management is remunerated, achieving in 2012 an amount of EUR 2,307 thousand (2011: EUR 3,395 thousand).

This management includes also the centralised treasury, responsible for payments to suppliers, employees and other entities, as well as daily cash management. This management is also remunerated, achieving in 2012 an amount of EUR 433 thousand (2011: EUR 405 thousand).

34.2.3 Lease of property

JMH develops its activity in premises rented to a subsidiary, which represented costs of EUR 203 thousand (2011: EUR 202 thousand).

As referred in note 13, JMH owns a property which is partially rented to a Group company, and generated profits in 2012, in the amount of EUR 182 thousand (2011: EUR 180 thousand).

34.2.4 Supplementary income

JMH charges annually a joint-venture company relating to a sales commission. In 2012, this amounted EUR 149 thousand (2011: EUR 146 thousand).

34.2.5 Loans to subsidiaries and joint ventures (current and non-current loans)

JMH granted loans to subsidiaries and joint ventures, which generated interest in the amount of EUR 5,222 thousand (2011: EUR 13,322 thousand).

Companies	2012	2011
Joint-ventures	-	3,866
Subsidiaries	5,222	9,556
Total	5,222	13,322

34.2.6 Costs relating to staff

As a group, JMH takes advantage of the synergies existing between various companies and frequently transfers staff from one company to another, according to the needs of the various businesses. In 2012, total costs incurred with personnel from other companies amounted to EUR 3,712 thousand (2011: EUR 4,787 thousand).

34.2.7 Open balances as of 31 December 2012

Company	Current loans	Non-current loans	Accounts receivable	Accrued income	Deferred income	Accounts payable	Accrued costs
Group companies							
Casal de São Pedro – Administração Bens, S.A.	-	-	-	2	-	-	-
Comespa - Gestão de Espaços Comerciais, S.A.	-	-	-	2	-	-	-
Desimo – Desenv. Gestão Imobiliária, Lda.	-	20	-	-	-	-	-
Friedman - Soc. Inv. Mobiliários e Imobiliários, Lda.	-	45	-	-	-	-	-
Hussel Ibéria – Chocolates e Confeitaria, S.A.	-	-	-	3	-	-	-
Imocash – Imobiliário de Distribuição, S.A.	-	-	-	5	-	-	-
Imoretalho – Gestão de Imóveis, S.A.	-	-	-	22	-	15	-
João Gomes Camacho, S.A.	-	-	-	21	-	-	-
Jerónimo Martins Colombia, S.A.S.	-	-	2	-	-	-	-
Jerónimo Martins – Dist. Prod. Consumo, Lda.	6,345	-	16	26	-	-	-
Jerónimo Martins Polska S.A.	-	-	2	1,786	-	-	-
Jerónimo Martins Serviços, S.A.	-	500	-	-	-	38	1,344
JMR – Gestão Empresas Retalho, SGPS, S.A.	-	-	-	487	-	-	-
JMR - Prestação de Serviços para a Distribuição, S.A.	-	-	216	14	-	-	-
Lidinest - Gestão de Imóveis, S.A.	-	-	-	2	-	-	-
Lidosol II – Distrib. Produtos Alimentares, S.A.	-	-	1	75	-	-	-
Monterroio - Industry & Services Investments B.V.	-	238,024	-	186	-	-	-
New World Investments B.V.	-	14,605	-	-	-	-	-
Pingo Doce – Distribuição Alimentar, S.A.	-	-	85	2,048	-	4	-
Recheio - Cash & Carry, S.A.	-	-	17	332	16	3	-
Recheio, SGPS, S.A.	50,425	-	167	39	-	-	-
Tagus - Retail & Services Investments B.V.	-	125,595	-	-	-	-	-
Warta - Retail & Services Investments B.V.	-	176,028	-	-	-	-	-
Subtotal	56,770	554,817	506	5,050	16	60	1,344
Joint-ventures							
Unilever Jerónimo Martins, Lda.	-	-	390	-	-	-	-
Gallo Worldwide, Lda.	-	-	2	-	-	-	-
Subtotal	-	-	392	-	-	-	-
TOTAL	56,770	554,817	898	5,050	16	60	1,344

34.2.8 Open balances as of 31 December 2011

Companies	Current Loans	Non-current Loans	Accounts receivable	Accrued Income	Deferred Income	Accounts Payable	Accrued costs
Group companies							
Comespa - Gestão de Espaços Comerciais, S.A.	-	-	-	3	-	-	-
Cunha & Branco – Distribuição Alimentar, S.A.	-	-	-	1	-	-	-
Escola de Formação Jerónimo Martins, S.A.	-	-	15	-	-	13	16
Friedman - Soc. Inv. Mobiliários e Imobiliários, Lda.	-	10	-	-	-	-	-
Hussel Ibéria – Chocolates e Confeitaria, S.A.	-	-	-	3	-	-	-
Imocash – Imobiliário de Distribuição, S.A.	-	-	-	4	-	-	-
Imoretalho – Gestão de Imóveis, S.A.	-	-	-	19	-	20	-
João Gomes Camacho, S.A.	-	-	1	16	-	-	-
Jerónimo Martins Colombia, S.A.S.	-	-	2	-	-	-	-
Jerónimo Martins – Dist. Prod. Consumo, Lda.	10,745	-	30	65	-	-	-
Jerónimo Martins Polska S.A.	-	-	-	1,705	-	-	-
Jerónimo Martins Serviços, S.A.	-	500	138	-	-	-	1,621
JMR – Gestão Empresas Retalho, SGPS, S.A.	-	-	-	388	-	-	-
JMR - Prestação de Serviços para a Distribuição, S.A.	-	-	47	25	-	128	4
Lidininvest - Gestão de Imóveis, S.A.	-	-	-	1	-	-	-
Lidosol II – Distrib. Produtos Alimentares, S.A.	-	-	6	58	-	-	-
Monterroio - Industry & Services Investments B.V.	-	248,048	-	313	-	-	-
New World Investments B.V.	-	80	-	-	-	-	-
Pingo Doce – Distribuição Alimentar, S.A.	-	-	88	1,461	-	18	-
Recheio - Cash & Carry, S.A.	-	-	3	248	15	100	-
Recheio, SGPS, S.A.	52,305	-	209	95	-	-	-
Servicompra, SGPS, Lda.	-	-	1	-	-	-	-
Tagus - Retail & Services Investments B.V.	-	136,285	-	-	-	-	-
Warta - Retail & Services Investments B.V.	-	314,718	8	-	-	-	-
Subtotal	63,050	699,641	548	4,405	15	279	1,641
Joint-ventures							
Unilever Jerónimo Martins, Lda.	-	-	292	-	-	-	-
Subtotal	-	-	292	-	-	-	-
Total	63,050	699,641	840	4,405	15	279	1,641

34.3 Remuneration paid to directors

	2012	2011
Salaries and cash awards	3,215	3,418
Retirement benefits	336	424
	3,551	3,842

The Board of Directors of the company contains 11 members.

The remuneration of the Members of the Board of Directors and of the Supervisory Board is stated in the Consolidated Annual Report, under the Corporate Governance section.

The retirement benefits granted to the Directors correspond to post-employment benefits and are part of the plans described in note 29.

As the cash awards to Executive Directors were due solely to the good performance of the Group's activity in Poland, the cash awards payment were charged to Jerónimo Martins Polska S.A.

No other remuneration was paid to the Directors by any other Group company.

35. Interests in joint ventures

The company owns (indirectly) interests in the following joint ventures:

- JMH holds a 45% shareholding in Unilever Jerónimo Martins, which controls a group of companies dedicated to manufacturing and selling products in the area of edible fats and ice-creams and to distributing and selling drinks, personal care and home care products, using owned Private Brands and brands owned by the Unilever Group;
- JMH holds a 45% shareholding in Gallo Worldwide, which is dedicated to distributing olive oil and cooking oils, using owned Private Brands and brands of the Unilever Group,

36. Information on environmental matters

As referred in the management report, there are no environmental matters likely to affect the company's financial performance and situation, and the company is unaware of any contingent liability or obligation concerning environmental matters. As a result, the company did not recognise any relevant costs or investment of environmental nature in its financial statements.

37. Additional information requested by law

In accordance with article 66-A of the Portuguese Commercial Companies Code, we hereby inform of the following:

- a) In addition to all operations described in the notes above, as well as in the Management's Report, there are no other operations considered relevant which are not already contained either in the balance sheet or its annex;
- b) The total remuneration paid in 2012, to the External Auditor and Chartered Accountant, was 123,199 euros, of which 117,213 euros correspond to legal accounting audit services, while the remaining 5,986 euros, relate to access to a tax legislation database;
- c) Note 34 of the notes to the financial statements include all the related parties' disclosures, in accordance with the International Accounting Standards.

38. Events after the balance sheet date

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

Lisbon, 26th February 2013

The Certified Accountant

The Board of Directors



Auditor Report for Statutory and Stock Exchange Regulatory Purposes on the Individual Financial Information

(Free translation from the original version in Portuguese)

Introduction

1 As required by law, we present the Audit Report for Statutory and for Stock Exchange Regulatory Purposes on the financial information included in the Directors' Report and in the attached financial statements of Jerónimo Martins, SGPS, S.A., comprising the balance sheet as at December 31, 2012, (which shows total assets of Euro 1,338,615 thousand and total shareholder's equity of Euro 1,154,111 thousand, including a net profit of Euro 83,089 thousand), the statements of income by functions, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the corresponding notes to the accounts.

Responsibilities

2 It is the responsibility of the Company's Board of Directors (i) to prepare the Directors' Report and the financial statements which present fairly, in all material respects, the financial position of the Company, the results and the comprehensive income of its operations, the changes in equity and cash flows; (ii) to prepare historic financial information in accordance with International Financial Reporting Standards as adopted by the European Union and which is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain an appropriate system of internal control; and (v) to disclose any significant matters which have influenced the activity, financial position or results of the Company.

3 Our responsibility is to verify the financial information included in the financial statements referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code, for the purpose of issuing an independent and professional report, based on our audit.

Scope

4 We conducted our audit in accordance with the Standards and Technical Recommendations issued by the Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Accordingly, our audit included: (i) verification, on a sample basis, of the evidence supporting the amounts and disclosures in the financial statements, and assessing the reasonableness of the estimates, based on the judgements and criteria of the Board of Directors used in the preparation of the financial statements; (ii) assessing the appropriateness of the accounting principles used and their disclosure, as applicable; (iii) assessing the applicability of the going concern basis of accounting; (iv) assessing the overall presentation of the financial statements; and (v) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the financial information.

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

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5 Our audit also covered the verification that the information included in the Directors' Report is consistent with the financial statements as well as the verification set forth in paragraphs 4 and 5 of Article 451 of the Companies Code.

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the financial statements referred to above, present fairly in all material respects, the financial position of Jerónimo Martins, SGPS, S.A. as at December 31, 2012, the results and the comprehensive income of its operations, the changes in equity and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the information included is complete, true, up-to-date, clear, objective and lawful.

Report on other legal requirements

8 It is also our opinion that the information included in the Directors' Report is consistent with the financial statements for the year and that the Corporate Governance Report includes the information required under Article 245-A of the Portuguese Securities Market Code.

March 1, 2013

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

Abdul Nasser Abdul Sattar, R.O.C.

Report and Opinion of the Audit Committee

Dear Shareholders,

In accordance with paragraph g) of article 423-F of the Commercial Companies Code, we herewith present our report on our supervisory activity and our opinion on the Jerónimo Martins, SGPS, S.A. report and individual accounts for the year ending December 31st, 2012, as well as on the proposals presented by the Board of Directors.

Supervisory activity

Throughout the year, this Committee monitored the management and evolution of the Company's businesses, by holding regular meetings with the Directors and Heads of the functional areas of the corporate centre, with the Managing Committee, the Company Secretary and the Statutory Auditor, and in all cases received their full co-operation.

The suitability and effectiveness of the internal control and risk management systems were verified, with the co-operation and work of the Internal Control Committee, the Internal Audit Department and the External Auditor.

This Committee was given access to all the corporate documentation that it considered relevant, namely the minutes of the meetings of the Managing Committee, the Ethics Committee and the Internal Control Committee, as well as all the related documentation it deemed relevant, in order to assess compliance with its regulations and with the applicable laws.

It met regularly with the External Auditor and those responsible for preparing the Annual Report, and carried out a review of the accuracy of the accounting documentation, accounting policies and valuation methods used by the Company, thereby ensuring that these are a correct representation of the results and the equity of the Company.

Throughout the year, it monitored the work methodology adopted by the External Auditor, the evolution of issues raised by the latter, as well as the conclusions of the work carried out by the Statutory Auditor, which gave rise to the Auditor's Report being issued without any reservations.

Within the scope of its responsibilities, the Audit Committee verified the independence and competence of the Company's External Auditors and Statutory Auditor in carrying out their functions, and also verified that all other services provided by the firm of External Auditors to the Company, were carried out by their employees who took no part in the audits, and that these services, due to their type and amounts involved, in no way jeopardise the independence of the work carried out by the External Auditor nor do they affect the opinion of the Statutory Auditor.

Opinion

Taking into account the information received from the Board of Directors, the Company personnel and the conclusions outlined in the Report of the Auditors for Statutory and Stock Exchange Regulatory Purposes in Respect of the Individual Financial Information, we are of the opinion that:

- i) The Management Report should be approved;
- ii) The Financial Statements should be approved; and
- iii) The Board of Directors' results appropriation proposal should be approved.

Statement of Responsibility

In accordance with sub-paragraph c) of paragraph 1 of article 245.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.;
- ii) The Management Report is a faithful statement of the evolution of the businesses, of the performance and position of Jerónimo Martins, SGPS, S.A., and contains a description of the main risks and uncertainties which they face.

Lisbon, 1st March 2013

Hans Eggerstedt
(Chairman of the Audit Committee)

António Pedro Viana-Baptista
(Member)

Artur Eduardo Brochado dos Santos Silva
(Member)