



JERÓNIMO MARTINS

ANNUAL REPORT 2014

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Message from the Chairman

When remembering 2014, we must put it into perspective as a particularly demanding year on a wide range of levels: for the Food Distribution business in general, for Jerónimo Martins Group in particular, and also for me personally.

In fact, it was my first year in office as Chairman of the Board of Directors of the Group, whilst at the same time carrying out the role of Chief Executive Office, which was not only a new and challenging experience but a huge opportunity for learning and personal growth, for which I am grateful to the other members of the Board for all their support.

However, this individual circumstance was far from being the only piece of news or the most relevant one. The strong deflation that hit the European economy, which was higher than we expected, did not spare Portugal, or even Poland which experienced food deflation for the first time since we started our activities in the country, aggravated by the effects on food exports as a result of the crisis in the Ukraine and the heightened tension between the European Union and Russia.

Food deflation hit the Polish economy (-0.9% as an average for the year), and our sector, following more than two years of inflation slowdown. This inevitably generated a dangerous combination: a drop in the value of sales (with volumes posting growth), cost inflation (namely electricity and salaries) and a highly competitive environment. In other words, margins were under severe pressure.

Nevertheless, in an economy which continues growing, where the unemployment rate is on a downward trend and salaries are increasing every year, with deflation and highly competitive market dynamics, the consumer has an increasing amount of available income and private consumption will continue to rise. This means that the growth potential that we see in the Polish market remains intact.

In order to capture that potential, Biedronka's priority has always been fast and efficient expansion. That is how we have added over 700 stores to the chain in the last three years alone (2012-2014). In 2014, we opened 211 Biedronka stores (2,587 at 31 December) and three new Distribution Centres, which enabled us to close the year with a total of 15 logistics regions.

Having reached a solid dimension, we can now focus primarily on total, like-for-like sales growth, rather than on increasing the sales area, which will continue to increase naturally, as we get closer to our target of 3,000 stores even if we move at a different pace (between 2015 and 2017 we will open at least another 300 stores).

We want to take the maximum advantage of our current store network, which means investing in the overall improvement to our offer, whilst at the same time investing in reinforcing Biedronka's price leadership in the Polish market, where discount stores continue to be Food Retail's major growth driver.

We are well aware that we can never compromise our chain's price positioning, but we also know that, in Poland today, price alone is not enough to win consumer preference and loyalty.

From the assortment to the overall shopping experience, we must bring more innovation and ensure that Biedronka remains important and attractive to the over

1,250 million visitors to its stores every year. In order to ensure that it continues, to lead in market share gains in the future, as it was in 2014.

We shall not disrupt our current store format or our business model, as they are both still perfectly valid. We have invested more than three billion euros since 1995, in building a high quality infrastructure network and a strong and extensive nationwide presence, which we shall continue to reinforce with new openings, increasingly concentrated in the major Polish cities where we still have many growth opportunities.

As such, we need to guarantee the best locations and make an overall upgrade to our value proposition, whilst reinforcing the cost discipline which enables us to remain at the forefront of price leadership.

Biedronka will continue to be the top priority for the Group in terms of investment, which for that company, will amount to a figure of around 700 to 800 million euros in the period between 2015 and 2017.

In Portugal, 2014 was a year in which the average food deflation was 1.3%, whilst being particularly relevant in the second and third quarters. This variable created an even more complex challenge for Pingo Doce and Recheio, which both had robust performances, above their respective markets.

As a result of its commercial strategy, Pingo Doce increased its sales in the year by 1.7% and achieved a like-for-like performance of 1.2% (excluding fuel), which is very positive, especially taking into account the strong promotional activity and levels of deflation. Moreover, the Company added five new stores to its network (four of them managed by third parties), and within the scope of the implementation of its logistics reorganisation plan, it inaugurated a Distribution Centre in the south of Portugal, which will enable it to gain efficiency and quality in the service it provides to the stores in the region, particularly with regard to Perishables.

In a year in which the HoReCa channel stabilized and the Traditional Retail continued to fall, Recheio's sales volume increased by 1.5%, with food deflation being the main cause of the 0.7% decrease in sales value.

With regard to the Group's new businesses, in 2014 Hebe focused on its internal organisation, having opened 18 stores and one Distribution Centre adapted to its needs, and had a turnover of 87 million euros. As a new Managing Director joined the Company in the second half, who has a high level of expertise in the beauty business, we expect to be able to announce some news in 2015.

In Colombia, Ara's performance reinforces our conviction that we are looking at a solid future growth pillar for the Jerónimo Martins Group. With sales of around 66 million euros, our Colombian chain had a year of rapid learning, closing the year with 86 stores in the Coffee Belt (50 openings in 2014) and has already begun the building works for the second Distribution Centre, this time in the region of the Caribbean Coast.

In line with the Corporate Policy on Responsible Sourcing and on Supporting the Surrounding Communities, in 2014 over 95% of the Private Brand products sold in the Ara stores were produced in Colombia.

In overall terms, consolidated EBITDA came in at 733 million euros (78.2% of which was generated by Biedronka) and the Group's sales rose by 851 million euros (+7.2% compared with 2013) to 12.7 billion euros. The sales growth was very much supported

by expansion, which accounted for investments of 292 million euros (around 62% of the total for the year), and also by a like-for-like growth in volumes in all the banners.

The deterioration of the EBITDA margin – from 6.6% in 2013 to 5.8% in 2014 – reflects a combination of factors creating pressure: the demands of the market conditions, additional pressure of the strong food deflation on the economic environment, experienced last year both in Portugal and in Poland, the 58 million euros channelled into the new businesses (Hebe and Ara) and the difficulty in diluting the cost inflation, namely regarding salaries and electricity, in sales, notably in Biedronka. Consequently, net profit attributable to Jerónimo Martins fell by 21.1% to 302 million euros.

Despite objectively being a solid result, I cannot hide the fact that I believe that we will have to be able to do better in 2015, especially in Poland.

To the Jerónimo Martins shareholders, I thank them for their trust in the Group's management and in my leadership. To our other stakeholders, I re-state our commitment to continue to grow in a responsible manner and to create value for the societies in which we do business. Keeping the focus where it will never cease to be: in providing customers with the best possible service.

Pedro Soares dos Santos
20th February, 2015

ANNUAL REPORT 2014



1.

THE GROUP JERÓNIMO MARTINS

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This Annual Report of the Jerónimo Martins Group covers the period from 1st January 2014 to 31st December 2014 and includes the areas of Distribution and Services in Portugal, Poland and Colombia, describing the results of the entities directly held by the Group.

1. Profile and Structure

1.1. Identity and Responsibilities

Portfolio

Jerónimo Martins is a Food Distribution Group, with market leadership positions in Poland and Portugal. In 2013, Jerónimo Martins Group inaugurated its first stores in Colombia, the third geographic region where it also operates. In 2014, it achieved sales of 12.7 billion euros (67% in Poland) and an EBITDA of 733 million euros (75% in Poland). The Group employs a total of 86,563 people, and ended the year with a market capitalisation of 5.2 billion euros on the NYSE Euronext Lisbon.



In Poland, **Biedronka**, a chain of food stores whose positioning combines the quality of its assortment, store environment and proximity locations with the most competitive prices in the market, is the Food Retail sales leader with 2,587 stores spread across the country. At the end of 2014, the Company reached 8.4 billion euros in sales, recording around 1.3 billion customer tickets. Also in Poland, since May 2011, the Group has a chain in the drugstore sector under the **Hebe** banner, which has 119 stores, including four Apteka Na Zdrowie pharmacies. This business concept is based on offering a Health and Beauty assortment and high quality services at very competitive prices.



In Portugal, the Jerónimo Martins Group holds a leading position in Food Distribution, having reached a combined turnover of 4.0 billion euros in 2014. It operates with the banners **Pingo Doce** (380 supermarkets) and **Recheio** (37 cash & carries and four Food Service), being the leader in the Supermarket and Cash & Carry markets. In 2013, **Caterplus**, a national Food Service operator, was integrated into Recheio.

Also in Portugal, Jerónimo Martins has been investing, through Pingo Doce, in developing projects that are complementary to the Food Retail business, namely **Refeições no Sítio do Costume** Restaurants and Take Away, Petrol Stations and **Bem-Estar** stores, as well as through the **New Code** (adults and children's clothing) and **Spot** (shoes and accessories) banners.



Through its partnership with Unilever and operating under the name of **Unilever Jerónimo Martins**, the Group is also the largest manufacturer of fast-moving consumer goods in Portugal, for the areas of Food, Personal Care, Home Care and Out-of Home Consumption. Unilever Jerónimo Martins maintains its leadership position in the Margarines, Ice Tea, Ice-Creams and Washing Detergent 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. In 2014, the Company sold to more than 30 countries, including Portugal, and Gallo continued to be 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 product brands, some of which are market leaders in the fast-moving food market.



Jerónimo Martins Restauração e Serviços is engaged in the development of projects in the Restaurant services sector and, at the end of 2014, included: i. the Jeronymo chain of kiosks and coffee shops with 16 points of sale; ii. the Olá chain of ice-cream parlours, with 33 stores, five of which are franchised; and iii. a Jeronymo Food with Friends restaurant.



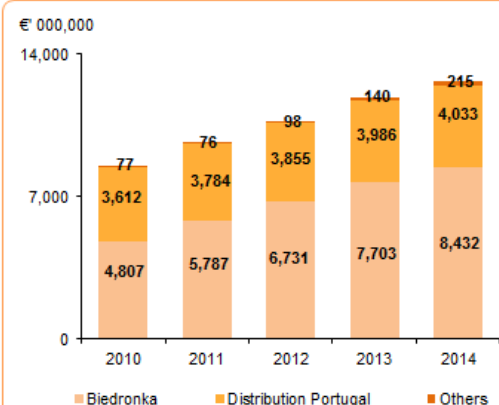
Hussel, a Specialised Retail chain selling chocolates and confectionary, had 25 stores at the end of 2014 (including one 'Giro by Hussel' kiosk).



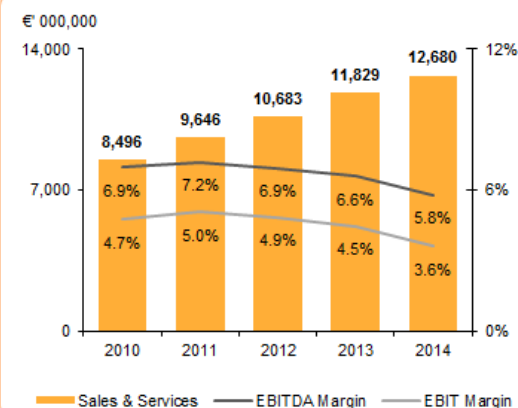
In 2014, Jerónimo Martins Group took the first steps in the creation of a new business area, **Jerónimo Martins Agro-Alimentar**. This business' main goal is to have direct access to sources of supply on strategic products, in order to meet the internal needs of the Group.

1.2. Operating and Financial Indicators

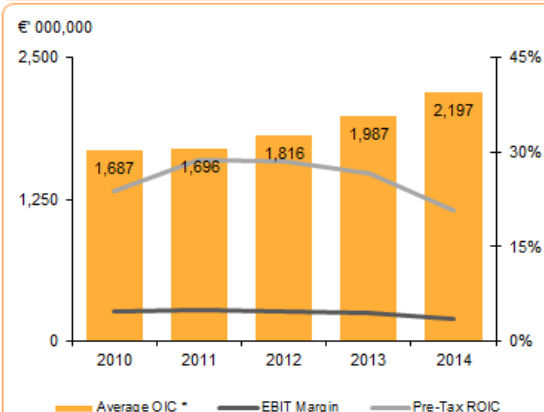
Sales & Services



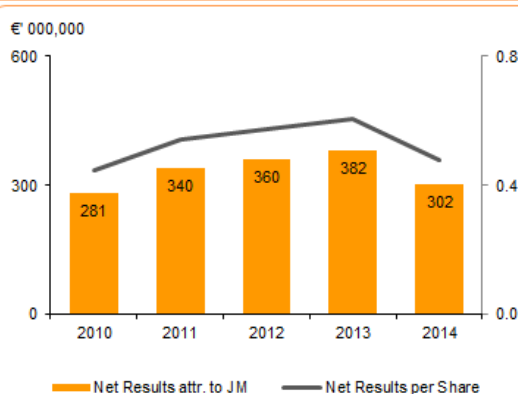
Sales, EBITDA Margin & EBIT Margin



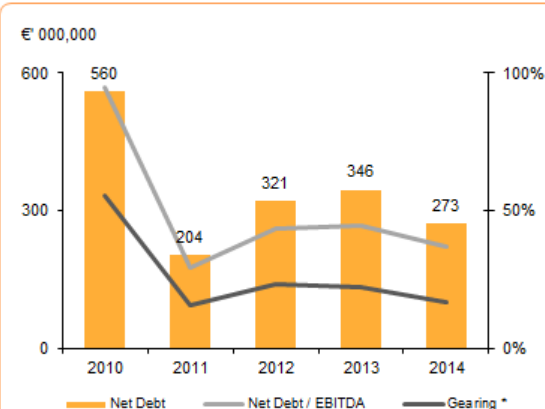
Pre-Tax ROIC *



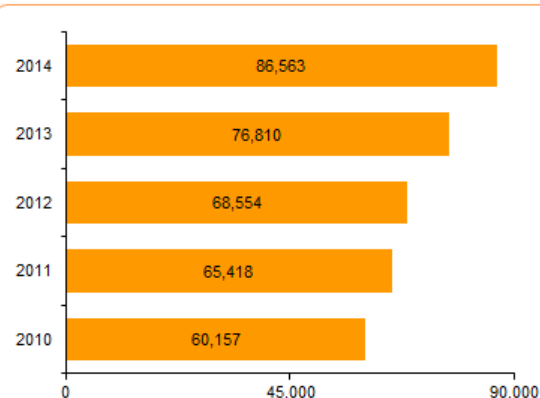
Net Results and Net Results per Share



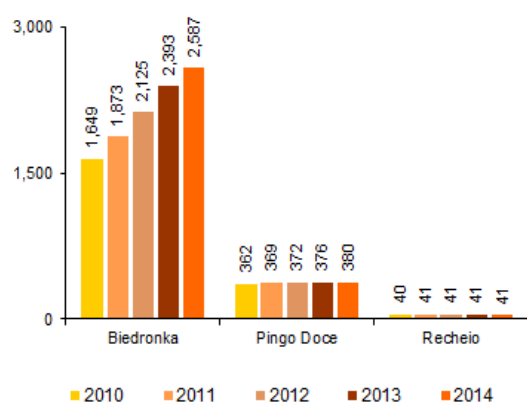
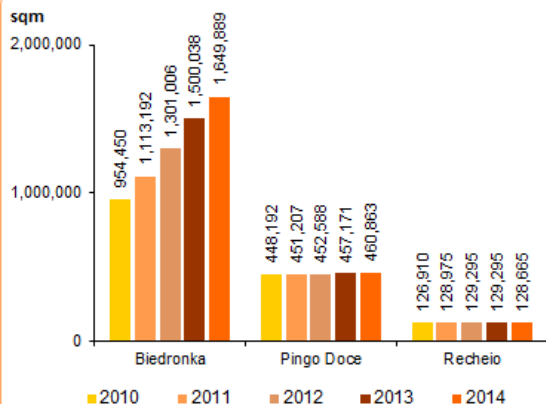
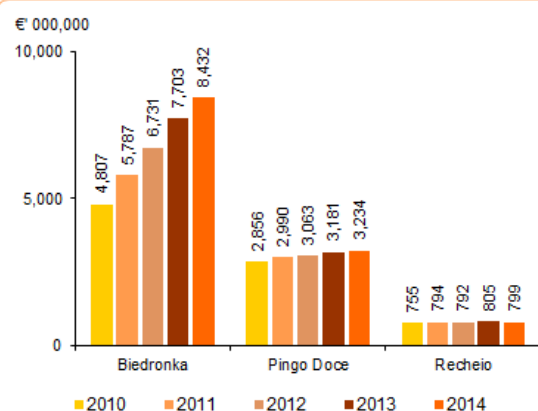
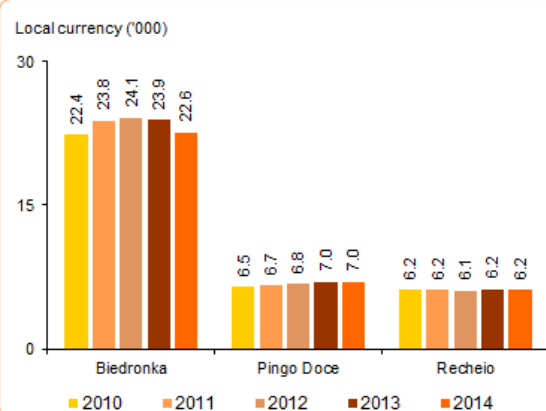
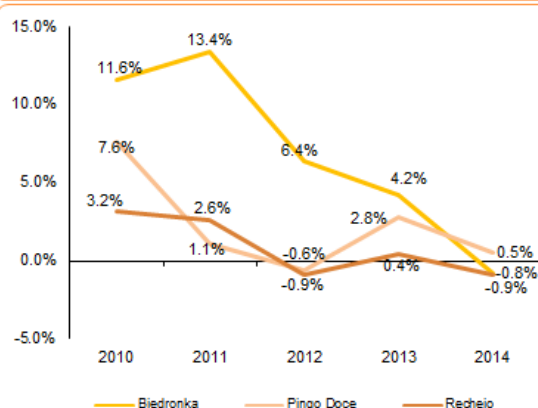
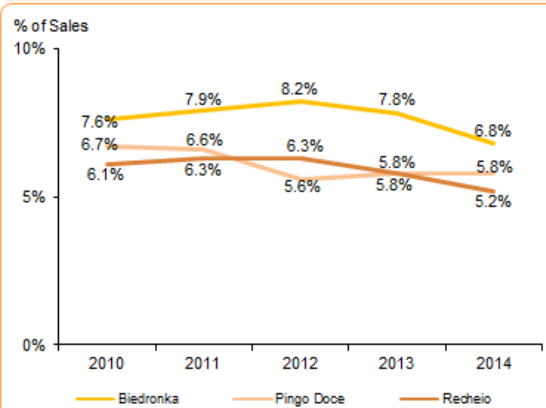
Net Debt



Employees



* Restated figures due to the change in accounting policy related with Operational Land, as explained on Chapter III (Consolidated Financial Statements) of this Report.

Number of Stores

Sales Area

Sales

Sales / sqm

LFL Sales Growth

EBITDA Margin


1.3. Corporate Bodies and Structure

1.3.1. Corporate Bodies

Election date: 10th April, 2013

Composition of the Board of Directors elected for the term 2013-2015

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

- Born in March 7, 1960
- **Chairman of the Board of Directors since December 2013**
- **Chief Executive Officer of the Group since April 2010**
- **Member of the Board of Directors since 1995**
- **Chairman of the Corporate Governance and Corporate Responsibility Committee since December 2013**

Alan Johnson

- Born in September 18, 1955
- **Member of the Board of Directors since March 2012**

Andrzej Szlezak

- Born in July 7, 1954
- **Member of the Board of Directors since April 2013**
- **Member of the Corporate Governance and Corporate Responsibility Committee since April 2013**

António Pedro de Carvalho Viana-Baptista

- Born in December 19, 1957
- **Member of the Board of Directors since April 2010**
- **Member of the Audit Committee since April 2010**

Francisco Manuel Seixas da Costa

- Born in January 28, 1948
- **Member of the Board of Directors since April 2013**
- **Member of the Corporate Governance and Corporate Responsibility Committee since April 2013**

Hans Eggerstedt

- Born in March 12, 1938
- **Member of the Board of Directors since 2001**
- **Chairman of the Audit Committee since 2007**

José Manuel da Silveira e Castro Soares dos Santos

- Born in April 6, 1962
- **Member of the Board of Directors since 2004**
- **Member of the Corporate Responsibility Committee and later of the Corporate Governance and Corporate Responsibility Committee since April 2010**

Nicolaas Pronk

- Born in October 2, 1961
- **Member of the Board of Directors since 2007**

Sérgio Tavares Rebelo

- Born in October 29, 1959
- **Member of the Board of Directors since April 2013**
- **Member of the Audit Committee since April 2013**

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:

José Pereira Alves (R.O.C. no. 711) or António Joaquim Brochado Correia (R.O.C. no. 1076)

Substitute:

José Manuel Henriques Bernardo

Company Secretary

Henrique Manuel da Silveira e Castro Soares dos Santos

Substitute:

Carlos Miguel Martins Ferreira

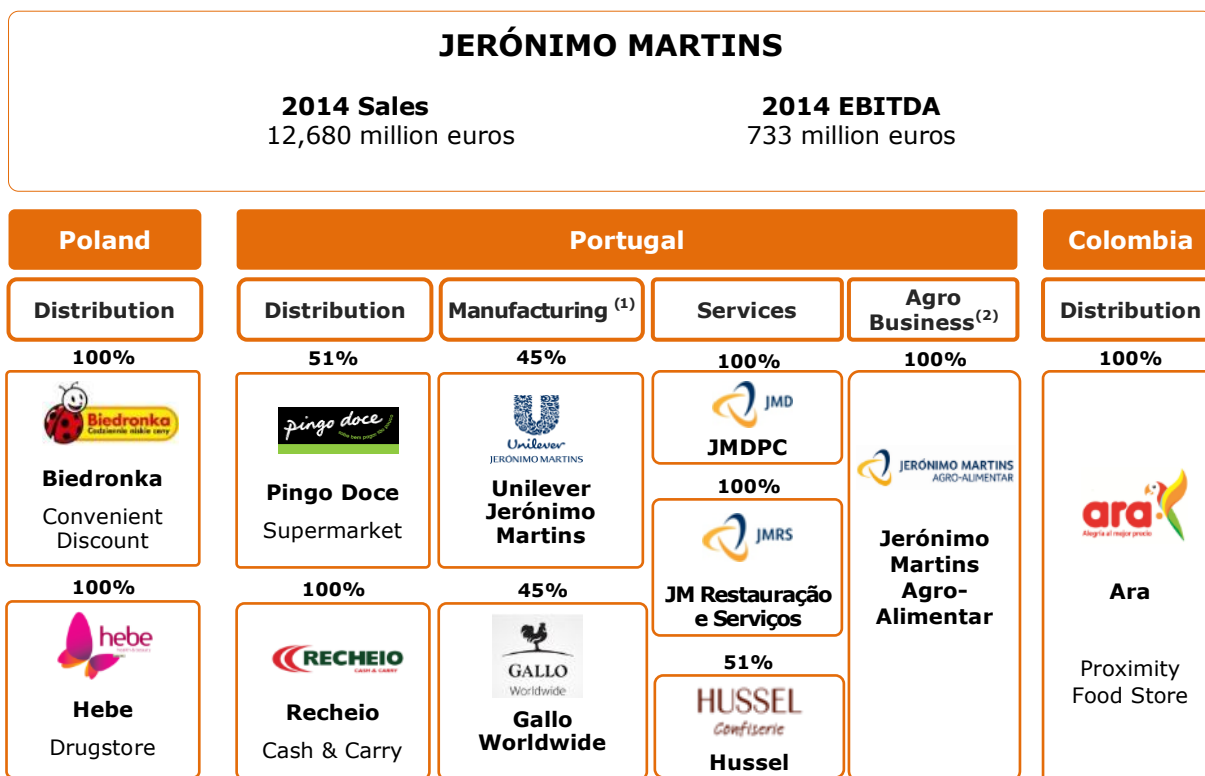
Chairman of the Shareholders' Meeting

Abel Bernardino Teixeira Mesquita

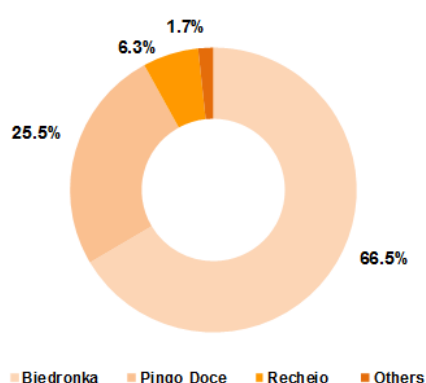
Secretary of the Shareholders' Meeting

Tiago Ferreira de Lemos

1.3.2. Business Structure



Sales by Business Area 2014



EBITDA by Business Area 2014

	EBITDA	% Total
Biedronka	573	78.2%
Pingo Doce	187	25.6%
Recheio	42	5.7%
Others	-69	-9.4%
JM	733	100%

⁽¹⁾ Since 2013, Manufacturing is consolidated using the equity method and not included in the figures here presented.

⁽²⁾ New business area, announced in December 2014.

2. Strategic Positioning

2.1. Mission

Jerónimo Martins is an international Group, with its head office in Portugal, operating in Food Distribution and Manufacturing, aiming to satisfy the needs and expectations of its stakeholders and the legitimate interests of its shareholders in the short, medium and long-term, whilst 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 its purchases and sales, defending human rights and working conditions and stimulating a fairer and more balanced social structure, as well respecting the environment and natural resources.

2.2. Strategic Vision

Creating Value and Growth

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

1. Continuous promotion of sustainable growth;
2. Careful risk management to preserve the value of its assets and reinforce the robustness of its balance sheet;
3. Maximisation of the effect of scale and synergies;
4. Encouragement of innovation and a pioneering spirit as factors for developing competitive advantages.

These four aspects aim to achieve the following strategic objectives:

- Reaching and consolidating a leadership position in the markets where it operates;
- Building and developing strong and responsible banners and brands;
- Ensuring a balanced growth of 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 permanent technological upgrading;
- 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 proximity, convenient food solutions for all consumers, at very competitive prices, which requires operating with maximum efficiency and with lean cost structures. All our value propositions are marked by strong differentiation in three fundamental aspects, being: i. variety and quality of fresh foods, ii. strong brands and iii. quality store environment.

The success of our retail formats leverages on our market leadership. Leadership in a mass-market approach is linked to a relevant size, essential for creating economies of scale, which enables us to be cost leaders and thus allows us to offer the best prices. It is also leadership that allow us to create awareness and trust, essential for building a lasting relationship with our consumers.

3. Awards and Recognition

Corporate

- It climbed nine places in the list of the 250 biggest retailers in the world, to occupy the 67th position in the **Global Powers of Retailing 2014**, a ranking that is compiled annually by the consultants, Deloitte, in partnership with the North American magazine "Stores";
- It won 62nd place in the ranking of **"The World's 100 Most Innovative Companies"**, drawn up by the North American magazine "Forbes";
- It won the **"Best Improver Portugal"** award, attributed by the Non-Governmental Organisation (NGO) Carbon Disclosure Project (CDP);
- Winner of the **Grande Prémio Associação Portuguesa de Comunicação de Empresas** (APCE) (Portuguese Association of Corporate Communication's Grand Prize) with the internal digital newsletter "Snack".

Biedronka

- It climbed four places to reach the eighth position in the **"Deloitte Central Europe Top 500"** ranking, attributed by Deloitte in partnership with the Polish economic newspaper "Rzeczpospolita";
- It climbed two positions to 2nd place in the Polish **"2,000 Companies and Exporters"** ranking, organised by the daily economic newspaper "Rzeczpospolita". Biedronka was considered the leader of the biggest retailers;
- Winner of the **Mobile Trends Awards 2013**, in the "Company Promoting the Popularisation of Mobile Technology" award, for its development of the mobile payment system in the Biedronka stores;
- It won the **"2014 Consumer Goods Retailer of the Year"** of the Shopping Centre Forum 2014;
- It was once again awarded the **"Stars in Service Quality"** award in the supermarket category, attributed within the scope of the Polish Service Quality Programme;
- It attained 1st position in the **List of the Largest Polish Companies in the Retail Sector**, by the publication "Gazeta Finansowa";
- The biweekly contest "Pani Domu" awarded it the **"Product Deserving a Medal 2013"** for the Private Brand products, "Green Hills" tea, "Bonitki" cereal biscuits and "Mix Amerigo" tinned sardines;
- Winner of the **"2013 Retailer of the Year"** award, attributed in March 2014 by TNS Polska;
- It attained 2nd place in the ranking of the **Largest Polish Companies**, organised by the Polish daily newspaper "Rzeczpospolita";

- It was awarded the **"Best in Poland"** certificate in the consumer service quality contest from the Hipolit Cegielski Association;
- **"Golden Emblem - Trusted Brand"** and **"The Most Eco-Friendly Brand"** awards, in the "Food Store" category, organised by the "Reader's Digest";
- It was awarded the **"Green Office"** certificate by the Environmental Partnership Foundation;
- It was given an award in recognition of its **Contribution to the Development of the Polish Economy**, attributed by Citibank within the scope of the 25 anniversary of Polish independence;
- Winner of the **"Foreign Investor"** category in the "Time for Economy Patriotism" programme, organised by Puls Biznesu;
- It reached 6th place in the **"Forbes' Diamonds"** ranking, regarding the companies who most rapidly increased their value in Poland in the last three years, organised by "Forbes" magazine;
- It occupied 3rd place in the ranking of the **Largest Polish Companies**, organised by "Forbes" magazine, climbing one place compared to 2013;
- It reached 3rd position in the **List of Companies with the Most Employees**, organised by "Gazeta Finansowa";
- **"Superbrand"** award attributed to Jeronimo Martins Polska in the "Distribution and Manufacturing Chain" category;
- Considered the 4th **Largest Polish Company**, organised by "Gazeta Finansowa";
- Awarded for its product quality control system in the edition of the **Leaders of Sustainable Development**, organised by "Forbes" magazine in partnership with PwC;
- Its logistics management practices were awarded 1st Prize in the **Supply Chain Designer Awards 2014**, in the "Commerce" category, carried out by the magazine "Eurologistics" and by consultants Data Group Consulting;
- Biedronka was acknowledged as the **most valuable brand in Poland**, in the ranking organised by the daily newspaper, "Rzeczpospolita", and by the consultants, Acropolis Advisory;
- Biedronka obtained 1st place in the **Leader in Communication Channels**, in the **Benchmark Brand (Top Marka)** ranking, organised on a monthly basis by the magazine, "Press", and by the Communication Channels Monitoring Service;
- **"Superbrand"** award attributed to Biedronka for the second time running in the "Superbrands Created in Poland" category;
- **"Gold Effie Award"** in the "Long-Term Campaigns" category, within the scope of the official sponsor of the national team of that country, which began in 2010, with the "We're All a Team" campaign;

- The *Linda* Private Brand range of soaps was awarded the **"Good Brand 2014"** seal of quality, consumer trust and reputation;
- Within the scope of the "Family Picnic" organised on the Day of the Child, and the support to children from vulnerable families, Jeronimo Martins Polska and Caritas Polska were awarded the **"Corporate Social Responsibility Report"**, an initiative by the financial newspaper "Finansowa".

Pingo Doce

- **"Excellence – Innovation in Retail"** award in the Innovation and Sustainability category, attributed by APED - the Portuguese Association of Distribution Companies, for the Odivelas Central Kitchen project;
- Winner of the **Master Communication** in Leaflets of the Masters of Distribution;
- The Pingo Doce Private Brand wines won a total of 20 **medals at the Concours Mondial de Bruxelles, International Wine Challenge and Wines of Portugal** competitions.

Jerónimo Martins Distribuição de Produtos de Consumo

- **"POPAI Portugal 2014"** Gold prize in the "Food – Islands" with PRINGLES Disco Speaker Campaign;
- **"POPAI Portugal 2014"** Silver prize in the "Food – End-Aisle Displays" category with MERCI Tree;
- **"POPAI Portugal 2014"** Silver prize in the "Food – Displays" category with TABASCO Branded Bottle;
- **"POPAI Portugal 2014"** Bronze prize in the "Beverages – End-Aisle Displays" category with SUNQUICK "É MUITO SUMO";
- **"POPAI Portugal 2014"** Bronze prize in the "Beverages – Displays" category with EVIAN Passatempo Mini;
- **"POPAI Portugal 2014"** Bronze prize in the "Food – Islands" category with CASAS JMD;
- Evian **"EVX Oscars 2014"** for "Biggest Growth – Local Sales from 0.5 to 1 million litres";
- **Best Global Brands 2014** (Interbrand): Kellogg's in 32nd position;
- **Best Global Green Brands 2014** (Interbrand): Kellogg's in 38th position;
- **Flavour of the Year 2014**: Molho Francesinha Guloso;
- **Consumer's Choice 2015**: Guloso Ready-Made Sauce Category.

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2.

CONSOLIDATED MANAGEMENT REPORT

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1. Key Facts of the Year

Biedronka

- Opening of 211 stores
- Inauguration of three Distribution Centres in Poland, ending the year with 15 regions
- Acceptance of debit and credit card payments in the stores, in July
- Inauguration of the 2,500th store in September

Pingo Doce

- Opening of five stores, four of them managed by third-parties
- Inauguration of one Distribution Centre in Algarve, in February
- 1st Edition of Children's Literature Award

Recheio

- 101 new stores join the 'Amanhecer' concept, ending 2014 with 150 associated stores

Hebe

- Opening of 18 stores
- Inauguration of one Distribution Centre in Pruszkow, in March

Ara

- Opening of 50 stores, ending the year with 86 stores in the Coffee Growing region
- Starting the construction of the 2nd Distribution Centre

JMDPC, Hussel & JMRS

- Opening of three Jeronymo coffee shops and one Olá kiosk
- Introduction of Jeronymo coffee brand in modern retail chains
- Opening of one kiosk 'Giro by Hussel', introducing a new store concept
- JMDPC begins representing the brands Hershey's, Kerrygold and DUC D'O

JM Agro Business

- A protocol was signed with the municipality of Portalegre, for the construction of a milk and derivatives factory in that region

2. 2014 Environment

2.1. Poland

Macroeconomic Environment

In 2014, Gross Domestic Product (GDP) grew by 3.3% according to the Polish Statistical Office GUS. Despite a continued improvement, the Polish GDP per capita still remains one of the lowest in the European Union, remaining well below the average for other countries.

Reversing the trend of previous years, in 2014 the unemployment rate in Poland decreased, with a significant 1.2 p.p. reduction from 2013, now standing at 12.3%.

In the foreign exchange market, the average exchange rate of the zloty against the euro was broadly stable at 4.1845 in 2014, compared to 4.1971 in 2013. However, end of year positions show a 2.9% devaluation against the euro, with a rate of 4.2732 and 4.1543 at the end of 2014 and 2013 respectively.

The inflation rate of the Polish economy reached historically low levels in 2014. The variation of prices in the economy was nil compared to an increase of 0.9% in 2013. Inflation in food products turned negative at -0.9%, compared to a +2.0% in 2013. This low price level, well below that desired by the Polish Monetary Council, together with the risk of a deterioration of economic growth, led to a reduction of the reference rate from 2.5% to the lowest level ever of 2.0% in October 2014.

Modern Food Retail

According to PMR Research estimates, in 2014 the food retail market grew by 2.3% to 239.1 billion zlotys. This development was significantly influenced by the deflation of food products that began in the second quarter and that deteriorated throughout the second half of 2014. Some signs of gradual economic recovery and rising private consumption became visible in terms of increased traded volumes, but due to price deflation they were not visible in net sales.

Consumers remained very price sensitive and rational in their purchasing behaviour. The proximity factor gained an even greater importance in 2014, with consumers giving increasing preference to the stores located near their place of residence or work.

There was also an increase in the relevance of the averaged price products. Consumers were more likely to buy better quality products at the expense of a higher level of savings.

The marginal consumption of Private Brand grew at rate ten times higher than the other products, compared to the previous year, a development driven by the economic environment and households rationalising their spending. This trend was also boosted by the fact that Polish consumers actively sought Private Brand products, recognising and appreciating their benefits. The increase of variety and the continuous adaptation of the Private Brand assortments to consumer needs also contributed to this growth.

2014 was marked by changes to the discount format with operators evolving closer to the supermarket concept, improving the store environment, the product quality and the range of fresh products. Competition in the market has intensified due to price

deflation, leading to a reduction in price differences between the various store formats. This effect combined with the growing popularity of smaller stores resulted in many food retail operators having difficulty in increasing their income.

The food retail market continued to show further consolidation, with an increasing number of independent stores closing or integrating into franchise chains due to the inability to compete with organised retail chains.

Health & Beauty Retail

According to projections by PMR, in 2014 the Polish Health & Beauty market grew by 3.6%, to 20.7 billion zlotys. The market of pharmaceutical products grew by just 0.5%. 40% of Health & Beauty total sales are carried out in specialised chains of these products. Health & Beauty stores maintained a steady growth of about 10%. Cosmetics are the category with the fastest sales growth in the market, reaching an increase of 22.1% over the previous year.

Regarding the dynamics of the Health & Beauty market, Rossmann remained the main operator, with continued focus on expansion. By the end of 2014, Rossmann had reached 996 stores, representing an increase of 18% compared to 2013. At the end of 2014, Kontigo, a new player held by the Eurocash Group, entered the market. They opened three stores with a strong focus on exclusive brands.

The number of Private Brand beauty products continued to grow and is estimated to currently represent more than one fifth of all products on the market. Consumers are increasingly careful and more aware of the available offer, a trend being noticed in the consumption at specialty stores that offer a wider range of products combined with quality and attractive prices.

Cosmetics are purchased at the same time as regular purchases in discount stores. Over the past few years the growing importance of online distribution channels has also been visible. The convenience, the easy access to low prices and the possibility of saving time are factors that determine the choice of such operators.

2.2. Portugal

Macroeconomic Environment

2014 was marked by the confirmation of the gradual recovery of the economy registered since the fourth quarter of 2013, and by Portugal leaving the economic and financial adjustment programme in May, despite the need to maintain the adjustment process of imbalances of the Portuguese economy.

According to the most recent Bulletin of Banco de Portugal (the Portuguese Central Bank), the economic growth must have reached 0.9% in 2014, compared to a contraction of 1.4% in 2013. This growth was accompanied by a significant decrease in unemployment, which according to the Portuguese National Statistics Institute (INE) reached 13.9% and reflected a year-on-year decrease of 2.3 p.p., and by a general increase in consumer confidence.

Contrary to the negative trend since 2008, the moderate 2014 recovery in domestic demand (+2.3%) was supported by increased private consumption (+2.2%) and by an increase in investment (+2.2%). This recovery is still conditioned by the need for budgetary consolidation and the high level of indebtedness. On the other hand, public consumption continued to contribute negatively (-0.5%).

Exports must have increased 2.6%, with growth in tourism, clothing & footwear, cars and food & beverage products largely offsetting the negative impact of energy goods. In this context, exports are likely to experience a lower growth than the one in external demand, interrupting the upward trend of market share. The growth in imports (+6.3%) reflects the increase in domestic demand, particularly for goods with a higher imported content.

Prices declined by -0.3% compared to 2013, mainly due to the fall in food prices (-1.3%) and the decrease in energy prices. The reduction in prices of imported goods, in a low inflation scenario in the Eurozone, also had a downward impact on the indicator.

Low levels of inflation and interest rates at a historic minimum led to an increase in disposable household income, thereby encouraging consumption. However, if inflation remains at a low level in the medium and long term, it is expected to negatively impact the country's public debt.

According to the Government projections, the general government deficit in 2014 should be in line with the objective for the year and reach 4.8% of GDP, compared to 4.9% in 2013. As such, public debt currently represents 127.2% of GDP, compared to 128.0% of GDP in 2013.

It should be mentioned that the current macroeconomic environment, in conjunction with the political stability, had a positive effect on the evolution of interest rates on the Portuguese debt, which registered a significant decrease, to values that wouldn't have been likely a year ago.

Modern Food Retail

Private consumption grew for the first time in three years, mainly due to the growth in consumption of durable goods. Consumer confidence also showed a continued recovery throughout 2014, registering the highest level since May 2002.

Despite the recovery, 2014 was another difficult year for the Portuguese families in a context where the unemployment rate, the levels of inequality and the general poverty remained high. Throughout 2014 the Portuguese households maintained a very rational buying behaviour, focusing on price and promotions and becoming increasingly aware of the promotional dynamics of the various retailers. In addition to proximity, price has remained as one of the key shopping factors of Portuguese households.

For food retailing, 2014 presented particular challenges. The strong pressure on prices resulted in deflation of food products in a context where the main market operators focused on their promotional activities. The food retail market in 2014 registered a downward trend, in part explained by the price reductions, with the openings of new stores being also limited during the year, highlighting, however, the new traditional retail formats which throughout the year showed greater dynamism.

Wholesale Food Market

In 2014, the turnover of Cash & Carry operators in Portugal decreased slightly due to the retraction of Traditional Retail, the closure of caterers and the sharp deflation. This greatly impacted the food distribution businesses and results in sales value.

The wholesale store network remained stable, only registering the opening of a new Cash & Carry in Algarve of a player specialised in Drinks and Wine Cellar. In Traditional Retail, it is worth mentioning the opening of 101 new 'Amanhecer' stores and 70 new 'Meu Super' stores, positioning themselves as retail chains with a proximity format with high geographical expression.

2.3. Colombia

Macroeconomic Environment

According to the Colombian National Statistics Institute, a GDP growth of 4.3% is expected for the country in 2014. In the first nine months of the year, the Colombian economy grew by 5.0%, reflecting a positive and sustained development of all business sectors, with the Colombian GDP registering one of the highest growth levels globally and delivering the highest growth amongst the main Latin America countries.

According to the same institute, the average inflation rate in 2014 was 2.9%, above the Colombian Central Bank estimate of 3.0%. Food products (+3.2%) and childhood education (+4.1%) exceeded the national inflation average.

The average unemployment rate was 9.1% in the year, a historical low for the last 14 years. In the Coffee Growing region where Jerónimo Martins is present, the unemployment rate is higher than the national average, despite the positive developments in 2014: Armenia (15.0%), Pereira (13.7%) and Manizales (10.5%).

The lower oil price is having significant impact on the Colombian economy and on the exchange rates. Consequently, the Colombian peso depreciated, on average, by 23.0% against the US dollar, the largest currency devaluation in Latin America in 2014.

Modern Food Retail

Retail sales in Colombia increased by 8.6%, with the best performances registered in the supermarket segment, especially in the convenience store and discount formats.

During 2014, 307 modern retail stores (+6.1% compared to 2013) were inaugurated. The number of discount and convenience stores grew by 266 stores, supermarkets increased by 37 stores and hypermarkets by four stores.

Also of particular note is the investment that has been made in recent years in the hard discount format where the penetration of large distribution chains has been lower.

Sources:

IMF World Economic Outlook; Eurostat; Bank of Portugal Economic Bulletins; Portuguese Ministry of Finance; Portuguese National Statistics Institute (INE); National Bank of Poland Economic Bulletins; Central Statistical Office (GUS); Banco de la República (Colombian Central Bank); Colombia National Administrative Department of Statistics (DANE); Business Monitor International (BMI); BBVA; Planet Retail; Deloitte; TNS; Nielsen and PMR Research.

3. Group Performance

3.1. Main Projects of 2014

2014 was marked by the fast deterioration of food inflation in the European markets in general, with both Poland and Portugal being significantly affected.

Strengthening our competitive position and increasing our market share were two strategic objectives throughout the entire Group, covering all banners in the markets where Jerónimo Martins is present.

Overall, the defined strategies and objectives were implemented and achieved by the individual Management Teams and they were duly monitored by the Board of Directors, which oversaw the business management activities without any constraints.

The major projects set for 2014 fitted within framework of the medium and long term strategic vision for the Group, i.e. the sustainable value creation, and were translated into three key objectives for the year:

- i. Increasing market shares
- ii. Plan for strengthening Biedronka's value proposition
- iii. Executing the investment plan

3.1.1. Increasing Market Shares

In Poland, the competitive environment remained intense, with strong promotional activities from all the food retail operators.

Biedronka further strengthened its market leadership, ending 2014 with a 16.9%¹ market share, up 1.1 p.p. compared to 2013.

This performance was driven by a 1% increase in like-for-like sales volume and a continued expansion of the Biedronka store network with the completion of 211 openings in the year. It should be noted that, in value terms like-for-like sales showed a slight decrease of 0.8% due to basket deflation.

The increase in market share was more pronounced in the second half of the year, showing benefits from the decision to increase the relevance of Biedronka to the consumer, namely the decision to accept electronic card payments in the stores.

In Portugal, consumer behaviour remained focused on price opportunities offered by the various food retailers.

Pingo Doce maintained its strong promotional strategy with differentiating actions, continuing to driver an above-market sales performance of +1.7%. This sales growth was achieved despite strong basket deflation and led to a market share of 18.2%, up by 60 b.p. versus 2013².

¹ Source: GfK Value Shares at Total FMCG Market.

² Source: Internal estimates based on Turnover in Food Retail Trade published by INE.

Despite both HoReCa and Traditional Retail channels continuing to register a negative growth in 2014, Recheio continued to strengthen its market share³ through the commercial support given to its customer base and through maintaining a top offer regarding price and quality in the market.

3.1.2. Plan for Strengthening Biedronka's Value Proposition

Both in volume and on a like-for-like basis, Biedronka's performance in the fourth quarter of 2013 and in the first quarter of 2014 was below the Company's ambitious growth expectations. This raised the need to address the 'urbanisation' of Biedronka's offer earlier than originally planned.

In this context, a deep and comprehensive study of the consumer was made, with a strong focus on urban consumers, but encompassed the entire market. This study complemented the existing perception survey, performed by Biedronka every year.

As a result of the above research, concrete opportunities to increase the Company's share-of-wallet in the Polish market were identified. This triggered a series of assortment tests in around 50 pilot stores that supported the design of a plan to be executed in 2015, based on two pillars:

i. Enhance the value proposition through a stronger product assortment and improved shopping experience

The strengthening of the assortment will be achieved, on one hand, by reinforcing the traditional categories to boost their market share even further and, on the other hand, by developing categories that are new sources of growth in areas of the assortment where Biedronka has below average penetration levels.

The shopping experience is, together with the assortment, a central point in creating an emotional connection with the customer. In this area there will be a focus on optimising the in&out offer, the store layout, the product displays, and the in-store signage. This will allow Biedronka to make the transition to a more attractive and engaging food store environment.

ii. Strengthen the fundamental pillars of the Company - price leadership, proximity and cost discipline

The improvement in the offer will be made respecting Biedronka's business model and its standards of efficiency, which are fundamental to maintain a competitive advantage in terms of cost structure and hence to safeguard Biedronka's ability to strengthen its price positioning whenever necessary.

Proximity continues to be a successful attribute of food distribution in Poland, as consumers maintain a high frequency of purchase, particularly in large urban centres. Thus, the focus of expansion remains at convenience locations with a high population density, especially in large cities where the presence of Biedronka is still low.

³ Source: Nielsen.

3.1.3. Executing the Investment Plan

Every year the investment programme is a key driver of our growth strategy.

(million euros)

Business Area	2014			2013		
	Expansion ¹	Others ²	Total	Expansion ¹	Others ²	Total
Biedronka	235	126	361	296	106	402
Stores	182	119	302	233	101	334
Logistics & Head Office	53	6	59	63	5	68
Pingo Doce	13	42	55	36	41	76
Stores	13	41	54	10	37	47
Logistics & Head Office	0	1	2	26	3	29
Recheio	2	7	9	2	12	14
Ara	28	0	28	32	1	34
Stores	22	0	23	29	0	29
Logistics & Head Office	5	0	5	3	1	4
Total Food Distribution	278	175	453	365	161	526
Hebe	13	3	15	9	3	12
Services & Others	0	1	2	2	0	2
Total JM	291	179	470	376	164	540
% of EBITDA	39.6%	24.5%	64.1%	48.4%	21.2%	69.5%

¹ New Stores and Distribution Centres.

² Revampings, Maintenance and Others.

In 2014, the Group invested a total of 470 million euros, most of which in expanding the store network, that reached a total of 291 million euros.

Biedronka remained the first priority of the Group with respect to organic growth, with the opening of a 211 new stores, 96 of which in large urban centres. This ensured the banner is increasingly present in the proximity of where the greatest opportunity for growth can be found.

While Biedronka's expansion plan in 2014 remained relevant, there was a slowdown versus the initially planned 300 locations in order to allow for a greater focus on developing and implementing the strategic plan for the enrichment of the banner's value proposition. This slowdown in the number of openings also allowed for greater selectivity of locations to open, prioritising the most interesting in terms of sales potential and profitability.

Pingo Doce continued to occupy key locations for its representation in the market. In 2014 it opened five new stores, four of which managed by third-parties.

In Colombia, Ara executed its expansion plan as planned, opening 50 new locations and ending 2014 with a total of 86 stores, all in the Coffee Growing region.

Hebe, despite slowing down its expansion plan at a time when a new Managing Director joined the Company, still opened 18 stores in the year.

	New Stores		Revampings ¹		Closed Stores	
	2014	2013	2014	2013	2014	2013
Biedronka	211	280	127	115	17	12
Pingo Doce	5	4	26	5	1	0
Recheio	0	0	1	1	0	0
Ara	50	36	0	0	0	0
Hebe	18	36	23	0	3	0
Other Businesses ²	8	15	2	7	9	9

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

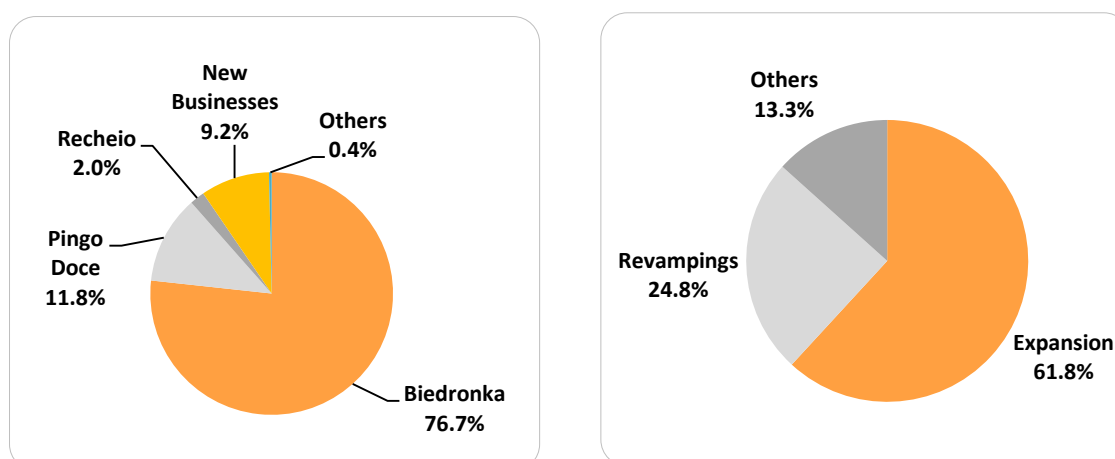
² Including the stores NewCode, Spot, ElectricCo, Bem Estar, Refeições no Sítio do Costume, Fuel Stations, Jeronymo, Kropka Relaks, Olá, Hussel and Jeronymo Food with Friends.

The refurbishment of the store network is another critical pillar in maintaining the quality of the shopping experience that the Group considers part of its value proposition. This area of investment absorbed 117 million euros in the year.

In 2014, Biedronka comprehensively refurbished 127 stores. These refurbishments play an increasingly important role at a time when Biedronka prepares to improve its value proposition.

Pingo Doce completed 26 complete and 14 less extensive refurbishments, while Recheio significantly remodelled one of its most important stores in the Greater Lisbon area, without closing the store.

Hebe moved ahead with the conversion of 15 more Apteka Na Zdrowie stores, having cumulatively held another 23 refurbishments.



The logistics infrastructure remains a key component in the efficiency of the Group's value chain and also in the guarantee of the highest service levels to stores and, therefore, to customers. The logistics investments reached 61 million euros.

Biedronka opened three new distribution centres, creating three more logistics regions in the Polish market which totalled 15 at the end of 2014. This investment is critical to support the stores already established in the market, but also to support the

continued growth planned for Biedronka, in particular that resulting from the upgrade foreseen in its consumer offer.

Pingo Doce began the implementation of its logistics reorganization plan with the opening, in February 2014, of a new distribution centre in southern Portugal.

In the new businesses, Hebe opened a distribution centre more appropriate to its needs, replacing the provisional distribution centre that had been operating. In Colombia, Ara began the construction of its second distribution centre in the market, which will serve the new region to be inaugurated in 2015.

3.2. Consolidated Activity in 2014

3.2.1. Consolidated Sales

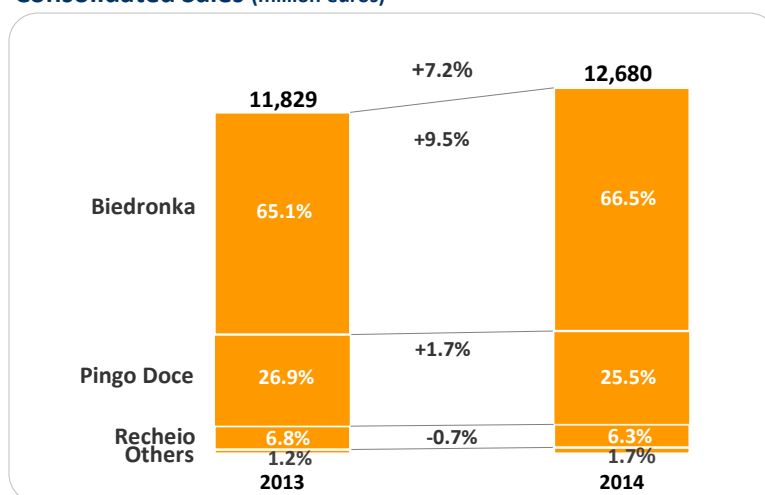
(million euros)	2014		2013		Δ %		LFL
	% total		% total		Zloty	Euro	
Sales & Services							
Biedronka	8,432	66.5%	7,703	65.1%	9.1%	9.5%	-0.8%
Pingo Doce (store sales)	3,234	25.5%	3,181	26.9%		1.7%	0.5%
Recheio	799	6.3%	805	6.8%		-0.7%	-0.9%
Mkt, Repr. and Rest. Services	79	0.6%	78	0.7%		0.9%	n.a.
Others & Cons. Adjustments	137	1.1%	63	0.5%		n.a.	n.a.
Total JM	12,680	100%	11,829	100%		7.2%	-0.4%

Driven by the quality of their value propositions and despite the significant deflationary challenges, all the business areas of the Group delivered volume growth ahead of their respective markets. As a result, all the banners of the Group strengthened their positions and market shares.

Jerónimo Martins' net sales increased by 7.2%, to 12.7 billion euros. This growth was achieved through a combination of continued expansion and an increase in like-for-like sales in volume in all businesses.

Biedronka represented 66.5% of the consolidated sales and accounted for 85.7% of the 851 million euros sales increase in the Group's sales. As such, it remains the primary growth driver for Jerónimo Martins.

Consolidated Sales (million euros)



The strategic focus on sales allowed Biedronka and Pingo Doce to increase their sales in volume, helping to mitigate the negative effects of the strong food deflation in Poland and Portugal.

In Poland, food inflation turned negative early in the second quarter of the year, deteriorating rapidly over the rest of the year and reaching in 2014, an average of -0.9%.

Biedronka's sales increased by 9.1% in zloty (+9.5% in euros), reaching 8.4 billion euros. During the year, 211 stores (194 net additions) were opened, and the Company ended 2014 with a total of 2,587 locations.

Like-for-like sales performance in value was negative at -0.8%, impacted by the basket deflation of 1.8%, but the Company registered a positive growth of 1% in volume. Biedronka posted a gradual improvement of its volume performance across the quarters.

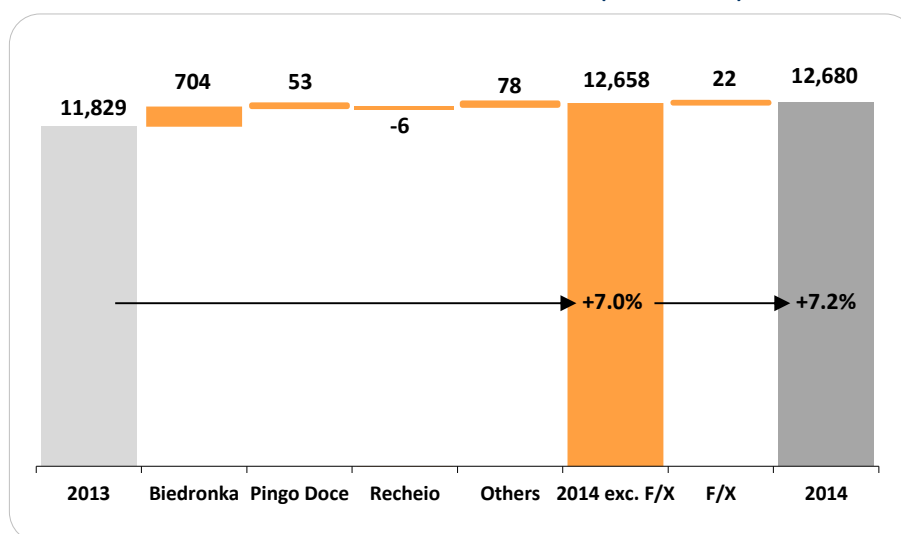
In Portugal, food deflation deteriorated rapidly in the second and third quarters of the year, although there were signs of this slowing down in the fourth quarter. The average food inflation for the year was -1.3%.

In this difficult environment, Pingo Doce continued to invest successfully in its promotional strategy, without making any concessions on its core strategic pillars, namely the quality and variety of perishable products, and the quality and innovation of its Private Brand. As a result of the consistent implementation of this strategy, sales grew 1.7%, with a robust like-for-like performance of +1.2% (excluding fuel), despite a strong basket deflation registered during the year.

Recheio sales in volume grew by 1.5%, although without signs of economic recovery in the environment where their HoReCa and Traditional Retail clients operate. Sales in value decreased by 0.7%, as a result of food deflation in the market.

With regard to new businesses, Hebe registered sales of 87 million euros and Ara, in Colombia, reached sales of 66 million euros.

Contribution to Consolidated Sales Growth (million euros)



3.2.2. Consolidated Operating Results

(million euros)	2014		2013		Δ %
		%		%	
Net Sales & Services	12,680		11,829		7.2%
Gross Margin	2,692	21.2%	2,541	21.5%	5.9%
Operating Costs	-1,958	-15.4%	-1,763	-14.9%	11.1%
EBITDA	733	5.8%	777	6.6%	-5.6%
Depreciation	-277	-2.2%	-249	-2.1%	11.0%
EBIT¹	457	3.6%	528	4.5%	-13.5%

¹ 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.

EBITDA generated by the Group reached 733 million euros, a reduction of 5.6% compared to the previous year.

(million euros)	2014		2013		Δ %
		% total		% total	
Biedronka	573	78.2%	600	77.2%	-4.5%
Pingo Doce (store sales)	187	25.6%	183	23.5%	2.4%
Recheio	42	5.7%	47	6.0%	-11.2%
Others & Cons. Adjustments	-69	-9.4%	-53	-6.8%	30.2%
Consolidated EBITDA	733	100%	777	100%	-5.6%

EBITDA margin was 5.8%, 80 b.p. below the previous year (6.6%).

The year's performance reflects the impact, in terms of sales, of the high levels of food deflation registered in Poland and Portugal, with some cost inflation, which impacted the dilution of costs. The increase of costs related to new businesses – Hebe and Ara – also impacted profitability.

The new businesses impacted the Group's EBITDA margin by 50 b.p., generating a negative EBITDA of 58 million euros, 16 million euros above 2013, but in line with expectations.

Biedronka, with a weight of 78.2% in the Group's EBITDA, generated an EBITDA of 573.1 million euros, with a margin of 6.8%, a reduction of 100 b.p. compared to the previous year. The reduction in the EBITDA margin, beyond the promotional investment, essentially reflects the imbalance between the basket deflation and inflation on the cost side.

Deflation in the basket followed the food prices evolution registered in the economy which was -0.9% in the year. Good harvests in most European markets together with the embargo of Polish agricultural exports to Russia from August 2014, explain the pressure on the prices of food products in the country.

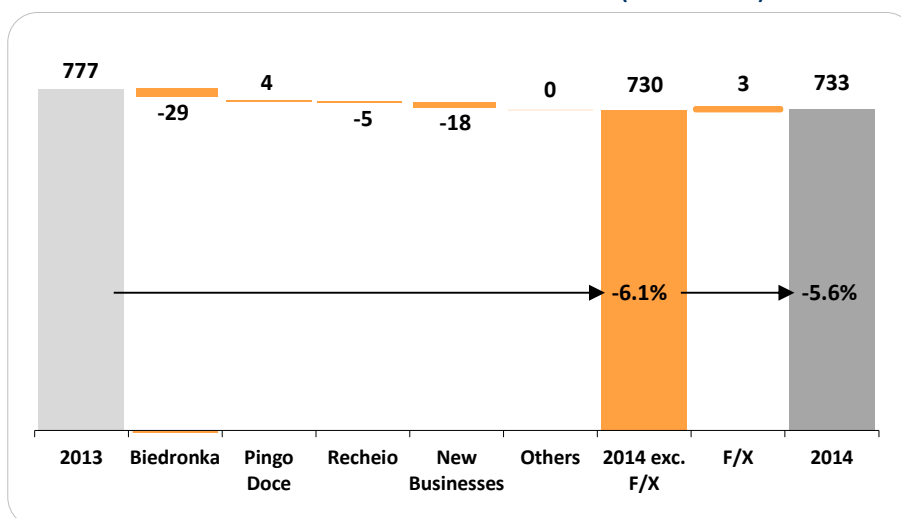
Although Biedronka registered an increase in like-for-like sales in volume of 1%, this was not sufficient to mitigate the impact of negative price developments on its profitability.

In Portugal, food deflation also registered a significant deterioration in 2014, reaching an average of 1.3% in the year.

Pingo Doce, for the third consecutive year operating with internal deflation, combined cost discipline with a strong increase in volumes to keep EBITDA margin stable at 5.8%. The EBITDA generated in the year totalled 187.4 million euros, an increase of 2.4%, as a result of the sales increase.

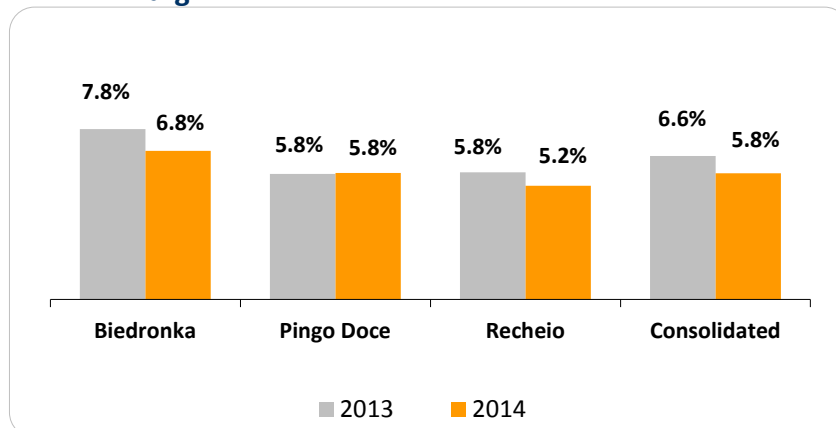
Recheio registered an EBITDA of 42.0 million euros, with the margin reducing from 5.8% in 2013 to 5.2% in 2014. The EBITDA margin reflects the impact of food deflation, but also the Company's increased efforts to defend and to increase its customer base as a way of strengthening its competitive position.

Contribution to Consolidated EBITDA Growth (million euros)



Cost efficiency remains an objective across the Group's businesses, and together with the positive growth in the sales volumes, will play a key role in defending the Group's profitability, particularly in the context of low levels of food inflation or deflation.

EBITDA Margin



3.2.3. Net Consolidated Result

(million euros)	2014		2013		Δ %
		%		%	
EBIT ¹	457	3.6%	528	4.5%	-13.5%
Net Financial Results	-34	-0.3%	-39	-0.3%	-11.6%
Profit in Associated Companies	15	0.1%	19	0.2%	-19.4%
Non Recurrent Items ²	-9	-0.1%	-4	0.0%	n.a.
EBT	429	3.4%	503	4.3%	-14.8%
Taxes	-104	-0.8%	-111	-0.9%	-6.4%
Net Profit	325	2.6%	393	3.3%	-17.2%
Non Controlling Interest	-23	-0.2%	-10	-0.1%	n.a.
Net Profit attr. to JM	302	2.4%	382	3.2%	-21.1%
EPS (euro)	0.48		0.61		-21.1%

¹The 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.

²Non 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 was 301.7 million euros, a reduction of 21.1% compared to the previous year.

The financial results were 34.3 million euros, 4.5 million euros below the cost of the previous year, following the favourable evolution of the interest rates.

Profit in associated companies reached 15.2 million euros, 3.7 million euros less than the previous year, which included some one-off benefits associated with the restructuring of the industrial activity.

3.2.4. Cash Flow

(million euros)	2014	2013
EBITDA	733	777
Interest Payment	-32	-36
Other Financial Items	20	14
Income Tax	-109	-121
Funds From Operations	612	635
Capex Payment	-486	-512
Δ Working Capital	146	68
Others	-5	-1
Free Cash Flow	267	190

Free Cash Flow amounted to 267 million euros, 77.5 million euros higher than the previous year.

This increase was especially helped by the strict management of working capital that maintained its efficiency ratios in days of sales, fully benefiting from the growth of the

Group's sales. Investment payments were reduced by about 26 million euros, following the fewer openings of Biedronka stores.

The strong performance of cash flow primarily reflects Biedronka's capability to generate strong cash flows, particularly in a scenario of increased focus on productivity, which includes working capital and a more targeted and efficient store openings plan. Pingo Doce also had a very positive year in terms of cash generation which together with Biedronka, more than offset the funds absorbed by the new businesses – Hebe and Ara.

3.2.5. Consolidated Balance Sheet

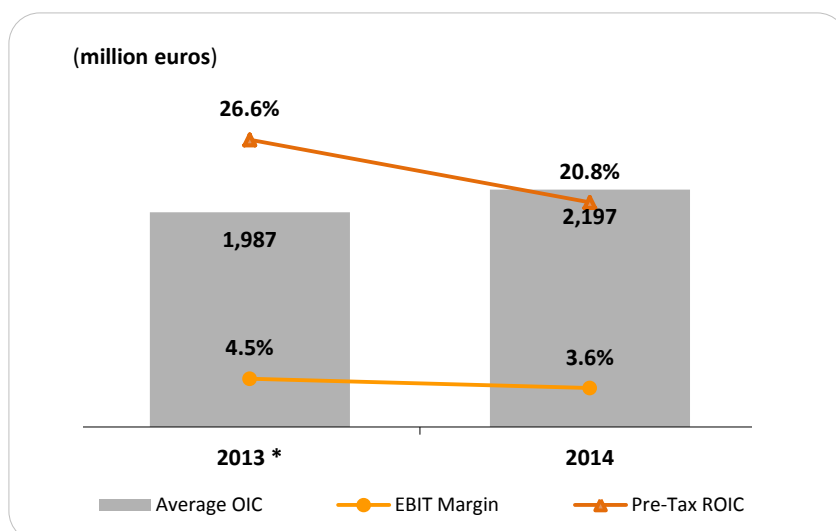
(million euros)	2014	2013
Net Goodwill	640	648
Net Fixed Assets ¹	2,940	2,810
Total Working Capital	-1,778	-1,686
Others ¹	111	112
Invested Capital	1,912	1,885
Total Borrowings	714	688
Leasings	1	6
Accrued Interest & Hedging	4	20
Marketable Sec. & Bank Deposits	-446	-368
Net Debt	273	346
Non Controlling Interests ¹	243	236
Share Capital	629	629
Retained Earnings ¹	767	674
Shareholders Funds	1,639	1,539
<i>Gearing</i>	<i>16.7%</i>	<i>22.5%</i>

¹ Restated figures due to the change in accounting policy related with Operational Land, as explained on Chapter III (Consolidated Financial Statements) of this Report.

In 2014 the consolidated balance sheet was strengthened further, with gearing ending the year at 16.7%, significantly benefiting from the particularly low net debt at the end of the year, as a result of strong sales during the Christmas season.

3.2.6. Return on Invested Capital

Despite the lower profitability of the business due to strong food deflation, and also despite the increased investment in two new businesses, the Group's Pre-Tax ROIC in 2014 was 20.8%.



* Restated figures due to the change in accounting policy related with Operational Land, as explained on Chapter III (Consolidated Financial Statements) of this Report.

3.2.7. Debt Breakdown

The Group's net debt was lower than in the previous year, and was 273 million euros at the end of 2014 (346 million euros at the end of 2013).

Of the total borrowings of 714 million euros, 52.4% represent long-term financing with an average maturity of two years.

(million euros)	2014	2013
Long Term Debt	374	368
as % of Total Borrowings	52.4%	53.5%
Average Maturity (years)	2.0	2.2
Bond Loans	0	225
Other LT Debt	374	143
Short Term Debt	340	320
as % of Total Borrowings	47.6%	46.5%
Total Borrowings	714	688
Average Maturity (years)	1.5	1.3
Leasings	1	6
Accrued Interest & Hedging	4	20
Marketable Securities & Bank Deposits	-446	-368
Net Debt	273	346
% Debt in Euros (Financial Debt + Leasings)	31.6%	65.7%
% Debt in Zlotys (Financial Debt + Leasings)	57.3%	28.0%
% Debt in Pesos (Financial Debt + Leasings)	11.1%	6.4%

3.2.8. Jerónimo Martins in the Capital Markets

Shares Description

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

Jerónimo Martins' shares are part of 47 indices, namely the PSI-20, Euronext 100 and EuroStoxx Index, among others, and are negotiated on 37 different platforms, mostly in the main European markets.

Capital Structure

For information on Jerónimo Martins capital structure, please see 9. Consolidated Management Report Annex in this chapter.

PSI-20 Performance

In 2014, the reference index of the NYSE Euronext Lisbon – PSI-20 – recorded the fourth worst worldwide performance and had two of its companies delisted. The PSI-20 closed the year declining 26.8% to 4,799 points, after having increased by two consecutive years (2.9% in 2012 and 16.0% in 2013).

In the first three months of the year, despite some volatility, the PSI-20 had a positive performance, recording a historical maximum of 7,735 points on April 1st, cumulative increase of 18%. Hence, PSI-20 reached the May 2011 maximums, a month marked by the request for Troika's financial assistance.

However, from April the positive trend that marked the beginning of the year reversed and the subsequent fall led the PSI-20 to end 2014 with a decline of 27%, reaching minimums of August 2012 in December.

The Portuguese stock market index was pressured by the BES resolution, which led to sharp losses on the stock market. The main index was reduced to 18 listed companies, after BES and Espírito Santo Financial Group (ESFG) left the PSI-20. However, 2014 was also negative for other listed companies who lost much of their value. Portugal Telecom topped the list of devaluations (-73% in 2014), followed by BCP (-60%) and Banif (-46%).

The Portuguese share index remained below the main European indices: the German DAX30 (+2.7%), the Spanish IBEX35 (+3.7%), Amsterdam's AEX (+5.6%), whilst the Paris CAC40 (-0.5%).

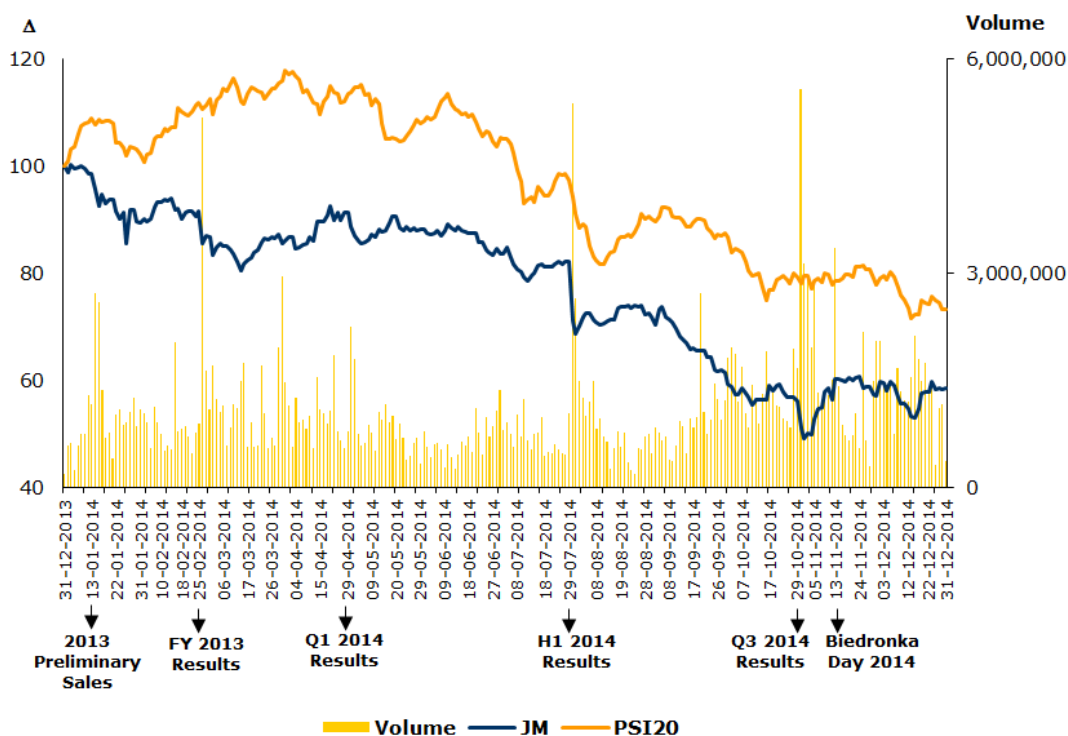
Jerónimo Martins Share Price Performance

Jerónimo Martins, having declined 2.6% in 2013, ending 2014 with a cumulative devaluation of 41.4%.

According to the NYSE Euronext Lisbon, in 2014 Jerónimo Martins was the Portuguese company with the third highest market capitalisation and closed the year with a relative weight of 13.9% in the PSI-20. The Group ended 2014 with a market capitalization of 5.2 billion euros, compared with 8.9 billion euros at the end of 2013. Jerónimo Martins is one of the four Portuguese companies that are part of the Euronext 100 index, with a weight in the index of 0.25% (0.5% in 2013).

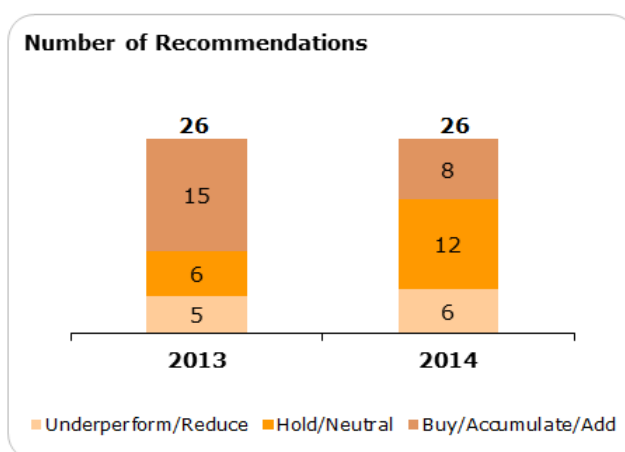
Jerónimo Martins' shares were among the most traded on the NYSE Euronext Lisbon, with around 274 million shares, a daily average of 1.1 million shares (35% higher than in 2013), at an average price of 10.94 euros. In terms of turnover, these shares represented the equivalent of 7.7% (2.8 billion euros) of the overall volume of shares traded on the PSI-20 index in 2014 (37.3 billion euros).

Jerónimo Martins share price showed a negative trend during most of the year, recording a minimum price of 6.98 euros on 31st October, which was a decline of 51% against the end of the previous year. Following this negative performance, there was a recovery trend of the share price, which in the last two months of the year recorded an increase of 19.4% compared to the October closing price. Despite this recovery, Jerónimo Martins' shares ended 2014 at a price of 8.34 euros, representing a decline of 41.4% compared to the end of 2013.



Analysts

In 2014, two investment houses began the coverage of Jerónimo Martins (IPOPEMA and Macquarie) and another two ceased covering the Company (Millennium BCP and N+1 Equities). Thus, at the end of 2014 and as in the previous year, 26 analysts covered Jerónimo Martins. At the end of the year, eight of the 26 analysts had a positive recommendation on the security, 12 had a neutral recommendation and six had a negative recommendation. At the end of 2014, the average target price of the analysts was 9.38 euros, which corresponds to a potential increase compared to the closing price on 31st December 2014 of 12.5%.



Jerónimo Martins Financial Performance 2010-2014

(million euros)

	2014	2013	2012	2011	2010
Balance Sheet					
Net Goodwill	640	648	655	627	653
Net Fixed Assets ¹	2,940	2,810	2,557	2,227	2,136
Total Working Capital	-1,778	-1,686	-1,615	-1,495	-1,394
Others ¹	111	112	99	135	174
Invested Capital	1,912	1,885	1,695	1,495	1,569
Net Debt	273	346	321	204	560
Total Borrowings	714	688	660	676	764
Leasings	1	6	18	38	71
Accrued Interest	4	20	15	14	25
Marketable Securities and Bank Deposits	-446	-368	-372	-524	-300
Non Controlling Interests ¹	243	236	251	260	246
Equity ¹	1,396	1,304	1,122	1,030	762

¹ Restated figures due to the change in accounting policy related with Operational Land, as explained on Chapter III (Consolidated Financial Statements) of this Report.

Income Statement					
Net Sales & Services	12,680	11,829	10,683	9,646	8,496
EBITDA	733	777	740	693	590
EBITDA margin	5.8%	6.6%	6.9%	7.2%	6.9%
Depreciation	-277	-249	-221	-206	-188
EBIT	457	528	518	487	403
EBIT margin	3.6%	4.5%	4.9%	5.0%	4.7%
Financial Results	-34	-39	-30	-30	-40
Profit in Associated Companies	15	19	13	17	23
Non Recurrent Items ²	-9	-4	-19	-11	-15
EBT	429	503	483	463	371
Taxes	-104	-111	-116	-106	-71
Net Income	325	393	366	357	300
Non Controlling Interests	-23	-10	-6	-17	-19
Net Income attributable to JM	302	382	360	340	281

² 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					
Share Capital (€)	629,293,220	629,293,220	629,293,220	629,293,220	629,293,220
Total Number of Shares	629,293,220	629,293,220	629,293,220	629,293,220	629,293,220
Own Shares	859,000	859,000	859,000	859,000	859,000
Free Float	26.9%	32.0%	27.2%	29.0%	31.2%
EPS (€)	0.48	0.61	0.57	0.54	0.45
Dividend per share (€)	0.31	0.30	0.51*	0.21**	0.14
Stock Market Performance					
High (€)	14.25	18.47	15.62	14.34	12.58
Low (€)	6.98	13.61	11.87	10.64	6.33
Average (€)	10.94	15.51	13.71	12.33	8.63
Closing (End of year) (€)	8.34	14.22	14.60	12.79	11.40
Market Capitalisation (31Dec) (€000.000)	5,245	8,945	9,188	8,049	7,174
Transactions (volume) (1,000 shares)	274,146	202,709	157,916	254,571	300,343
Annual Growth	-41.4%	-2.6%	14.2%	12.2%	63.2%
Annual Growth - PSI-20	-26.8%	16.0%	2.9%	-27.6%	-10.3%

* The value refers to the payment of a gross dividend of 0.275 euros per share, on April 30, 2012, regarding the distribution of 2011 results and to the distribution of free reserves corresponding to a gross dividend of 0.239 Euros per share, paid on December 31,

** This dividend, regarding the 2010 financial year, was paid by the end of 2010.

4. Performance of the Business Areas

4.1. Distribution Poland

4.1.1. Biedronka



Message from the Managing Director

During 2014, Biedronka further reinforced its leadership position in the food retail market with 211 new store openings. This continued success was delivered in a year which was noted for an unfavourable macroeconomic environment in view of the deflation in food products, combined with an environment of cost inflation. Biedronka continued with its sustained development, focused on implementing new solutions to reinforce both distribution efficiency and competitiveness of its daily offer. In 2014, three new Distribution Centres were inaugurated, in order to secure increased efficiency in the supply chain and innovation in the assortment.

Important factors to achieve greater customer satisfaction and meet the daily needs and expectations of our customers included: i. the continued development of the Private Brand with a strong focus on innovative and convenient solutions; ii. the increasing importance of perishables; and iii. the introduction of product categories aimed at the urban consumer. Moreover, special attention was given to implementing solutions for improving the purchasing experience, an example of which was the introduction of electronic payment solutions.

Consistency in implementing a strategy focused on the selected offer of high quality products at low prices enabled Biedronka to reinforce the trust of more customers. We remain optimistic regarding our ability to continue our sustained development and reinforce our market leadership.

2014 Performance

2014 was a challenging year, with sharp food deflation increasing the pressure on the value of sales and on the Company's profitability. Following a food inflation of 0.5% in the first half, the trend deteriorated in the second half of the year, partly due to the impact of the sanctions imposed on food exports to Russia and the prices fall mainly in categories of perishables. In the second half, food deflation was 2.3% (-0.9% in 2014).

At the same time, the Food Retail sector in Poland remained highly competitive with strong promotional activities, and the main players investing in very aggressive price campaigns. Polish consumers tend to be price-sensitive and were increasingly meticulous in the way they allocated their income.

Within this context, at the start of the year Biedronka had a slowdown in the like-for-like growth in volumes. Despite continuing to retain the Polish consumers' preference, the Company believes that the value of the average basket, particularly in the cities, did not reach its full growth potential. A national consumer survey was therefore carried out, which made it possible to obtain further knowledge on consumer habits and preferences and identify categories where the share of wallet was below the Company's average. This study highlighted in which assortment areas Biedronka has room to improve its response to the urban customers' aspirations.

With the growth opportunities identified and with the objective of recovering like-for-like sales dynamics, Biedronka defined a plan for developing its business model, with the objective of reinforcing its leadership position and its importance to Polish consumers.

Throughout the year, a series of adjustments to Biedronka's offer were tested. The main focus was on adapting the offer to the urban Polish consumer and a plan to be implemented in 2015 was also developed.

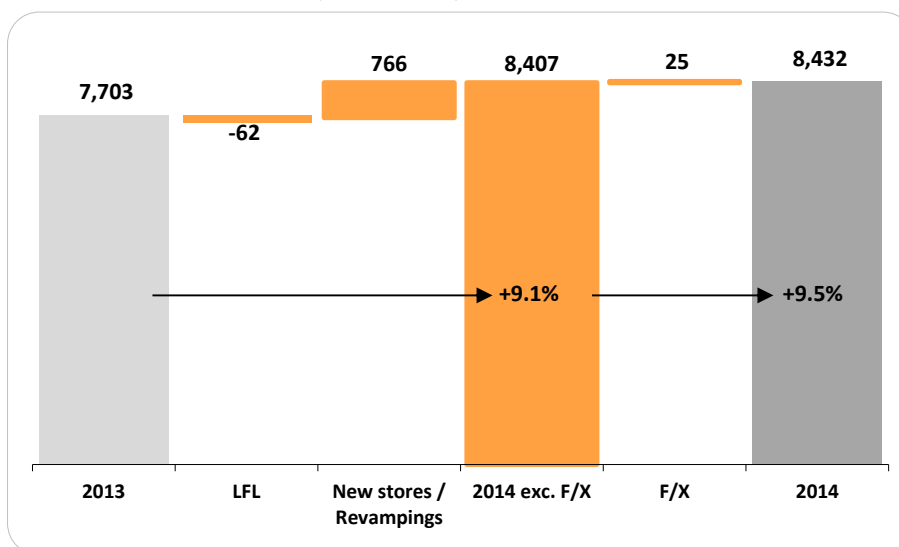
At the end of the year, a new Private Brand 'La Speciale' was launched. This introduction of premium products, along with seasonal leaflets, is carried out across the entire Company.

In July 2014, Biedronka also began accepting debit and credit cards as means of payment in the stores. A communication campaign was created which contributed towards this service being easily accepted by the Polish consumers. Following its implementation, over 20% of the transactions in Biedronka stores were paid by card.

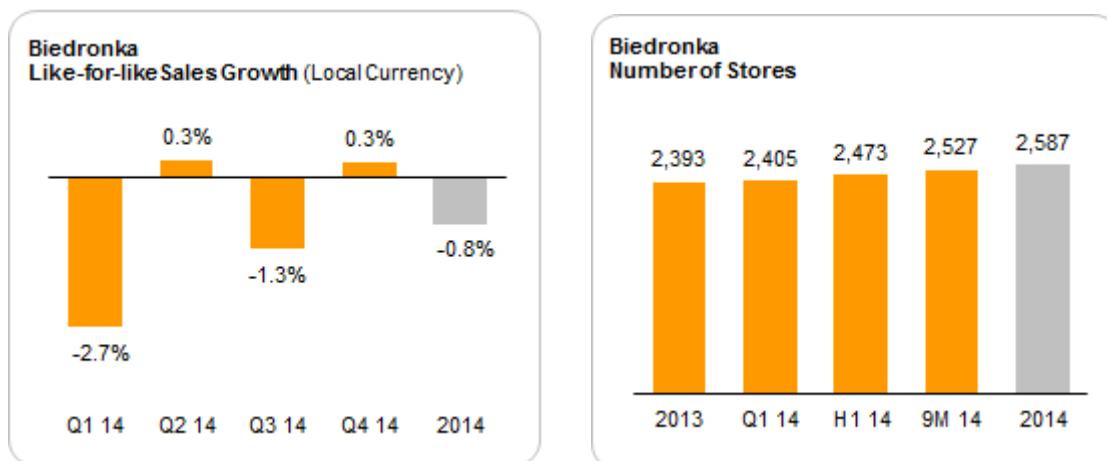
As price continued to be a key factor for the Polish consumer, Biedronka maintained the strong promotional campaigns that began in July 2013, with the commitment of reinforcing its price leadership. We would highlight the "Mega Rabaty" ('Mega Discount') campaign, which includes discounts twice a week and the "Tak, tylko" ('Yes, only!') which offers specific articles at special prices.

As a result of the various measures and based on the strength of its value proposition, Biedronka delivered an accelerated volumes performance in the second half of the year.

Biedronka - Net Sales (million euros)



Biedronka's sales grew 9.5%, in euros, to 8,432 million euros (+9.1% in zlotys), with like-for-like sales for the year of -0.8%, affected by the price reductions in the basket. The deflation of Biedronka's basket was 1.8% in 2014, the main contributors being the Fruits & Vegetables, Grocery and Meat categories. Biedronka's like-for-like sales volume increased around 1% in the year, supported by the strength of the value proposition. The Company continued to increase market share, reinforcing its leadership position.



Expansion remained the Company's strategic priority. Following the opening of 211 stores in 2014, Biedronka ended the year with a total of 2,587 locations. Execution of this ambitious expansion plan also included three new Distribution Centres in Krakow, Warsaw and Sosnowiec. The Company ended 2014 with 15 logistics regions. In the last quarter, there was a decision to reduce the rate of expansion, with the objective of concentrating more on adapting Biedronka for expansion in urban centres.

The imbalance between food price deflation and cost inflation was one of the main challenges of 2014. As such, the severe deflation in the basket and strong promotional initiatives were the main reasons for the decrease in Biedronka's EBITDA margin by 100 b.p. to 6.8% in 2014.

4.1.2. Hebe



Message from the Managing Director

For Hebe, 2014 was another year of inspiring challenges and in-depth learning about the Health & Beauty market. As such, the concept of Hebe drugstores and pharmacies tested in Poland is now closer to its final version. We continued the expansion of the chain, remaining focused on our organic growth. Hebe ended the year with 119 locations across the country.

In 2015 we will reinforce our value proposition to capture the potential of the growing and profitable Polish Health & Beauty market with a clearer focus on Hebe's business fundamentals: an optimized and even more attractive product offer as well as a distinctive store experience for the even more demanding Polish consumer.

We are confident that the Polish market is ready for a strong Health & Beauty player with an affordable positioning and a dynamic trade marketing programme, supported by an already well-established relationship with suppliers.

2014 Performance

In 2014, the Company's sales performance was driven by new store openings and mostly by a solid like-for-like sales growth. Hebe recorded 86 million euros of sales in the year. A significant part of this growth came from an increasing number of customers, with the value of the average basket also making a positive contribution to this performance.

Although Hebe has been growing more slowly than initially anticipated, the chain opened 18 new stores and closed three, ending the year with a total of 119 locations. In March, the new Distribution Centre, in Pruszków, was opened with a total area of 15 thousand sqm and a supply capacity up to 300 stores, replacing the old distribution centre which was closed.

To enhance the sales performance and brand awareness, several seasonal campaigns took place during the year related to Valentine's Day, Women's Day, Easter, Christmas and New Year. Strong digital support with a 150 thousand fan base on social media and 350 thousand monthly users of Hebe website continue to fuel brand recognition. A monthly edition of the Hebe magazine was launched and at the same time Hebe continued with its' support for the regular customers. Hebe's loyalty programme has surpassed the 1.1 million members, 95% of whom are women.

Since September, Hebe has a new Managing Director who has reinforced the team with extensive expertise from the Health & Beauty sector, a valuable contribution for an even better understanding of the market.

4.2. Distribution Portugal



4.2.1. Pingo Doce

Message from the Managing Director

In 2014, the consumer once again acknowledged the relevance of our offer. Through our creativity, determination, flexibility, execution and competitiveness, we reinforced our market position and increased sales by 1.2% on a like-for-like basis. This was achieved, despite the strong deflationary environment, enabling us to deliver ever more value to our customers.

The "Poupa Mais" ('Save More') Card, launched in 2013 in partnership with BP, is now one of the pillars of loyalty and communication with our customers, with over 1.5 million cards registered, proving our offer to be the best in the market for what is the second largest expense for the families (fuel).

Concerning the Private Brand, another fundamental pillar of Pingo Doce's value proposition that is highly acknowledged by the consumer, 2014 was a year of intense activity with over 200 launches and re-launches of high quality and very competitively-priced products.

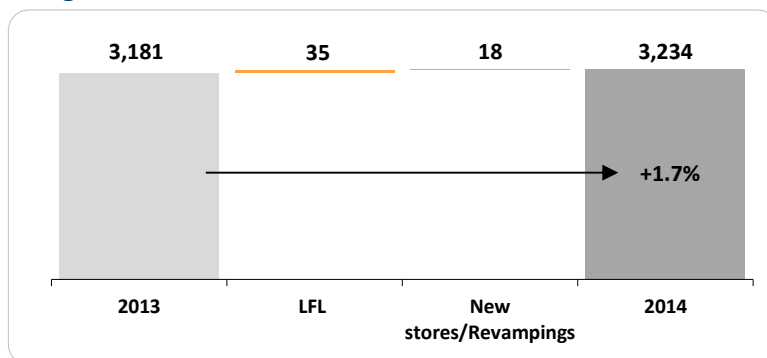
Through a distinctly differentiating project, we contributed towards the 'birth' of two new authors with the 1st edition of the Pingo Doce Children's Literature Prize, which resulted in the launch of the book entitled 'Where do witches come from?'.

2014 Performance

In Portugal, 2014 was marked by strong food deflation, especially in the Fruits & Vegetables category. The competitive food retail environment remained challenging, with strong promotional campaigns and greater focus on proximity opportunities from the main players.

Within this context, Pingo Doce attained a solid total sales growth of 1.7%, driven by the like-for-like of +1.2% (excluding fuel), which more than offset the strong deflation affecting the basket. Growth in volumes sold by the Company proved that its competitiveness has been reinforced and reflected the success of its differentiated offer compared to the competition. In 2014, Pingo Doce increased its market share by 60 b.p.⁴.

Pingo Doce - Net Sales (million euros)



⁴ Source: Internal estimates based on Turnover in Food Retail Trade published by INE.

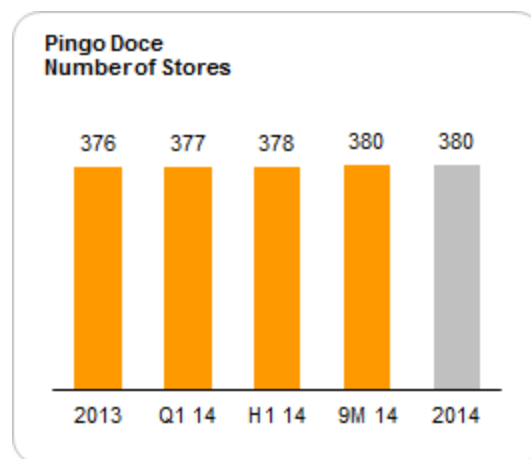
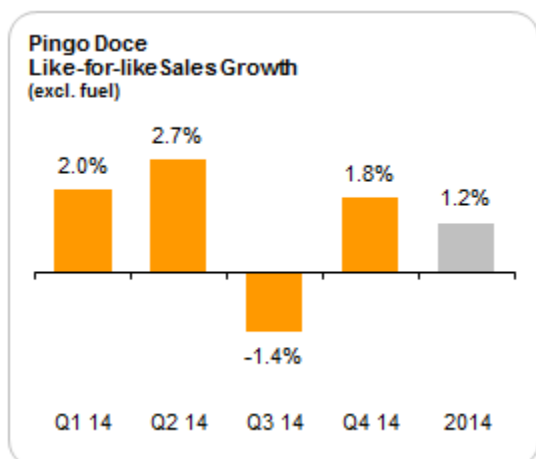
Consumers continued to value the promotional opportunities and so Pingo Doce maintained its investments in weekly campaigns, which were further reinforced, as it continue to find better ways of fulfilling customers' needs. To complement the existing leaflets, a promotional single-page leaflet, called "A Não Perder" ('Do Not Miss') and focusing on the weekend, was therefore created.

With over 1.5 million cards registered in 2014, the "Poupa Mais" ('Save More') card provided increasing relevant information on consumer habits, enabling Pingo Doce to direct its campaigns to certain target audiences using differentiated actions.

2014 was the year in which the Private Brand regained relevance, both through new launches and through the reformulation of existing articles, especially targeting new consumption trends. Highlights in the year were i. the creation of a Pingo Doce sub-brand "Cuida Bebê" ('Caring for Baby') oriented towards comfort, safety and well-being of babies, ii. the launch of a new range of lactose-free products, and iii. the availability of a new range of Ultra Pro ecological detergents and cleaners, certified with the EU Ecolabel logo. There was a reinforcement of the in-store communications, aiming to highlight the new Private Brand products.

The book "De onde vêm as bruxas?" ('Where do witches come from?'), resulting from the 1st edition of the Pingo Doce Children's Literature Prize, went on sale in all the stores in November. As this is a cultural and differentiating project with a strong social impact, allowing the client to continue to have access to children books at affordable prices, Pingo Doce chose it for returning to TV advertising, after two years without using that communication channel.

With regard to the Pingo Doce store network, five stores were inaugurated in 2014, four of them managed by third-parties, ending the year with 380 locations. At the beginning of 2014 a new Distribution Centre was inaugurated in the Algarve, thereby starting the Company's logistics reorganisation process, which will enable greater efficiency throughout its entire supply chain. In order to improve the store network, 26 stores were remodelled in the year, 14 of which were ex-Plus stores, making the offer and services more uniform and in line with the Pingo Doce standard.



Pingo Doce's EBITDA margin was 5.8%, in line with the previous year, with a strong growth in volumes and strict cost control, offsetting the impact of the food deflation, thereby proving the Company's resilience.

4.2.2. Recheio



Message from the Managing Director

During the prevailing recession in markets where it operates, Recheio once again focused on sustainability and on the future of the business, significantly increasing its client portfolio. Deflation was Recheio's greatest challenge in 2014. The significant impact that the general price reduction had on our business, particularly in Fruits & Vegetables, was eventually mitigated by the efficiency, rigour and productivity always demonstrated by Recheio's management and business model.

2014 was also the year in which the Company consolidated new business areas, more specifically the strong expansion plan for the Amanhecer chain with the opening of 101 new stores, now having stores throughout the country as well as in the major cities of Lisbon and Porto. With a high efficiency level in the supply chain for these stores and an exclusive pricing policy for members, Amanhecer represents a real comeback for traditional commerce.

2014 Performance

The Company's major challenge was to combat the effects of food deflation that marked the year and caused increased pressure on the cost efficiency level as the sales value dropped 0.7%, whilst volumes showed an increase of over 1.5%.

In Traditional Retail, Recheio managed to increase its market share, despite the sector 6% loss in turnover during the year (Source: Nielsen – Scantrends). The Traditional Retail partnership project, developed through the Amanhecer chain, tripled its number of stores, ending the year with 150 units. For the HoReCa channel, this was a year of stability with slight evidence of economic recovery shown by hotels.

Recheio maintained its investment in Exports, having increased its sales to existing markets. 2014 was also marked by the consolidation of the Food Service business, following integration of Caterplus in Recheio in July 2013.

Recheio initiated the project for renewing packaging of Private Brand products, thereby increasing the supply of its MasterChef, Amanhecer and Gourmês brands. In terms of communication, weekly leaflets on Fresh Food were distributed under the theme 'Fresh Food Market'. Moreover, Recheio once again rewarded its best clients, this year with three trips to the 2014 World Cup in Brazil, in order to promote sales and strengthen the existing relationships.

The Loures (near Lisbon) store, and especially its frozen food sector, was remodelled. This project aims to establish a new store concept to improve Recheio's value proposition and it will be extended to other stores.

The combination of costs increase, due to both the increase in sales volume and services to clients and the food deflation led to a reduction in the Company's EBITDA margin, which was 5.2% in 2014.

4.3. Distribution Colombia

Ara



Message from the Managing Director

2014 was a year of intense learning for our operation in Colombia. It was a positive year in which we met the main objective we had set for this phase of our project. Following all the enthusiasm around launching our Ara chain less than two years ago, we defined 2014 as a year that would be dedicated to reinforcing the robustness of our concept by responding to the improvement opportunities noted by our consumers.

As such, we reinforced our assortment with products requested by our consumers, namely by introducing a strong regional range. We also reinforced our aggressive advertising, highlighting the price leadership for which we are already widely renowned. Finally, we started building an emotional tie with our customers through innovative in-store activities, aiming to create an element of surprise with every visit. The result of these measures was clearly visible in the sales trend throughout the year, with a consistent and sustained growth every month.

It is through the immense motivation, dedication and determination of the Colombian team and through their pioneering spirit and a will to win that we have been able to deliver on the results. This also put us on the right track to deliver on our ambitious goals for this market.

2014 Performance

Ara began the year focused on reaching the two main objectives set for 2014: fine-tuning the store concept, in order to win new customers, and carrying out the expansion plan, which included 50 new stores, ending the year with 86 stores.

With the objective of adjusting the value proposition to the Colombian consumers and of encouraging customers to return to the stores, various measures were implemented focused on optimising the assortment and developing promotional initiatives.

As far as optimising the assortment is concerned, we chose to increase the number of SKUs, mainly in manufacturing brands, in response to the Colombian consumer's preferences.

Through the promotional initiatives, it was possible to increase the perception of low prices and to improve the shopping experience and the store environment. As such, Ara closed the year with a clear and consistent value proposition, based on four essential pillars: i. low prices; ii. price flexibility to respond to local competition; iii. promotional initiatives with a strong emotional tie to the consumers; and iv. strong investment in the Private Brand.

At the same time, 2014 was a year of strengthening the partnership with local suppliers who reinforced their commitment to the Company, once the expansion plan had been fulfilled and the growth opportunities remained intact. This commitment enabled the logistics optimisation process that was started in 2013, to progress.

4.4. Manufacturing, Distribution and Restaurants & Services

4.4.1. Manufacturing

4.4.1.1. Unilever Jerónimo Martins (ULJM)



Message from the Managing Director

2014 was a milestone year for ULJM, with all objectives delivered and an ambitious medium-term plan fulfilled. The Company accelerated its growth in sales, earnings and cash flow. The pursuit of the year's objectives was accompanied by: i. an overall reinforcement of its competitive position, measured by a strong increase in its advertising investment, making it the largest Portuguese investor; ii. a reinforcement of the brand equity; and iii. a growth in its market shares and relative leadership.

The inauguration of the new Sta. Iria manufacturing facilities, fulfilling the first phase of a 30 million euros investment plan, enabled the Company's manufacturing project to take a qualitative jump, with a view to exporting more of its products and to considerably improving efficiency.

2014 Performance

2014 was marked by a diverging performance in the first and second half of the year: the first was positive whilst there was a slowdown in the second half.

The Company increased its sales for the second consecutive year, growing by 2.4% compared to the previous year. ULJM delivered significant market share gains in around 70% of its categories, with a special note for the In Home Ice Cream, Laundry Detergent and Seasonings categories, the latter driven by the launch of new products.

In 2014, investment in the brands remained stable compared to the previous year, with a reduction in promotional investments once again, offset by the increased advertising.

It was also a year in which we opened the ice cream cone plant in July and the Margarine, Ice Cream and Stock Cube manufacturing units were remodelled, enabling the production lines to be increased and various infrastructures to be improved. This was key for future gains in efficiency.

The Company increased its EBITDA margin, through a combination of increased sales and careful cost control, mainly at the corporate structure.

4.4.1.2. Gallo Worldwide



Message from the Managing Director

2014 was more favourable than the previous year with regard to the raw material olive oil, allowing for more stable prices during the year and contributing to the development of the markets. As far as the olive is concerned, the price evolution was also beneficial, particularly due to the poor harvest in Argentina. On the other hand, the greater economic fragility and the growth stagnation seen in the Brazilian market were not favourable to an increase in consumption, particularly in products directly affected by the devaluation of the Brazilian currency.

Despite this context, 2014 was a year of business growth and the Company strengthened its positions in key markets - Latin America and Africa - and in its market of origin - Portugal. During 2014, the Company introduced an ambitious innovation plan in Olive Oil - "Intensidade de Sabores" - and in Olives - new packaging and portfolio - believing they will fuel strong growth in the coming years and in various markets.

2014 Performance

2014 was marked by the stability in markets where Gallo Worldwide operates, and it was a favourable year with respect to the price of olive oil, which on average fell by approximately 10%.

In 2014, despite the reduction in prices, the Company was able to maintain its net sales and improve its margin, strengthening its market share worldwide and specifically in relevant markets such as Brazil, Portugal and African countries.

2014 was also marked by distinct performances in the first and second halves of the year. The first half of the year was particularly difficult, registering decreases in sales, mainly in the Brazilian and Portuguese markets. The second half was clearly favourable and benefited from new launches, both in the olive oil - "Intensidade de Sabores" range - and the olive categories - new packaging and new products.

On the more positive, sales to Africa increased significantly, mainly through the development of the distribution network and the advertising campaigns that were implemented. On the more negative, sales in Venezuela decreased strongly as a consequence of the tough macroeconomic environment in the country.

Similar to previous years, the Company maintained a strong discipline in terms of costs and continued to focus on the integration of processes, which was critical to protect profitability. Gallo Worldwide showed great resilience in its performance and increased its international presence, thereby improving its margin mix.

4.4.2. Marketing, Representations and Restaurant Services

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



Message from the Managing Director

2014 was a very challenging year but also a gratifying one. Even within a complex economic environment, we set and reached ambitious objectives: we grew in sales and even more so in profit. We focused on increasing the sales and market share of the existing brands, thereby improving the satisfaction of our represented brands and of our customers.

We also continued on the path to gain more relevance in the categories where we are present, launching two new brands in the second half: Reese's, from Hersheys, the chocolates leader in the American market, and Kerrygold, an Irish brand of dairy products. Regarding exports, we entered into new markets, which led to significant growth. It was therefore a year in which we learned a lot, testing new working methods and different market approaches. And above all, we developed our people, as growth almost always means opportunities for everyone.

2014 Performance

In 2014, sales in the domestic market grew 4%, both channels – retail and wholesale – having had a positive evolution. We increased our brands that represent 81% of our sales, by 9% compared to the previous year and obtained gains in market share in 75% of the categories analysed. The majority of these gains resulted from winning market share from the distribution brands. The growth trend was common to almost all the categories and represented brands. Of particular note is the good performance from cereals (Kellogg's), snacks (Pringles), sauces and tomato products (Guloso, Heinz and Tabasco), confectionary (Lindt, After Eight and Merci) and dairy products (Arla and Calidad Pascual).

The new brands, Kerrygold in the foreign cheese segment and Reese's in the chocolate snacks segment, at an early stage of market penetration, counted for less than 1% of the total domestic market.

In 2014, exports represented 6.3% of the Company's total sales, having recorded a 29% growth compared to the previous year. It is worth mentioning that during the year, the Company was able to develop new export markets.

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



Message from the Managing Director

In 2014, despite the crisis, JMRS and Hussel had their best year in terms of results, exceeding our high expectations. We resumed JMRS expansion with the opening of three Jeronimo coffee shops and one Olá ice cream parlour.

The Jeronimo and Hussel banners achieved positive performances, demonstrating the resilience of these businesses. However, the Olá performance turned out to be penalised by the worst summer of the past 30 years. We launched the 'Giro by Hussel' brand in November 2014, with the opening of one kiosk, and the acceptance by customers greatly exceeded our expectations.

2014 Performance

In 2014, despite the constraints of the macroeconomic environment, the Company's sales were in line with the previous year, having registered positive like-for-like performances in the Hussel (+1.8%) and Jeronimo (+0.7%) banners. Only Olá registered a negative like-for-like (-1.7%), a result of an atypical summer, with weather conditions unfavourable for the consumption of ice cream.

In 2014, two **Jeronymo** coffee shops were refurbished and three others were opened in strategic locations for the Company. During the year, several actions took place in the chain's coffee shops and kiosks, with communication at the point of sale and on Facebook. As means of innovation and improvement to the assortment, new products were regularly launched, depicting the seasonal campaigns, such as *Scone de Outono* (Autumn Scone) and *Muffin Bolo Rei* (Portuguese Christmas Cake).

The decrease in sales of **Olá** was mainly due to a reduction in traffic, a result of a harsh winter and a mild summer. During the year, the Olá offer was streamlined with the launch of new products, especially thematic ones, such as *Swirl Páscoa* (Easter Swirl) and *Swirl Natal* (Christmas Swirl). Several new recipes of the *Swirl*, *O Meu Cornetto* (My Cornetto) and *Sundae* products, were developed in order to boost sales.

In 2014, **Hussel** sales had an excellent performance. In marketing terms, Hussel invested in seasonal in-store thematic campaigns (Valentine's Day, Easter, Mother's Day, etc.), on its website and on Facebook, which once again proved to be very successful communication channels. In November, a new store concept was launched with the opening of the 'Giro by Hussel' candy kiosk.

The year ended with the Company operating 70 stores and a further five franchised stores: 16 Jeronimo coffee shops, 33 Olá ice cream parlours (including five franchised ones), 25 Hussel stores (including one 'Giro by Hussel' kiosk) and one Jeronimo Food with Friends restaurant.

5. Outlook for 2015

5.1. Poland

Macroeconomic Environment

For 2015, Polish economy is expected to maintain its sustained GDP growth trend of 2014. This should happen in parallel with a slight improvement in the European economy, including Germany, Poland's main trading partner. The most recent estimates for GDP in 2015 point to a growth of 3.4%.

GDP growth should be sustained by domestic demand, especially private consumption. However, given the deflation of 0.7% registered in the last quarter of 2014, a zero-inflation or even a small deflation scenario, which would increase pressure on economic growth, is possible for 2015.

Unemployment should drop to under 11%, significantly below that registered in 2014. The State Budget approved for 2015 expects a deficit of about 46.8 billion zlotys, below the 3% of GDP limit imposed by the European Union.

With regard to the monetary policy for 2015, it is expected that the Polish Monetary Council remains oriented towards economic growth, hence being more tolerant of price developments. It is therefore likely that the reference rate is maintained at the current level, unless there is a sudden slowdown in economic growth.

Regarding the exchange rate, it should remain above the four zlotys per euro in the long term. However, short-term expectations are strongly dependent on the policies adopted by the European Central Bank and the Federal Reserve of the United States of America, both of which introduce a high level of volatility and make it difficult to predict the behaviour of the Polish currency during 2015.

Modern Food Retail

As a result of a more favourable macro-economic outlook, the retail food market is expected to grow and at a faster pace than in 2014.

It is expected that consumers increase their spending on food compared to previous years. However, the growing demand for healthy eating and an increasingly important role of the quality of products will require operators to adapt their assortment.

The online sales channel will continue with high growth rates, with particular emphasis on food retail, as it is still at an early stage of development.

According to the projections of PMR, the stores that give prominence to proximity should continue to progress more quickly. The fastest growing distribution channels should continue to be the discount and convenience stores.

Due to the strong pressure on retail margins, which is the result of a strong promotional dynamics and low or negative inflation, it is expected that there will be further consolidation in the market. However, this will obviously be subject to the scrutiny of the Polish Competition Authority.

Health & Beauty Retail

The Health & Beauty market in Poland should continue to expand at a rate of over 5% per year, as the Polish consumer still spends much less on Health & Beauty products compared to the average in Western Europe.

Apart from the expansion of Health & Beauty products chains within the Modern Distribution, which are expected to reach around 60% market share within the next three years, from a current share of 42%, the franchising networks as well as the buying associations and cooperatives are predicted to continue their market expansion.

Online sales, benefiting from the changes in the pace of life of consumers, as well as the growth in the number of Internet users, should promote its concept of convenience linked to the possibility of saving time and having low prices within easy reach.

According to a study by PMR, the Polish consumer's growing rationalisation, as well as the increase in the cost of living, will be determining factors in defining consumption preferences. The trend will be towards purchasing less expensive but good quality products. On the other hand, the consumer will remain attentive to novelties in the cosmetics market, as even in an environment of lower economic confidence, these products are seen as an accessible luxury.

5.2. Portugal

Macroeconomic Environment

According to the latest economic bulletin published by the Bank of Portugal, projections point to an economic growth of 1.5% in 2015, which would be a GDP growth slightly above the Eurozone average (+1.1%). A positive development in employment is expected, although more moderate when compared to 2014, despite the likely negative impact from reducing the number of public servants.

The projected positive development for the Portuguese economy is supported by the robust exports growth (+4.2%), which is based on the assumption of a favourable macroeconomic environment in the Eurozone as well as of global international trade flows. Likewise, an acceleration of the investment is expected in 2015 (+4.2%), after an increase of 2.2% in 2014.

Conversely, due the high indebtedness of the private sector, private consumption growth is expected to slightly slowdown. This should be reflected in a lower consumption of durable goods. At the same time, the current budgetary consolidation process should continue to negatively affect public consumption (-0.5%). Thus, it is expected that domestic demand will decelerate to 1.0% in 2015, following a growth of 2.3% in 2014.

Inflation is expected to show a slight increase to 0.7% in 2015. However, the continued decline in oil prices could lead to lower inflation levels than projected.

Also in 2015, the euro is expected to further depreciate against the US Dollar, which would result in an improved competitiveness of exports from the Eurozone countries.

According to the Government's projections, the general government deficit for 2015 should be 2.7% of GDP. At the same time, the public debt ratio is expected to reduce by 3.5 p.p. to 123.7% of GDP in 2015.

However, 2015 also presents some uncertainty, in a year in which the general election takes place.

Modern Food Retail

After several years of severe recession, in 2014 there were improvements in a number of key economic indicators. For 2015 a year of continued slow recovery of the Portuguese economy is expected, with private consumption continuing to grow at a modest rate of 2.1%.

Despite the economic recovery, it is expected that the food shopping habits, acquired by consumers in recent years, will stay for the foreseeable future: greater rationality in purchases and the importance given to promotions. Also, in 2015 a continued strong pressure on food prices is expected to persist, marked by the very competitive retail environment.

Wholesale Food Market

In 2015 deflation as well as the severity of the environment are expected to persist. Therefore, out-of-home consumption is expected to remain at low levels. However, the good performance of tourism and hospitality should help the Portuguese economy and thereby benefit the wholesale market. In turn, Traditional Retail will continue to invest in the modernisation and improvement of the store network, supported by integrated business programmes, such as Amanhecer.

Thus, the HoReCa sector is expected to achieve a higher turnover in 2015, boosting the demand for food products. In turn, it is expected that the renewal of the traditional retail stores will mean increased sales and more customers buying in neighbourhood stores. This would then generate an increased demand in the Cash & Carry market.

5.3. Colombia

Macroeconomic Environment

The Government of Colombia estimates an economic growth of 4.2% for 2015, which may be exceeded if the peace talks result in an agreement with the Revolutionary Armed Forces of Colombia (FARC).

The Colombian National Association of Entrepreneurs estimates that the annual inflation in 2015 will be close to 3.0%, in line with the objective set by the Colombian Central Bank.

Various external factors may impact the behaviour of the Colombian economy during 2015, the most important being the drop in the international price of oil. This affects the Colombian economy negatively given that oil represents 54.0% of the country's exports.

In 2015, Colombia should continue to consolidate the foundations of its economy through a strong domestic demand, through new international trade agreements, and

through a continued positive evolution of foreign direct investment. In addition, the economic recovery of the USA, the main trading partner of Colombia, should promote exports and increase the receipt of remittances from emigrants.

It is expected that the devaluation of the Colombian Peso will have a positive impact on exports and at the same time on the consumption of domestic goods, making them more competitive than imported products.

Overall, the Government of Colombia expects a good economic performance in 2015.

Modern Food Retail

In 2015, food retail operators are expected to further expand through smaller formats, focusing on proximity. Additionally, some retail operators are expected to focus their expansion in smaller cities, as a result of having already guaranteed locations in the major cities.

Between 2015 and 2018, household consumption in the retail sector in Colombia is expected to grow at an average of 10.0% per year, creating great opportunities for retailers. Also, a significant part of the family budget is expected to continue being spent on the consumption of food and beverages. However, a significant increase is expected in non-essential goods purchases, particularly in categories such as personal care.

5.4. Outlook for Jerónimo Martins' Businesses

Jerónimo Martins will continue to adopt financial prudence that fosters a strong balance sheet and maximises the return on its assets. The Group believes that the businesses it operates have differentiated value propositions, focused on price, quality and consumer service and on operational cost-efficiency, and they are in a good position to continue performing ahead of their respective markets, as seen in previous years.

Biedronka

As announced in November at its Investor Day, in 2015 Biedronka will be focused on improving its offer for the consumers and on identifying locations with higher potential and higher purchasing power to develop its expansion, which will target mainly big cities.

These strategic priorities will imply adjustments to its structure and the development of competences, in order to maintain the Company's high levels of efficiency, which are intrinsic to its business model.

In this context, during the first half, Biedronka will continue to carry out an in-depth review of its assortment, including high levels of innovation and adapting its offer to an urban consumer profile, while improving the shopping experience, namely through remodelling investment. The main goal is to boost sales by strengthening its differentiation and competitive advantages.

In the year in which it celebrates its 20th anniversary, Biedronka plans to open about 100 new stores.

Hebe

In 2015, on top of a distinctive store experience, Hebe will continue to optimize its product portfolio to match the aspirations of Polish women, accelerating the introduction of exclusive and attractive new brands. This will even further enhance Hebe's differentiation in the Health & Beauty market. More resources will also be allocated to a strong and distinctive brand awareness programme with digital/social acceleration.

Pingo Doce

For Pingo Doce, 2015 will be a year focused on reinforcing its traditional differentiation pillars: Price, Private Brand, Quality and Innovation.

In what should continue to be a competitive environment, the Company will continue to strengthen its position through the competitiveness of its pricing policy and will continue to work on developing the Private Brand, launching new articles that will enable some categories to be strengthened.

Pingo Doce's logistics reorganisation process will continue in 2015 with the construction of a new Distribution Centre in the North of the country. With regard to the store opening plan, this will be carried out both through stores managed by the Company and by third-party management, whilst always seeking to strengthen the presence in proximity locations that are key for Pingo Doce. With the objective of improving the store standards, the Company plans continuing the revamping of its store network.

Recheio

In 2015, Recheio's greatest challenge will be to focus on the cost efficiency project in order to overcome food deflation and stabilise its profitability.

2015 will also be the year in which the Company expects to redefine its logistics model to achieve more efficient distribution. Recheio will remain focused on Food Retail and continue establishing partnerships with store for the Amanhecer format. The Company will focus on developing and expanding its *Food Service* capacity in the HoReCa channel in order to increase its response to the specific needs of this type of clients.

Ara

In 2015, besides the continued expansion in the region where Ara already operates, the Company will start operations in a new region, with the inauguration of a new Distribution Centre and the opening of new stores as from the second half of 2015. The Company will continue to be focused on: i. increasing its notoriety and brand attractiveness, ensuring the universality of the concept; ii. increasing the number of categories that include Private Brand products and their weight within the total sales; iii. improving the business's profitability; and iv. developing human resources, within a context of rapid expansion, with regard to recruiting and training new employees.

Manufacturing and Services

In 2015, Unilever Jerónimo Martins' aspiration is to further accelerate the growth recorded in the last two years, with added focus on innovation, on return on investment and on employee productivity. The Company maintains a positive outlook for the coming year and aspires to maintain the sales momentum and the market

share gains. At the same time, it aims to reinforce the position in strategic categories with good growth potential and ensuring that investments are focused on key-categories where it already holds strong market positions.

Gallo Worldwide's main projects for the coming year are the growth in the markets where the Company already has consolidated positions. Moreover, it will put focus on the Brazilian market where market conditions are expected to be adverse due to the weak economic growth prospects and the possible devaluation of the Brazilian currency. The Company also intends to continue to grow globally and to develop other product categories.

In 2015, in the domestic market, JMDPC will remain focused on increasing the relevance of the categories in which it operates, leveraging the brands in the current portfolio, but also winning new represented brands. It aims to develop the impulse and HoReCa channels, in response to the needs of the existing brands. With regard to exports, it will be of the utmost importance to gain access to new countries, where the Portuguese brands will be a key part of the strategy for entering the respective markets. There will be a constant concern for having high levels of efficiency, in order for the Company to remain flexible and competitive.

In 2015, the focus of JMRS will be on expansion and several locations have already been identified as having a high potential for opening Jeronymo coffee shops. The initial success of the 'Giro by Hussel' candy kiosk provides the evidence to open more stores with this new concept in 2015.

Sources:

IMF World Economic Outlook; Eurostat; Bank of Portugal Economic Bulletins; Portuguese Ministry of Finance; Portuguese Statistics Institute (INE); National Bank of Poland Economic Bulletins; Central Statistical Office (GUS); Banco de la República (Central Colombian Bank); National Colombian Administrative Department of Statistics (DANE); Business Monitor International (BMI); BBVA; Planet Retail; Deloitte; TNS; Nielsen and PMR Research.

6. Post Balance Sheet Events

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

7. Dividend Distribution Policy

The Company's Board of Directors 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.

In accordance with the above mentioned directives, in relation to the 2012 fiscal year, the gross dividend paid to Shareholders was 0.295 euros per share, paid in May 2013. As regards the fiscal year 2013, the gross dividend paid to Shareholders was 0.305 euros per share, paid in May 2014.

8. Results Appropriation Proposal

In the financial year 2014, Jerónimo Martins, SGPS, S.A. declared consolidated profits of 301,711,046.74 euros and a profit in individual accounts of 317,223,476.17 euros.

In accordance with the policy of dividend distribution announced several years ago, and described in point 7 of this chapter, the Board of Directors proposes to Shareholders that the net profits be applied in the following manner:

- Legal Reserve 15,861,173.81 euros
- Free Reserves 147,395,918.46 euros
- Dividends 153,966,383.90 euros

This proposal represents a **gross dividend payment of 0.245 euros** per share, excluding own shares in the portfolio, corresponding to a dividend yield of 2.24% on the average share price in 2014, which was 10.94 euros.

Lisbon, 3 March 2015

The Board of Directors

9. Consolidated Management Report Annex

Information Concerning Stakes Held in the Company by Members of the Board of Directors and Statutory Auditor

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

Board of Directors

Members of the Board of Directors	Held on 31.12.13		Increases during the year		Decreases during the year		Held on 31.12.14	
	Shares	Bonds	Shares	Bonds	Shares	Bonds	Shares	Bonds
Pedro Manuel de Castro Soares dos Santos	235,805	-	39,000	-	-	-	274,805	-
Alan Johnson	21,400	-	8,675	-	-	-	30,075	-
Andrzej Szlezak	-	-	-	-	-	-	-	-
António Pedro de Carvalho Viana-Baptista	-	-	-	-	-	-	-	-
Francisco Seixas da Costa	-	-	-	-	-	-	-	-
Hans Eggerstedt	19,700	-	-	-	-	-	19,700	-
José Manuel da Silveira e Castro Soares dos Santos	-	-	20,509	-	-	-	20,509	-
Belonging to company in which is a Director (sec. d), § 2 of article 447 Commercial Companies Code) ¹	353,260,814	-	-	-	-	-	353,260,814	-
Nicolaas Pronk	-	-	-	-	-	-	-	-
Belonging to company in which is a Director (sec. d), § 2 of article 447 Commercial Companies Code) ²	31,464,750	-	-	-	-	-	31,464,750	-
Sérgio Tavares Rebelo	-	-	-	-	-	-	-	-

¹ Sociedade Francisco Manuel dos Santos, B.V.

² Asteck, S.A.

Statutory Auditor

As at 31 December, 2014, the Statutory Auditor PricewaterhouseCoopers & Associados, SROC, Lda., did not hold any shares or 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 during 2014.

Alan Johnson

Date	Nature	ISIN Code	Volume	Price	Local
13-03-2014	Buy	PTJMT0AE0001	8,675	11.500	Euronext Lisbon

E. Alexandre Soares dos Santos

Date	Nature	ISIN Code	Volume	Price	Local
04-08-2014	Buy	PTJMT0AE0001	15,039	9.700	Euronext Lisbon
			689	9.719	
			9,599	9.720	
			198	9.723	
			1,149	9.724	
			1,014	9.726	
			1,411	9.748	
			767	9.749	
			208	9.773	
			934	9.782	
60	9.783				
30-10-2014	Buy	PTJMT0AE0001	1,742	7.360	Euronext Lisbon
			558	7.364	
			812	7.365	
			1,404	7.370	
			247	7.372	
			1,403	7.378	
			1,418	7.381	
			681	7.383	
			902	7.384	
			600	7.385	
			600	7.386	
			3,727	7.387	
			2,782	7.388	
			133	7.389	
5,408	7.390				
3,583	7.396				
Total			57,068		

Fernando Figueiredo dos Santos

Date	Nature	ISIN Code	Volume	Price	Local
24-09-2014	Buy	PTJMT0AE0001	21,500	9.132	Euronext Lisbon

José Manuel da Silveira e Castro Soares dos Santos

Date	Nature	ISIN Code	Volume	Price	Local
31-07-2014	Buy	PTJMT0AE0001	97	9.696	Euronext Lisbon
			5,057	9.700	
			1,240	9.740	
			1,219	9.745	
			174	9.745	
			1,024	9.748	
			1,472	9.750	
			546	9.762	
			2,937	9.763	
			4,150	9.763	
			330	9.764	
897	9.764				
1,366	9.765				
Total			20,509		

Pedro Manuel de Castro Soares dos Santos

Date	Nature	ISIN Code	Volume	Price	Local
30-10-2014	Buy	PTJMT0AE0001	8,528	7.450	Euronext Lisbon
			7,000	7.451	
			2,000	7.453	
			200	7.458	
			10,000	7.459	
			11,272	7.460	
Total			39,000		

Vasco Santos

Date	Nature	ISIN Code	Volume	Price	Local
12-06-2014	Sell	PTJMT0AE0001	815	12.535	Euronext Lisbon
			1,122	12.530	
			2,475	12.525	
			5,369	12.520	
			219	12.515	
16-06-2014	Sell	PTJMT0AE0001	3,133	12.600	Euronext Lisbon
			1,237	12.590	
			1,167	12.585	
			4,463	12.580	
17-06-2014	Sell	PTJMT0AE0001	4,127	12.500	Euronext Lisbon
			500	12.495	
			1,023	12.490	
			4,345	12.485	
			5	12.480	
18-06-2014	Sell	PTJMT0AE0001	6,094	12.495	Euronext Lisbon
			310	12.490	
			2,545	12.485	
			500	12.480	
			679	12.475	
			635	12.470	
			135	12.465	
602	12.460				
Total			41,500		

List of Shareholders with Qualifying Holdings as at 31 December, 2014

(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%
Aberdeen Asset Managers Limited Directly	31,482,477	5.003%	31,482,477	5.003%
Heerema Holding Company Inc. Through Asteck, S.A.	31,464,750	5.000%	31,464,750	5.000%
Carmignac Gestion Directly	16,859,313	2.679%	16,859,313	2.679%
BNP Paribas Investment Partners, Limited Company Through Investment Funds Managed by BNP Paribas	13,536,757	2.151%	12,604,860	2.006%
Coronation Asset Management (Pty) Ltd. Through Investment Funds Managed by Coronation Asset Management (Pty) Ltd	13,447,972	2.137%	13,447,972	2.137%

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.

ANNUAL REPORT 2014



3.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT BY FUNCTIONS
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

				Euro thousand	
	Notes	December 2014	December 2013	4 th Quarter 2014	4 th Quarter 2013
Sales and services rendered	3	12,680,215	11,829,308	3,347,642	3,130,021
Cost of sales	4	(9,988,523)	(9,288,682)	(2,635,777)	(2,451,263)
Gross profit		2,691,692	2,540,626	711,865	678,758
Distribution costs	4	(2,021,090)	(1,812,161)	(541,969)	(491,382)
Administrative costs	4	(214,102)	(200,611)	(55,839)	(48,014)
Exceptional operating profits/losses	4	(7,425)	(2,811)	(6,255)	(2,738)
Operating profit		449,075	525,043	107,802	136,624
Net financial costs	6	(34,327)	(38,849)	(8,156)	(8,857)
Gains in joint ventures and associates	12	15,181	18,838	505	5,137
Gains/ losses in other investments		(1,122)	(1,651)	(1,122)	(1,676)
Profit before taxes		428,807	503,381	99,029	131,228
Income tax	7	(103,729)	(110,839)	(29,735)	(32,673)
Profit before non-controlling interests		325,078	392,542	69,294	98,555
Attributable to:					
Non-controlling interests		23,367	10,286	4,649	(3,182)
Jerónimo Martins Shareholders		301,711	382,256	64,645	101,737
Basic and diluted earnings per share - euros	18	0.4801	0.6083	0.1029	0.1619

To be read with the attached Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

				Euro thousand	
	Notes	December 2014	December 2013(*)	4 th Quarter 2014	4 th Quarter 2013(*)
Net profit		325,078	392,542	69,294	98,555
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Remeasurements of post-employment benefit obligations	5.2	(2,599)	(1,658)	(2,599)	(1,658)
Related tax	7.3	549	402	549	402
		(2,050)	(1,256)	(2,050)	(1,256)
Items that may be reclassified to profit or loss					
Currency translation differences		(20,705)	(10,989)	(13,169)	14,148
Change in fair value of cash flow hedges	11	675	3,121	537	(81)
Change in fair value of hedging instruments on foreign operations	11	3,663	(5,427)	2,908	(3,771)
Change in fair value of available-for-sale financial assets		(202)	186	(212)	143
Changes in investments in joint ventures and associates	12	84	268	84	268
Related tax	7.3	1,210	(857)	1,220	(470)
		(15,275)	(13,698)	(8,632)	10,237
Other comprehensive income, net of income taxes		(17,325)	(14,954)	(10,682)	8,981
Total comprehensive income		307,753	377,588	58,612	107,536
Attributable to:					
Non-controlling interests		23,796	10,755	4,669	(2,997)
Jerónimo Martins Shareholders		283,957	366,833	53,943	110,533
Total comprehensive income		307,753	377,588	58,612	107,536

To be read with the attached Notes to the Consolidated Financial Statements

(*) Restated – see note 2

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2014, 31 DECEMBER 2013 AND 1 JANUARY 2013

Euro thousand

	Notes	31 December 2014	31 December 2013(*)	1 January 2013 (*)
Assets				
Tangible assets	8	2,773,324	2,652,929	2,417,020
Investment property	10	42,947	47,471	49,336
Intangible assets	9	806,194	805,849	794,350
Investments in joint ventures and associates	12	74,272	78,534	73,109
Available-for-sale financial assets		1,252	1,208	1,022
Trade debtors, accrued income and deferred costs	14	102,112	87,999	96,351
Deferred tax assets	7.3	51,349	51,013	52,133
Total non-current assets		3,851,450	3,725,003	3,483,321
Inventories	13	572,004	574,992	474,056
Income tax receivable		2,217	41,126	32,202
Trade debtors, accrued income and deferred costs	14	313,463	253,578	248,127
Derivative financial instruments	11	2,627	-	-
Cash and cash equivalents	15	430,660	371,671	375,072
Total current assets		1,320,971	1,241,367	1,129,457
Total assets		5,172,421	4,966,370	4,612,778
Shareholders' equity and liabilities				
Share capital	17	629,293	629,293	629,293
Share premium	17	22,452	22,452	22,452
Own shares	17	(6,060)	(6,060)	(6,060)
Other reserves	17	(67,267)	(51,815)	(37,320)
Retained earnings	17	817,398	709,661	513,721
		1,395,816	1,303,531	1,122,086
Non-controlling interests	28	242,875	235,835	251,264
Total shareholders' equity		1,638,691	1,539,366	1,373,350
Borrowings	19	373,877	369,073	570,781
Trade creditors, accrued costs and deferred income	21	836	861	885
Derivative financial instruments	11	2,681	2,953	10,977
Employee benefits	5	42,460	37,464	33,961
Provisions for risks and contingencies	20	81,828	77,949	99,859
Deferred tax liabilities	7.3	58,890	54,857	51,019
Total non-current liabilities		560,572	543,157	767,482
Borrowings	19	340,925	324,716	107,406
Trade creditors, accrued costs and deferred income	21	2,616,004	2,477,738	2,303,308
Derivative financial instruments	11	1,715	15,599	4,958
Income taxes payable		14,514	65,794	56,274
Total current liabilities		2,973,158	2,883,847	2,471,946
Total shareholders' equity and liabilities		5,172,421	4,966,370	4,612,778

To be read with the attached Notes to the Consolidated Financial Statements

(*) Restated – see note 2

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Euro thousand

		Shareholders' equity attributable to Shareholders of Jerónimo Martins, SGPS, S.A.									
	N o t e s	Share capital	Share premium	Own shares	Other reserves			Retained earnings	Total	Non- controlling interests	Shareholders' equity
					Cash flow hedge	Available-for- sale financial assets	Currency translation reserves				
Balance Sheet as at 1 January 2013 (*)		629,293	22,452	(6,060)	(4,097)	(1,437)	(31,786)	513,721	1,122,086	251,264	1,373,350
Equity changes in 2013											
Currency translation differences					5		(10,898)		(10,893)		(10,893)
Changes in investments in joint ventures and associates								268	268		268
Change in fair value of cash flow hedging					1,639				1,639	529	2,168
Change in fair value of hedging instruments on foreign operations							(5,427)		(5,427)		(5,427)
Change in fair value of available-for-sale financial investments						186			186		186
Remeasurements of post-employment benefit obligations								(1,196)	(1,196)	(60)	(1,256)
Other comprehensive income		-	-	-	1,644	186	(16,325)	(928)	(15,423)	469	(14,954)
Net profit in 2013								382,256	382,256	10,286	392,542
Total comprehensive income		-	-	-	1,644	186	(16,325)	381,328	366,833	10,755	377,588
Dividends								(185,388)	(185,388)	(26,184)	(211,572)
Balance Sheet as at 31 December 2013 (*)		629,293	22,452	(6,060)	(2,453)	(1,251)	(48,111)	709,661	1,303,531	235,835	1,539,366
Equity changes in 2014											
Currency translation differences					22		(20,114)		(20,092)		(20,092)
Changes in investments in joint ventures and associates								84	84		84
Change in fair value of cash flow hedging					(117)				(117)	519	402
Change in fair value of hedging instruments on foreign operations							3,663		3,663		3,663
Change in fair value of available-for-sale financial investments						1,094		(426)	668		668
Remeasurements of post-employment benefit obligations								(1,960)	(1,960)	(90)	(2,050)
Other comprehensive income		-	-	-	(95)	1,094	(16,451)	(2,302)	(17,754)	429	(17,325)
Net profit in 2014								301,711	301,711	23,367	325,078
Total comprehensive income for the year		-	-	-	(95)	1,094	(16,451)	299,409	283,957	23,796	307,753
Dividends	17							(191,672)	(191,672)	(16,756)	(208,428)
Balance Sheet as at 31 December 2014		629,293	22,452	(6,060)	(2,548)	(157)	(64,562)	817,398	1,395,816	242,875	1,638,691

To be read with the attached Notes to the Consolidated Financial Statements
 (*) Restated – see note 2

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

Euro thousand

	Notes	2014	2013
Operating activities			
Cash received from customers		14,297,584	13,294,761
Cash paid to suppliers		(12,486,749)	(11,600,260)
Cash paid to employees		(936,655)	(850,628)
Cash generated from operations	16	874,180	843,873
Interest paid		(34,326)	(38,103)
Income taxes paid		(108,501)	(120,656)
Cash flow from operating activities		731,353	685,114
Investment activities			
Disposals of tangible assets		6,657	6,294
Disposals of intangible assets		538	172
Disposals of financial assets and investment property		3,382	150
Interest received		2,441	2,640
Dividends received		19,557	13,717
Acquisition of tangible assets		(470,561)	(485,278)
Acquisition of financial assets and investment property		(19,627)	-
Acquisition of intangible assets		(25,606)	(33,127)
Cash flow from investment activities		(483,219)	(495,432)
Financing activities			
Received from other loans		280,348	233,762
Loans paid		(251,426)	(210,375)
Dividends paid	17	(208,428)	(211,572)
Cash flow from financing activities		(179,506)	(188,185)
Net changes in cash and cash equivalents		68,628	1,497
Cash and cash equivalents changes			
Cash and cash equivalents at the beginning of the year		371,671	375,072
Net changes in cash and cash equivalents		68,628	1,497
Effect of currency translation differences		(9,639)	(4,898)
Cash and cash equivalents at the end of the year	15	430,660	371,671

To be read with the attached Notes to the Consolidated Financial Statements

CONSOLIDATED CASH FLOW STATEMENT FOR THE INTERIM PERIOD

Euro thousand

	December 2014	December 2013	4 th Quarter 2014	4 th Quarter 2013
Cash flow from operating activities	731,353	685,114	566,442	126,603
Cash flow from investment activities	(483,219)	(495,432)	(267,584)	(139,668)
Cash flow from financing activities	(179,506)	(188,185)	(175,125)	(78,214)
Cash and cash equivalents changes	68,628	1,497	123,733	(91,279)

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1 Activity

Jerónimo Martins, SGPS, S.A. (JMH), is the parent Company of Jerónimo Martins (Group), which includes the Companies detailed in notes 27 and 29. The activities of the Group and its performance during the year 2014 are detailed in Chapter II of this Annual Report.

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

Share Capital: 629,293,220 euros

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

JMH has been listed on the Euronext Lisbon since 1989.

The Board of Directors approved these Consolidated Financial Statements on 3rd March 2015.

2 Accounting policies

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

2.1 Basis for preparation

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

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

The Consolidated Financial Statements of JMH were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), as at 31 December 2014.

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

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. It is, however, firmly believed by The Management that the estimates and assumptions adopted do not involve significant risks that may, over the course of the coming financial year, cause material adjustments in the value of the assets and liabilities (note 2.6).

Change in accounting policies and basis for presentation:

2.1.1 New and amended standards adopted by the Group

Between 2012 and 2014, the EU issued the following Regulations, which were adopted by the Group from January 1st 2014:

EU Regulation	IASB Standard or IFRIC Interpretation endorsed by EU	Issued in	Mandatory for financial years beginning on or after
Regulation no. 1256/2012	IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendment)	December 2011	January 1, 2014
Regulation no. 1174/2013	IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements: Investment Entities (Amendment)	October 2012	January 1, 2014
Regulation no. 1374/2013	IAS 36 Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets (Amendment)	May 2013	January 1, 2014
Regulation no. 1375/2013	IAS 39 Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	June 2013	January 1, 2014
Regulation no. 634/2014	IFRIC 21 – Levies (New)	May 2013	June 17, 2014

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

2.1.2 New standards, amendments and interpretations endorsed by EU but not effective for the financial year beginning 1 January 2014 and not early adopted

The EU adopted several improvements to IFRS, issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC):

EU Regulation	IASB Standard or IFRIC Interpretation endorsed by EU	Issued in	Mandatory for financial years beginning on or after
Regulation no. 1361/2014	Annual Improvements to IFRS's 2011–2013 Cycle: IFRS 1 First-time Adoption of IFRS, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property (Amendment)	December 2013	January 1, 2015

These amendments to the standards are effective for annual periods beginning on or after January 1, 2015, and have not been applied in preparing these Consolidated Financial Statements. None of these amendments is expected to have a significant impact on the Group's Consolidated Financial Statements.

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

IASB issued in 2013 and 2014 the following standards and amendments that are still pending endorsement by the EU:

IASB Standard or IFRIC Interpretation	Issued in	Expected application for financial years beginning on or after
IAS 19 Employee Benefits: Defined Benefit Plans - Employee Contributions (Amendment)	November 2013	July 1, 2014
Annual Improvements to IFRS's 2010–2012 Cycle: IFRS 2 Share-Based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets (Amendment)	December 2013	July 1, 2014
IFRS 14 Regulatory Deferral Accounts (New)	January 2014	January 1, 2016
IFRS 15 Revenue from Contracts with Customers (New)	May 2014	January 1, 2017
IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation (Amendment)	May 2014	January 1, 2016
IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations (Amendment)	May 2014	January 1, 2016
IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants (Amendment)	June 2014	January 1, 2016
IFRS 9 Financial Instruments (Amendment)	July 2014	January 1, 2018
IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements (Amendment)	August 2014	January 1, 2016
IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	September 2014	January 1, 2016
Annual Improvements to IFRS's 2012–2014 Cycle: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting (Amendment)	September 2014	January 1, 2016
IAS 1 Presentation of Financial Statements: Disclosure Initiative (Amendment)	December 2014	January 1, 2016
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures: Investment Entities - Applying the Consolidation Exception (Amendment)	December 2014	January 1, 2016

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

2.1.4 Change of accounting policies

Previous accounting policy for Land (classified as tangible assets)

When the Group adopted IFRS in 2000 it was decided to adopt the alternative measurement treatment prescribed in IAS 16 (revaluation model) for assets classified as land.

After initial recognition at acquisition cost, land has been measured at revaluated amounts based on valuations carried out by external independent agents, with an appropriate frequency to ensure that the accounting value was close to its market value.

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

Reasons for change

The real estate portfolio of the Group (classified as tangible assets) has a diversified profile and the value of properties is influenced by many characteristics: properties located in city centre or in the periphery; greenfield properties, shopping malls, or inside buildings; and small, medium or large properties. There is much reduced activity in the markets for our types of real estate and the robustness and accuracy of the revaluations is increasing challenged.

Considering the lack of a liquid market for these types of assets we believe that users do not get any meaningful or useful information from the resulting revaluations.

The real estate owned by the Group (classified as tangible assets) is acquired as an investment to generate cash flows in the medium to long term. We believe that its market fair value should not influence the Group's performance. The volatility that it brings to the Group's Equity does not reflect the management actions or the sustainable cash generation from the retail operations and does not provide the users of the financial statements with any material or relevant information.

According to the available information, the Group is the only major European retailer applying this accounting option. Other retail players use the historic cost principle in accounting for their fixed assets and this impacts comparability between the Group and its peers.

New accounting policy for land (classified as tangible assets)

In considering paragraph 14 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', Management believes that based on the above the change of the accounting policy will eliminate the volatility in the equity from changes to market values that are not strictly related to the cash generation of the Group's retail operations and addresses the misalignment with our peers.

The Group has decided to adopt the historical cost for land in the financial statements prepared as at December 31, 2014, with restatement of the opening balances at January 1, 2014 and January 1, 2013.

Accordingly land shall be accounted for at cost less any accumulated impairment losses (see note 2.5).

Where an indication of impairment exists, the recoverable amount is estimated and any impairment loss is charged to the Income Statement as it arises (see note 2.5).

If the Group had not changed this accounting policy, the net revaluation would be as follows:

	2014	2013
Revaluation of land	144,367	129,892
Deferred taxes	(24,742)	(22,893)
Non-controlling interests	(32,826)	(30,769)
Net revaluation (if not restated)	86,798	76,230
Share in joint ventures land revaluation (equity method)	2,904	2,897
Total net revaluation (if not restated)	89,702	79,127

Restatement of financial statements

In accordance with IAS 8, the effects of the change in the accounting policy were applied retrospectively. There are no impacts on the Income Statement for the year 2013. The Balance Sheet opening and closing balances for the year 2013, Statement of Comprehensive Income and Statement of Changes in Shareholders' Equity were impacted as follows:

CONSOLIDATED BALANCE SHEET

1 January 2013			
	Published	Change of accounting policies	Restated
Assets			
Tangible assets	2,571,705	(154,685)	2,417,020
Investment property	49,336	-	49,336
Intangible assets	794,350	-	794,350
Investments in joint ventures and associates	77,357	(4,248)	73,109
Other non-current assets	149,506	-	149,506
Total non-current assets	3,642,254	(158,933)	3,483,321
Inventories	474,056	-	474,056
Other current assets	280,329	-	280,329
Cash and cash equivalents	375,072	-	375,072
Total current assets	1,129,457	-	1,129,457
Total assets	4,771,711	(158,933)	4,612,778
Shareholders' equity and liabilities			
Attributable to Jerónimo Martins Shareholders	1,211,531	(89,445)	1,122,086
Non-controlling interests	290,395	(39,131)	251,264
Total shareholders' equity	1,501,926	(128,576)	1,373,350
Borrowings	570,781	-	570,781
Deferred tax liabilities	81,376	(30,357)	51,019
Other non-current liabilities	145,682	-	145,682
Total non-current liabilities	797,839	(30,357)	767,482
Borrowings	107,406	-	107,406
Other current liabilities	2,364,540	-	2,364,540
Total current liabilities	2,471,946	-	2,471,946
Total shareholders' equity and liabilities	4,771,711	(158,933)	4,612,778

31 December 2013			
	Published	Change of accounting policies	Restated
Assets			
Tangible assets	2,782,821	(129,892)	2,652,929
Investment property	47,471	-	47,471
Intangible assets	805,849	-	805,849
Investments in joint ventures and associates	81,431	(2,897)	78,534
Other non-current assets	140,220	-	140,220
Total non-current assets	3,857,792	(132,789)	3,725,003
Inventories	574,992	-	574,992
Other current assets	294,704	-	294,704
Cash and cash equivalents	371,671	-	371,671
Total current assets	1,241,367	-	1,241,367
Total assets	5,099,159	(132,789)	4,966,370
Shareholders' equity and liabilities			
Attributable to Jerónimo Martins Shareholders	1,382,658	(79,127)	1,303,531
Non-controlling interests	266,604	(30,769)	235,835
Total shareholders' equity	1,649,262	(109,896)	1,539,366
Borrowings	369,073	-	369,073
Deferred tax liabilities	77,750	(22,893)	54,857
Other non-current liabilities	119,227	-	119,227
Total non-current liabilities	566,050	(22,893)	543,157
Borrowings	324,716	-	324,716
Other current liabilities	2,559,131	-	2,559,131
Total current liabilities	2,883,847	-	2,883,847
Total shareholders' equity and liabilities	5,099,159	(132,789)	4,966,370

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 December 2013		
	Published	Change of accounting policies	Restated
Net profit	392,542	-	392,542
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Revaluation of fixed assets	(24,213)	24,213	-
Remeasurements of post-employment benefit obligations	(1,658)	-	(1,658)
Related tax	7,756	(7,354)	402
	(18,115)	16,859	(1,256)
Items that may be reclassified to profit or loss			
Currency translation differences	(11,569)	580	(10,989)
Change in fair value of cash flow hedging	3,121	-	3,121
Change in fair value of hedging instruments on foreign operations	(5,427)	-	(5,427)
Change in fair value of available-for-sale financial assets	186	-	186
Changes in investments in joint ventures and associates	(1,083)	1,351	268
Related tax	(747)	(110)	(857)
	(15,519)	1,821	(13,698)
Other comprehensive income, net of income taxes	(33,634)	18,680	(14,954)
Total comprehensive income	358,908	18,680	377,588
Attributable to:			
Non-controlling interests	2,393	8,362	10,755
Jerónimo Martins Shareholders	356,515	10,318	366,833
Total comprehensive income	358,908	18,680	377,588

	4th Quarter 2013		
	Published	Change of accounting policies	Restated
Net profit	98,555	-	98,555
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Revaluation of fixed assets	(24,849)	24,849	-
Remeasurements of post-employment benefit obligations	(1,658)	-	(1,658)
Related tax	7,756	(7,354)	402
	(18,751)	17,495	(1,256)
Items that may be reclassified to profit or loss			
Currency translation differences	14,670	(522)	14,148
Change in fair value of cash flow hedging	(81)	-	(81)
Change in fair value of hedging instruments on foreign operations	(3,771)	-	(3,771)
Change in fair value of available-for-sale financial assets	143	-	143
Changes in investments in joint ventures and associates	(1,083)	1,351	268
Related tax	(570)	100	(470)
	9,308	929	10,237
Other comprehensive income, net of income taxes	(9,443)	18,424	8,981
Total comprehensive income	89,112	18,424	107,536
Attributable to:			
Non-controlling interests	(11,359)	8,362	(2,997)
Jerónimo Martins Shareholders	100,471	10,062	110,533
Total comprehensive income	89,112	18,424	107,536

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Shareholders' equity attributable to Shareholders of Jerónimo Martins, SGPS, S.A.											
	Share capital	Share premium	Own shares	Other reserves					Retained earnings	Total	Non-controlling interests	Shareholders' equity
				Land revaluation	Cash flow hedge	Available-for-sale financial assets	Adj. in joint ventures and assoc.	Currency translation reserves				
Balance Sheet as at 1 January 2013 - Published	629,293	22,452	(6,060)	85,197	(4,097)	(1,437)	4,248	(31,786)	513,721	1,211,531	290,395	1,501,926
Change of accounting policies	-	-	-	(85,197)	-	-	(4,248)	-	-	(89,445)	(39,131)	(128,576)
Balance Sheet at at 1 January 2013 - Restated	629,293	22,452	(6,060)	-	(4,097)	(1,437)	-	(31,786)	513,721	1,122,086	251,264	1,373,350
Comprehensive income restated	-	-	-	-	1,644	186	-	(16,325)	381,328	366,833	10,755	377,588
Dividends									(185,388)	(185,388)	(26,184)	(211,572)
Balance Sheet as at 31 December 2013 - Restated	629,293	22,452	(6,060)	-	(2,453)	(1,251)	-	(48,111)	709,661	1,303,531	235,835	1,539,366

2.2. Basis of consolidation
Reference dates

The Consolidated Financial Statements include, as at 31 December 2014, assets, liabilities and profit or loss of Group Companies, i.e., the ensemble consisting of JMH and its subsidiaries, joint ventures and associates, which are presented in notes 27 and 29, respectively.

Business combinations

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

Investments in subsidiaries

Subsidiaries are all entities over which JMH as control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners and the equity 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 interest is recognised relative to the portion of results and net value of assets attributable to third parties.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the entity is measured at fair value when control is lost.

The accounting policies used by the subsidiaries to comply with legal requirements, whenever necessary have been changed to ensure consistency with the policies adopted by the Group.

Investments in associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the associate after the date of acquisition. The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. The Group's investment in associates includes goodwill identified on acquisition.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in joint arrangements

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor owns. The Group has assessed the nature of its joint arrangements (see note 2.6) and, for those determined as joint ventures, they are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Goodwill

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

Goodwill impairment reviews are undertaken by the Group, annually or more frequently, if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Whenever the carrying value of Goodwill exceeds its recoverable amount, an impairment is recognised immediately as an expense and is not subsequently reversed (note 2.5.1).

The gain or loss on the disposal of an entity includes the carrying amount of Goodwill related to the entity sold, unless the business to which that Goodwill is related is maintained and generates benefits to the Group.

Non-controlling interests

Non-controlling interests are the proportion of the fair value of assets, liabilities and contingent liabilities of acquired subsidiaries that are not directly or indirectly attributable to JMH.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

Foreign currency translation

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

Exchange differences arising in the translation are entered directly in equity net of the effect generated by the respective hedging instrument (see accounting policy described in note 11).

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

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Balances and transactions between Group companies

Inter-company transactions, balances and unrealised gains between subsidiaries and between these and the Parent Company are eliminated in the consolidation process. Unrealised losses are also eliminated unless the cost cannot be recovered.

Unrealised gains arising from transactions with associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses are also eliminated except when providing proof of impairment of the asset transferred.

2.3 Transactions in foreign currencies

Transactions in foreign currencies are translated into 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 or when classified as available-for-sale financial assets.

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 2014	Average rate for the year
 Polish Zloty (PLN)	4.2732	4.1850
 Swiss Franc (CHF)	1.2024	-
 Colombian Peso (COP)	2,892.3300	2,655.8400

2.4 Financial assets

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

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

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which they were acquired.

Financial assets at fair value through profit or loss

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

Loans and receivables

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

They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Available-for-sale financial assets

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

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

These financial assets are initially recognized at fair value increased by transaction costs. Subsequent fair value changes are recognised directly in other reserves, until the financial asset is derecognised, at which time the accumulated gain or loss previously recognised in equity is included in 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.

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

2.5 Impairment

2.5.1 Impairment of non-financial assets

Except for investment property (note 10), inventories (note 13) and deferred tax assets (note 7), all Group assets are considered at each balance sheet date in order to assess for indicators of possible impairment losses. If such indicators exist, the asset's recoverable amount is estimated.

Irrespective of whether there is any indication of impairment, for goodwill, intangible assets not yet available for use and other intangible assets with indefinite useful life, the recoverable amount is determined annually at the balance sheet date.

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

Regarding cash-generating units in operation for less than two to three years (depending on the business segment), the Group performs impairment tests. However since the respective businesses have not yet reached sufficient maturity, impairment 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 to EUR 640,215 thousand (EUR 621,512 thousand in 2013), which includes mostly Real Estate, equipment related to the operational activity of stores and improvements made in leasehold properties.

Determining the recoverable amount of assets

The recoverable amount of non-financial assets corresponds to the higher amount of fair value less costs of disposal and value in use.

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

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

Reversal of impairment losses

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

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

2.5.2 Impairment of financial assets

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

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

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

Available-for-sale financial assets

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

Clients, debtors and other financial assets

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

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

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

Whenever 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.

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

Tangible and intangible assets, and investment property

Determining the fair value of assets and investment property, as well as the useful life of assets, is based on The 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 the Management in validating indicators of impairment, expected cash flows, applicable discount rates, estimated useful life and residual values.

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

Fair value of financial instruments

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

Impairment of investments in joint ventures and associates

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 The Management's analysis of the future development of its joint ventures and associates. When measuring impairment, market prices are used if they are available, or other valuation parameters are used, based on the information available from the joint ventures and associates. 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 joint ventures and associates, 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.

If the rates used to recognise deferred taxes increase by 1%, the impact in Group accounts would be the following:

	Impact on Group accounts	
	Income statement	Other comprehensive income
Portugal	672	62
Poland	(1,204)	24

A positive amount means a gain in Group accounts.

Impairment losses of clients and debtors

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

Pensions and other long-term benefits granted to employees

Determining obligations for pension and other long-term benefits requires the use of assumptions and estimates, including actuarial projections and other factors that may impact the costs and obligations for the benefit plans.

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

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

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

- Narrow range [1.40% - 1.90%]
- Extended range [1.20% - 2.10%]

Based on these results the Group has decided to reduce its discount rate from 3.5% to 2.0%.

The table below shows the impacts on the obligations with defined benefit plans of the Group, resulting from changes in the following assumptions:

	Assumption used	Impact on defined benefit obligations		
		Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	2.0%	0.5%	(1,746)	1,873
Salary growth rate	2.5%	0.5%	845	(799)
Pension growth rate	2.5%	0.5%	1,020	(947)
Life expectancy	TV 88/90	1 year	1,309	(1,274)

A positive amount means an increase in liabilities. A negative amount means a decrease in liabilities.

Provisions

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

Investment in associates

The Management has assessed the level of influence that the Group has on Perfumes e Cosméticos Puig Portugal Distribuidora, S.A. and determined that it has significant influence, even though the shareholding is 27.55%, due to the Board of Directors representation and contractual terms. Consequently, this investment has been classified as an associate.

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

Investment in joint arrangements

The Group holds 51% of the voting rights of its joint arrangement in JMR – Gestão de Empresas de Retalho, SGPS, S.A. (JMR). Based on the contractual arrangements between the Group and the other Investor, the Group has the power to appoint and remove the majority of the Board of Directors. In addition, all key management personnel with the powers to conduct the relevant activities of JMR are related parties of Jerónimo Martins. For that reasons, the Management concluded that the Group has the practical ability to direct the relevant activities of JMR and hence the Group has control over the Company, and JMR is therefore classified as a subsidiary, as well as all entities directly controlled by JMR.

The Group holds 45% of the voting rights of its joint arrangement in Unilever Jerónimo Martins, Lda. and Gallo Worldwide, Lda.. The Group has joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities. The joint arrangements are structured as limited companies and provide the Group and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, these arrangements are classified as joint ventures.

2.7 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 and fair value financial instruments through profit and loss. The evaluation models most frequently used are discounted cash flow and options models which incorporate, for example, interest rate curves and market volatility. For derivatives valuation, the Group also uses the valuations provided by the counterparties.

Cash and cash equivalents, debtors and accruals

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

Available-for-sale financial assets

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

Borrowings

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

Creditors and accruals

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

2.8 Fair value hierarchy

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

- Level 1: The fair value of financial instruments is based on quoted prices obtained in active and liquid markets at balance sheet date. This level includes equity investments quoted in NYSE Euronext Lisbon;
- Level 2: The fair value is not based on quoted prices obtained in active markets included in level 1, but using valuation models, which may involve other comparable quoted prices obtained in active markets or adjusted quotes. Thus, main inputs used on these valuation models are based on observable market data. This level includes the over-the-counter derivatives entered into by the Group, whose valuations are provided by the respective counterparties;
- Level 3: The fair value is not based on quoted prices obtained in active markets, but determined by using valuation models whose main inputs are not based on observable market data. This level includes land classified as tangible fixed assets and investment property, which are evaluated by external independent experts, using in their valuations inputs.

2014	Total	Level 1	Level 2	Level 3
Assets measured at fair value				
Investment property	42,947	-	-	42,947
Available-for-sale financial assets				
Equity investments	368	368	-	-
Derivative financial instruments				
Derivatives used for hedging	2,627	-	2,627	-
Total assets	45,942	368	2,627	42,947
Liabilities measured at fair value				
Derivative financial instruments				
Trading derivatives	-	-	-	-
Derivatives used for hedging	4,396	-	4,396	-
Total liabilities	4,396	-	4,396	-

2013	Total	Level 1	Level 2	Level 3
Assets measured at fair value				
Investment property	47,471	-	-	47,471
Available-for-sale financial assets				
Equity investments	339	339	-	-
Total assets	47,810	339	-	47,471
Liabilities measured at fair value				
Trading financial liabilities				
Trading derivatives	66	-	66	-
Derivatives used for hedging	18,486	-	18,486	-
Total liabilities	18,552	-	18,552	-

2.9 Financial instruments by category

	Assets and financial liabilities at fair-value through results	Derivatives defined as hedging instruments	Borrowings and accounts receivable	Available-for-sale financial assets	Other financial liabilities	Total financial assets and liabilities	Non-financial assets and liabilities	Total assets and liabilities
2014								
Assets								
Cash and cash equivalents	-	-	430,660	-	-	430,660	-	430,660
Available-for-sale financial assets	-	-	-	1,252	-	1,252	-	1,252
Debtors, accruals and deferrals	-	-	303,723	-	-	303,723	111,852	415,575
Derivative financial instruments	-	2,627	-	-	-	2,627	-	2,627
Other non-financial assets	-	-	-	-	-	-	4,322,307	4,322,307
Total assets	-	2,627	734,383	1,252	-	738,262	4,434,159	5,172,421
Liabilities								
Borrowings	-	-	-	-	714,802	714,802	-	714,802
Derivative financial instruments	-	4,396	-	-	-	4,396	-	4,396
Creditors, accruals and deferrals	-	-	-	-	2,461,507	2,461,507	155,333	2,616,840
Other non-financial liabilities	-	-	-	-	-	-	197,692	197,692
Total liabilities	-	4,396	-	-	3,176,309	3,180,705	353,025	3,533,730
2013								
Assets								
Cash and cash equivalents	-	-	371,671	-	-	371,671	-	371,671
Available-for-sale financial assets	-	-	-	1,208	-	1,208	-	1,208
Debtors, accruals and deferrals	-	-	230,103	-	-	230,103	111,474	341,577
Other non-financial assets	-	-	-	-	-	-	4,251,914	4,251,914
Total assets	-	-	601,774	1,208	-	602,982	4,363,388	4,966,370
Liabilities								
Borrowings	-	-	-	-	693,789	693,789	-	693,789
Derivative financial instruments	66	18,486	-	-	-	18,552	-	18,552
Creditors, accruals and deferrals	-	-	-	-	2,332,812	2,332,812	145,787	2,478,599
Other non-financial liabilities	-	-	-	-	-	-	236,064	236,064
Total liabilities	66	18,486	-	-	3,026,601	3,045,153	381,851	3,427,004

3 Segments reporting

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.

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

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

The identified business segments are:

- Portugal Retail: comprises the business unit of JMR (Pingo Doce supermarkets);
- Portugal Cash & Carry: includes the wholesale business unit Recheio;
- Poland Retail: the business unit with the brand Biedronka;
- Others, eliminations and adjustments: includes i) business units with reduced materiality (Marketing Services and Representations, Restaurants in Portugal, Health and Beauty Retail in Poland, retail business in Colombia; ii) the Holding companies; and iii) Group's consolidation adjustments.

Detailed information by business segments at December 2014 and 2013

	Portugal Retail		Portugal Cash & Carry		Poland Retail		Others, eliminations and adjustments		Total JM Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net sales and services	3,552,073	3,485,217	799,362	805,307	8,431,731	7,702,907	(102,951)	(164,123)	12,680,215	11,829,308
Inter-segments	310,920	297,433	1,594	1,989	1,556	1,441	(314,070)	(300,863)	-	-
External customers	3,241,153	3,187,784	797,768	803,318	8,430,175	7,701,466	211,119	136,740	12,680,215	11,829,308
Operational cash-flow (EBITDA)	187,385	182,919	41,555	46,809	573,133	600,280	(68,827)	(52,874)	733,246	777,134
Depreciations and amortisations	(97,020)	(98,091)	(11,772)	(11,300)	(156,211)	(132,954)	(11,743)	(6,935)	(276,746)	(249,280)
EBIT	90,365	84,828	29,783	35,509	416,922	467,326	(80,570)	(59,809)	456,500	527,854
Exceptional operating profits/losses									(7,425)	(2,811)
Financial results									(20,268)	(21,662)
Income Tax									(103,729)	(110,839)
Net result attributable to JM									301,711	382,256
Total assets (*)	1,656,090	1,735,114	330,131	336,422	2,826,930	2,601,770	359,270	293,064	5,172,421	4,966,370
Total liabilities (*)	1,158,612	1,249,971	281,931	280,322	2,100,836	1,832,209	(7,649)	64,502	3,533,730	3,427,004
Investments in fixed assets	55,310	76,249	9,249	14,002	360,575	402,050	44,851	47,928	469,985	540,229

* Restated. In 2014 was changed the accounting policy applied to land classified as tangible assets, from the previous revaluation model to the current historical cost model. See note 2.

Reconciliation between EBIT and operating profit

	December 2014	December 2013
EBIT	456,500	527,854
Exceptional operating profit/losses	(7,425)	(2,811)
Operating profit	449,075	525,043

Financial assets with credit risk per segment

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

	Portugal Retail		Portugal Cash & Carry		Poland Retail		Others, eliminations and adjustments		Total JM Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Cash and cash equivalents	73,277	105,838	12,979	11,329	147,393	90,916	197,011	163,588	430,660	371,671
Available-for-sale financial assets	183	168	696	696	-	-	373	344	1,252	1,208
Debtors, accruals and deferrals	78,624	80,405	40,953	42,302	204,453	146,693	-20,307	-39,297	303,723	230,103
Derivative financial instruments	-	-	-	-	-	-	2,627	-	2,627	-
Total	152,084	186,411	54,628	54,327	351,846	237,609	179,704	124,635	738,262	602,982

4 Gross profit and operating costs

Revenue recognition

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

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

Revenues from services rendered are recognised as income in accordance with their stage of completion as at the balance sheet date. Gains related to commercial discounts obtained in the purchase of goods for resale are recognised when these are sold, as a deduction to the cost of goods sold.

Distribution and administrative costs

Distribution and administrative costs include all operating costs of the Group (excluding cost of sales) related with retail main activity, logistics and warehousing and also the support central offices.

Exceptional operating profits/losses

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

	2014	2013
Net sales and services	12,680,215	11,829,308
Net cost of products sold	(9,956,079)	(9,268,604)
Net cash discount and interest paid to suppliers	(5,636)	842
Electronic payment commissions	(19,188)	(13,440)
Other supplementary costs	(7,620)	(7,480)
Cost of sales	(9,988,523)	(9,288,682)
Gross profit	2,691,692	2,540,626
Supplies and services	(477,013)	(430,715)
Advertising costs	(75,036)	(58,562)
Rents	(305,477)	(269,168)
Staff costs (note 5.1)	(943,171)	(856,599)
Amortization	(274,495)	(246,916)
Profit/loss with tangible and intangible assets	(3,487)	(3,233)
Transportation costs	(148,646)	(141,214)
Other operational profit/loss	(7,867)	(6,365)
Distribution and administrative costs	(2,235,192)	(2,012,772)
Legal contingencies	(1,175)	1,051
Losses from organizational restructuring programmes	(2,723)	(4,085)
Assets write-offs	(1,231)	(983)
Impact of actuarial assumptions changes (note 5.2)	(2,066)	(833)
Others	(230)	2,039
Exceptional operating profits/losses	(7,425)	(2,811)
Operating profit	449,075	525,043

5 Employees

5.1 Staff costs

	2014	2013
Wages and salaries	742,737	677,471
Social security	145,812	133,218
Employee benefits (note 5.2)	5,479	4,315
Other staff costs	55,736	47,921
	949,764	862,925

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

The difference to staff costs stated in note 4 of EUR 6,593 thousand (EUR 6,326 thousand in 2013) relates to the production activities that were attributable to the cost of the goods sold in the amount of EUR 4,002 thousand (EUR 3,939 thousand in 2013) and to exceptional losses in the amount of EUR 2,591 thousand (EUR 2,387 thousand in 2013).

The average number of Group employees during the year was 80,797 (2013: 71,717).

The number of employees at the end of the year was 86,563 (2013: 76,810).

5.2 Employees benefits

Post-employment benefits (retirement)

Defined contribution plans

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

The contributions are based on a percentage of the fixed and variable remuneration of the employees included in the plan, which is defined in the respective Regulation and only changes according to the seniority of the beneficiaries.

The Group encourages the employees to participate in their own pension scheme. Therefore, the funds are open to employee private contributions, with no guarantees given by the Group over those contributions.

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

Defined benefit plans

Defined benefit plans are pension plans where the Group guarantees a certain benefit to the employees included in the plan at the time such employees retire, with the respective responsibilities assured directly by the Group.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the immediate rents method, taking into account that the plans only include retired employees. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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

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

In the presence of amendments to the defined benefit plans, past-service costs are immediately considered due and are recognised immediately in the income statement.

Other benefits

Seniority awards

The programme of seniority awards which exists in some of the Group's Companies includes a component of defined contribution and a defined benefit.

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

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

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

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

Amounts of employee benefits in the balance sheet:

	2014	2013
Retirement benefits - defined contribution plan	-	-
Retirement benefits - defined benefit plan paid by the Group	22,307	20,729
Seniority awards	20,153	16,735
Total	42,460	37,464

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

	Income statement		Other comprehensive income	
	2014	2013	2014	2013
Retirement benefits - defined contribution plan	478	551	-	-
Retirement benefits - defined benefit plan paid for by the Group	695	832	2,599	1,658
Seniority awards	4,306	2,932	-	-
Total	5,479	4,315	2,599	1,658

A brief description of the changes in each plan are detailed below:

	Defined contribution plans for active employees		Defined benefit plans for former employees		Other long term benefits granted to employees	
	2014	2013	2014	2013	2014	2013
Balance on 1 January	-	-	20,729	19,366	16,735	14,595
Interest costs	-	-	695	832	625	701
Current service cost	478	551	-	-	1,615	1,398
Actuarial (gains)/losses						
Changes in demographic assumptions	-	-	-	-	-	-
Changes in financial assumptions	-	-	2,648	1,621	2,472	1,214
Changes in experience	-	-	(49)	37	(406)	(381)
Contributions or retirement pensions paid	(478)	(551)	(1,716)	(1,127)	(888)	(792)
Balance on 31 December	-	-	22,307	20,729	20,153	16,735

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

	2014	2013
Mortality table	TV 88/90	TV 88/90
Discount rate	2.0%	3.5%
Pension and salaries growth rate	2.5%	2.5%

The mortality assumptions used are those most commonly adopted in Portugal, and are based on actuarial advice in accordance with published statistics and experience in each country.

Expected future payments

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

	2015	2016	2017	2018	2019
Retirement benefits - defined benefit plan paid for by the Group	1,620	1,557	1,493	1,428	1,362
Seniority awards	1,279	993	977	2,492	1,317
Total	2,899	2,550	2,470	3,920	2,679

6 Net financial costs

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

	2014	2013
Interest expense	(31,894)	(33,605)
Interest received	2,130	2,322
Dividends	30	36
Net foreign exchange	(1,171)	(1,020)
Other financial costs and gains	(3,422)	(6,581)
Change in fair value of financial assets held for trade:		
Derivative instruments	-	(1)
	(34,327)	(38,849)

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

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

7 Taxes

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

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

Deferred tax is calculated in accordance with the balance sheet liability method on temporary differences between the carrying amount of assets and liabilities and the respective tax base. 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.

7.1 Income tax

	2014	2013
Current income tax		
Current tax of the year	(97,718)	(101,247)
Adjustment to prior years estimation	1,261	3,209
	(96,457)	(98,038)
Deferred tax (note 7.3)		
Temporary differences created or reversed in the year	(3,542)	(4,390)
Tax rate reduction	(1,285)	(1,114)
Change to the recoverable amount of tax losses and temporary differences from previous years	(629)	1,001
	(5,456)	(4,503)
Other gains/losses related to taxes		
Impact of changes in estimates for tax litigations	(1,816)	(8,298)
	(1,816)	(8,298)
Total income tax	(103,729)	(110,839)

7.2 Reconciliation of effective tax rate

	2014	2013
Profit before tax	428,807	503,381
Income tax using the Portuguese corporation tax rate	24.5% (105,058)	26.5% (133,396)
Fiscal effect due to:		
Different tax rates in foreign jurisdictions	(6.5%) 27,887	(8.2%) 41,213
Non-taxable or non-recoverable results	6.1% (26,292)	4.5% (22,706)
Non-deductible expenses and fiscal benefits	0.6% (2,430)	(0.3%) 1,381
Impact of tax rate reduction on deferred taxes	0.3% (1,285)	0.2% (1,114)
Adjustment to prior years estimation	(0.8%) 3,426	(0.6%) 3,209
Equity method	(0.5%) 2,301	(0.7%) 3,463
Change to the recoverable amount of tax losses and temporary differences of prior years	(0.2%) 710	(0.2%) 1,001
Results subject to special taxation	0.7% (2,988)	0.8% (3,890)
Income tax	24.2% (103,729)	22.0% (110,839)

In 2014, the Corporate Income Tax rate (CIT) applied to companies operating in Portugal was 23% (in 2013 was 25%). For companies with a positive tax result, there is a surcharge of 1.5% regarding municipal tax, and an additional state tax that varies between 3%, 5% and 7%, for taxable profits higher than EUR 1,500 thousand, EUR 7,500 thousand and EUR 35,000 thousand respectively (in 2013 the state tax varied between 3% and 5% for taxable profits higher than EUR 1,500 thousand and EUR 7,500 thousand, respectively).

For 2015, the CIT rate will be reduced to 21%, and no changes will occur in the state tax ladders.

In Poland, for 2013 and 2014, the income tax rate applied to taxable income was 19%.

In Colombia, the income tax rate was 34% in 2013 and 2014. If a taxable loss is determined, a tax rate of 3% is levied on the net asset value.

7.3 Deferred tax assets and liabilities

	2014	2013
Opening balance	(3,844)	1,114
Currency translation difference	607	96
Revaluation and reserves	1,152	(551)
Result of the year (note 7.1)	(5,456)	(4,503)
Closing balance	(7,541)	(3,844)

Deferred taxes are presented in the balance sheet as follows:

	2013	2012
Deferred tax assets	51,349	51,013
Deferred tax liabilities	(58,890)	(54,857)
	(7,541)	(3,844)

2014	Opening balance	Impact on results	Impact on equity	Currency translation differences	Closing balance
Deferred tax liabilities					
Revaluation of assets	1,282	(208)	-	-	1,074
Deferred income for tax purposes	37,727	6,074	-	(1,055)	42,746
Differences on accounting policies in other countries	12,699	49	-	(354)	12,394
Other temporary differences	3,149	(473)	-	-	2,676
	54,857	5,442	-	(1,409)	58,890
Deferred tax assets					
Excess over legal provisions	22,327	9,498	-	(587)	31,238
Revaluation of assets	4,055	(305)	-	-	3,750
Employee benefits	5,001	(529)	549	-	5,021
Derivative instruments	1,105	(15)	(267)	(11)	812
Recoverable losses	576	(576)	-	-	-
Other deferred costs for tax purposes	14,481	(1,996)	-	(360)	12,125
Differences on accounting policies in other countries	(1,685)	(5,310)	-	156	(6,839)
Other temporary differences	5,153	(781)	870	-	5,242
	51,013	(14)	1,152	(802)	51,349
Net change in deferred tax	(3,844)	(5,456)	1,152	607	(7,541)

2013	Opening balance	Impact on results	Impact on equity	Currency translation differences	Closing balance
Deferred tax liabilities					
Revaluation of assets	1,443	(161)	-	-	1,282
Deferred income for tax purposes	30,156	7,990	-	(419)	37,727
Differences on accounting policies in other countries	12,857	89	-	(247)	12,699
Other temporary differences	6,563	(3,414)	-	-	3,149
	51,019	4,504	-	(666)	54,857
Deferred tax assets					
Excess over legal provisions	18,961	3,547	-	(181)	22,327
Revaluation of assets	4,062	(7)	-	-	4,055
Employee benefits	5,011	(412)	402	-	5,001
Derivative instruments	2,095	(36)	(953)	(1)	1,105
Recoverable losses	-	576	-	-	576
Other deferred costs for tax purposes	16,757	(1,932)	-	(344)	14,481
Differences on accounting policies in other countries	905	(2,546)	-	(44)	(1,685)
Other temporary differences	4,342	811	-	-	5,153
	52,133	1	(551)	(570)	51,013
Net change in deferred tax	1,114	(4,503)	(551)	96	(3,844)

7.4 Unrecognised deferred taxes on tax losses

The Group did not recognise deferred tax assets related 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 38,085 thousand (2013: EUR 21,181 thousand), as presented below:

Expiring date	Tax
2015	1,850
2016	1,022
2017	3,052
2018	5,478
2019 or further	26,683
Total	38,085

8 Tangible assets

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

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

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

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

Depreciation

Depreciation is calculated by the straight-line method, on a 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, as it is the Group's intention to use the assets until the end of their economic life.

8.1 Changes occurred during the year

2014	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	368,831	2,258,266	1,312,076	199,106	254,152	4,392,431
Foreign exchange differences	(5,618)	(39,343)	(17,768)	(3,276)	(5,794)	(71,799)
Increases	16,809	177,207	136,832	8,922	104,609	444,379
Disposals and write offs	(486)	(6,396)	(22,467)	(5,165)	(1,734)	(36,248)
Transfers and reclassifications	28,471	88,246	18,462	9,973	(147,462)	(2,310)
Transfers from/to investment property	(29)	-	-	-	-	(29)
Closing balance	407,978	2,477,980	1,427,135	209,560	203,771	4,726,424
Depreciation and impairment losses						
Opening balance	-	754,021	823,401	162,080	-	1,739,502
Foreign exchange differences	-	(11,017)	(7,482)	(2,221)	-	(20,720)
Increases	-	126,793	122,199	13,725	-	262,717
Disposals and write offs	-	(4,625)	(18,729)	(5,069)	-	(28,423)
Transfers and reclassifications	-	34	26	(36)	-	24
Closing balance	-	865,206	919,415	168,479	-	1,953,100
Net value						
As at 1 January 2014	368,831	1,504,245	488,675	37,026	254,152	2,652,929
As at 31 December 2014	407,978	1,612,774	507,720	41,081	203,771	2,773,324

2013	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	331,179	2,015,741	1,205,050	188,404	223,396	3,963,770
Foreign exchange differences	(2,165)	(17,670)	(7,803)	(1,915)	(4,128)	(33,681)
Increases	27,344	182,108	136,816	10,838	150,323	507,429
Disposals and write offs	(1,408)	(6,231)	(27,191)	(4,367)	(3,240)	(42,437)
Transfers and reclassifications	13,881	84,318	5,204	6,146	(112,199)	(2,650)
Closing balance	368,831	2,258,266	1,312,076	199,106	254,152	4,392,431
Depreciation and impairment losses						
Opening balance	-	647,898	743,834	155,018	-	1,546,750
Foreign exchange differences	-	(4,844)	(2,900)	(1,305)	-	(9,049)
Increases	-	113,998	108,957	12,902	-	235,857
Disposals	-	(3,385)	(24,097)	(4,250)	-	(31,732)
Transfers and write offs	-	354	(2,393)	(285)	-	(2,324)
Closing balance	-	754,021	823,401	162,080	-	1,739,502
Net value						
As at 1 January 2013	331,179	1,367,843	461,216	33,386	223,396	2,417,020
As at 31 December 2013	368,831	1,504,245	488,675	37,026	254,152	2,652,929

There are no financial charges capitalised in tangible fixed assets.

8.2 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 mentioned in note 19.1. The value of assets under financial lease as at 31 December was EUR 3,371 thousand (2013: EUR 14,693 thousand).

8.3 Guarantees

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

8.4 Tangible assets in progress

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

9 Intangible assets

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

Costs associated with internally generated Goodwill and Private Brands are taken to the income statement as they are incurred.

Research and development expenditure

Research expenditure incurred in the search for new technical or scientific knowledge or alternative solutions are recognised in the income statement as incurred.

Development expenditure is recognised as an intangible asset when the technical feasibility of the product or process being developed can be demonstrated and the Group has the intention and capacity to complete their development and start trading or using them.

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

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, being amortised over their estimated useful 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 recognised in the income statement on a linear basis over the estimated useful life of the intangible assets, except if that life is considered indefinite.

Amortisation of the intangible assets is calculated by the straight-line method, on a duodecimal basis on acquisition cost. The most important annual amortisation rates, in percentage, are as follows:

	%
Development expenditure	20-33.33
Computer software	33.33
Key money	5-6.66

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

9.1 Changes occurred during the year

2014	Goodwill	Develop. expenses	Software, ind. property and other rights	Key money	Work in progress	Total
Cost						
Opening balance	648,361	29,340	93,701	125,523	6,587	903,512
Foreign exchange differences	(8,849)	(631)	(2,442)	(2,663)	(148)	(14,733)
Increases	-	1,401	14,459	6,695	3,051	25,606
Disposals and write offs	-	(210)	(1,787)	(85)	(12)	(2,094)
Transfers and reclassifications	-	72	5,999	133	(3,874)	2,330
Closing balance	639,512	29,972	109,930	129,603	5,604	914,621
Amortisation and impairment losses						
Opening balance	-	25,875	10,408	61,380	-	97,663
Foreign exchange differences	-	(591)	(137)	(1,094)	-	(1,822)
Increases	-	1,875	2,665	9,544	-	14,084
Disposals and write offs	-	(210)	(1,221)	(63)	-	(1,494)
Transfers and reclassifications	-	-	-	(4)	-	(4)
Closing balance	-	26,949	11,715	69,763	-	108,427
Net value						
As at 1 January 2014	648,361	3,465	83,293	64,143	6,587	805,849
As at 31 December 2014	639,512	3,023	98,215	59,840	5,604	806,194

2013	Goodwill	Develop. expenses	Software, ind. property and other rights	Key money	Work in progress	Total
Cost						
Opening balance	654,629	29,926	77,264	111,511	7,830	881,160
Foreign exchange differences	(6,268)	(421)	(969)	(1,327)	(167)	(9,152)
Increases	-	1,031	15,846	13,041	2,882	32,800
Disposals and write offs	-	(1,258)	(445)	-	(9)	(1,712)
Transfers and reclassifications	-	62	2,005	2,298	(3,949)	416
Closing balance	648,361	29,340	93,701	125,523	6,587	903,512
Amortisation and impairment losses						
Opening balance	-	25,688	8,565	52,557	-	86,810
Foreign exchange differences	-	(396)	(43)	(407)	-	(846)
Increases	-	1,932	2,318	9,231	-	13,481
Disposals and write offs	-	(1,258)	(429)	-	-	(1,687)
Transfers and reclassifications	-	(91)	(3)	(1)	-	(95)
Closing balance		25,875	10,408	61,380	-	97,663
Net value						
As at 1 January 2013	654,629	4,238	68,699	58,954	7,830	794,350
As at 31 December 2013	648,361	3,465	83,293	64,143	6,587	805,849

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

Development expenses mainly relate to IT implementations.

9.2 Guarantees

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

9.3 Intangible assets in progress

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

9.4 Impairment tests for goodwill and other intangible assets

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

Business areas	2014	2013
Portugal Retail	246,519	246,519
Portugal Cash & Carry	83,836	83,836
Poland Health and Beauty Retail	9,079	9,339
Poland Retail	300,078	308,667
	639,512	648,361

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

- the Goodwill related to the business in Poland (Biedronka), totalling PLN 1,282,278 thousand, was updated negatively by EUR 8,589 thousand; and
- the Goodwill related to the Health and Beauty Retail business in Poland (Hebe), totalling PLN 38,796 thousand, was updated negatively by EUR 260 thousand.

In 2014 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 (2013: 8% and 9.3%) and between 10.1% and 10.5% for Poland (2013: 10.1% and 10.5%), and a perpetual growth rate between 0% and 1.5% for the various businesses (2013: 0% and 1.5%).

Goodwill associated with the manufacturing and services businesses, integrated in the financial statements using the equity method, is presented under the heading Investments in joint ventures and associates (note 12).

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

10 Investment property

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 a proper comparison and the variables of size, location, existing infrastructure, state of conservation and other variables that may be relevant in some way are considered.

In addition, and particularly in cases in which it is difficult to make a comparison with transactions that have occurred, 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, since it is related with assets owned for appreciation.

Whenever, as a result of changes in their expected use, tangible assets are transferred to investment property, the assets are measured at their fair value and any difference to their carrying amount is recognised in the income statement as revaluation surplus. Gains and losses in subsequent revaluations (fair value) are recognised in the income statement, in accordance with IAS 40.

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

	2014	2013
Opening balance	47,471	49,336
Increases due to acquisitions	14	-
Transfers	29	-
Changes in fair value	(1,185)	(1,739)
Disposals	(3,382)	(126)
Closing balance	42,947	47,471

The investment property relates to plots of land and buildings initially acquired for use in Group operations, and others actually used for that purpose for a period of time but which became redundant, either because they could not be used to build cash-generating units or because they 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 property that are not expected to be sold within a period of less than 12 months.

In 2014 the amount of income from investment property amounted to EUR 120 thousand (EUR 122 thousand in 2013), and costs were recognised in the amount of EUR 126 thousand (EUR 137 thousand in 2013).

11 Derivative financial instruments

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

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

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

Derivatives held for trading

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

Hedge accounting

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

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

Interest rate risk (cash flow hedge)

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

The instruments that qualify as cash flow hedging instruments are booked at fair value on the balance sheet, and to the degree that they are considered effective, changes to their fair value are recognised in other comprehensive income. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast transaction or event that is hedged takes place). However, in the case of a hedge of a forecast transaction that results in the recognition of a non-financial asset (for example: inventory), the gains or losses previously deferred in equity are transferred and included in the initial measurement of the asset.

The gain or loss relating to the ineffective portion is recognised immediately in the income statement. This way, in net terms, all costs associated to the underlying exposure are carried at the interest rate of the hedging instruments.

When a hedge instrument expires or is sold, or when the hedge ceases to meet the criteria required for hedge accounting, the changes in the fair value of the derivative, that are accumulated in other comprehensive income, are recognised in the results when the hedged operation also affects the results.

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 (net investments in foreign entities hedge)

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

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

Cross currency swaps that are entered into with the purpose of hedging investments in foreign entities that qualify as hedging instruments are booked at fair value on the balance sheet. To the degree that they are considered effective, changes to their fair value are recognised directly in the currency translation reserve (note 2.2). The cumulative gains and losses recognised in other comprehensive income are transferred to results of the year when foreign entities are disposed.

	Notional	2014				Notional	2013			
		Assets		Liabilities			Assets		Liabilities	
		Current	Non-current	Current	Non-current		Current	Non-current	Current	Non-current
Derivatives held for trading										
Interest rate swap		-	-	-	-	10 million EUR	-	-	66	-
Fair value hedging derivatives										
USD loan hedging		-	-	-	-	96 million USD	-	-	9,104	-
Cash flow hedging derivatives										
Interest rate swap (EUR)	225 million EUR	-	-	1,715	-	438 million EUR	-	-	2,385	1,933
Interest rate swap (PLN)	500 million PLN	-	-	-	2,681	500 million PLN	-	-	-	1,020
Foreign operation investments hedging derivatives										
Currency forwards (PLN)	600 million PLN	2,627	-	-	-	960 million PLN	-	-	4,044	-
Total derivatives held for trading		-	-	-	-		-	-	66	-
Total hedging derivatives		2,627	-	1,715	2,681		-	-	15,533	2,953
Total assets/liabilities derivatives		2,627	-	1,715	2,681		-	-	15,599	2,953

In December 2014, the values shown include interest receivable or payable related to these financial instruments that are due. The net payable amount is EUR 423 thousand (2013: EUR 745 thousand).

Financial instruments that matured during the period

In the year 2014 the following interest rate swaps matured:

	Currency	Loan amount	Hedged amount	Index hedged	Rate review date	Loan and hedge maturity
JMR/2014	EUR	52,500	52,500	6-months Euribor	April	April 2014
JMR/2014	EUR	80,537	60,375	6-months Euribor	June	June 2014
JMH/2014	EUR	100,000	100,000	6-months Euribor	March	September 2014

The total coverage of the risk exposure on the fair value of the USD loan (totalling USD 96,000 thousand) also matured as well as the economic hedge of the foreign exchange risk exposure to Zloty that started in 2013.

Cash flow hedge

Interest rate swap

The Group fixes a portion of future interest payments on loans, through entering into interest rate swaps. The hedged risk is the variable interest rate index associated with the loans. The purpose of the hedge is to convert the loans with variable interest rate into fixed interest rate. The credit risk of the borrowing is not hedged. Nevertheless, the evaluation of JMH own credit risk and its incorporation in the fair value of derivative financial instruments recognised on the balance sheet would result in an immaterial impact as of 31 December 2014 and 2013. The Group had interest rate swaps in Euro and Zlotys.

In summary:

	Currency	Loan amount	Hedged amount	Index hedged	Rate review date	Loan and hedge maturity
JMR/2015	EUR	225,000	225,000	6-months Euribor	June	December 2015
JMP/2016	PLN	500,000	500,000	3-months Wibor	January	April 2016

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 2015.

Impacts on the financial statements

	2014	2013
Fair value of financial instruments as at 1 January	(18,552)	(15,935)
(Receipts) / payments made	7,347	13,280
Change in the fair value of held for trading derivatives (results)	-	(1)
Change in the fair value of cash flow hedge derivatives (others reserves)	675	3,121
Change in the fair value of cash flow hedge derivatives (foreign exchange differences)	28	12
Change in the fair value of fair value hedge derivatives (loans)	9,104	(6,173)
Change in the fair value of net investment hedging derivatives (currency translation reserves)	3,663	(5,427)
Interest expenses from financial instruments that qualify as hedge accounting (results)	(4,034)	(7,429)
Fair value of financial instruments as at 31 December	(1,769)	(18,552)

12 Investments in joint ventures and associates

The joint ventures and associates are listed in note 29, and changes in these investments were as follows:

	Joint ventures		Associates		Total	
	2014	2013	2014	2013	2014	2013
Opening balance	77,639	72,103	895	1,006	78,534	73,109
Equity method:						
Net result	14,973	18,477	208	361	15,181	18,838
Dividends and other income received	(19,159)	(13,209)	(368)	(472)	(19,527)	(13,681)
Other comprehensive income	84	268	-	-	84	268
Closing balance	73,537	77,639	735	895	74,272	78,534

13 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.

	2014	2013
Raw and subsidiary materials and consumables	2,892	2,747
Goods available for sale	589,948	590,959
	592,840	593,706
Fair value adjustment	(20,836)	(18,714)
Net inventories	572,004	574,992

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

14 Trade debtors, accrued income and deferred costs

Customers and debtor balances are amounts to be received regarding goods sold or services rendered in the ordinary course of the business. They are initially recognised at fair value, being subsequently measured at amortised cost in accordance with the effective interest rate method, net of any impairment losses (note 2.5).

	2014	2013
Non-current		
Other debtors	79,131	82,397
Collateral deposits associated to financial debt	19,367	-
Deferred costs	3,614	5,602
	102,112	87,999
Current		
Commercial customers	50,868	52,065
Other debtors	97,649	63,751
Other taxes receivable	16,011	12,329
Accrued income and deferred costs	148,935	125,433
	313,463	253,578

Non-current debtors include EUR 78,964 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 25).

The Group has EUR 19,367 thousand of remunerated deposits in financial institutions, with limited availability according to specific conditions, which is being used as a collateral guarantee for financial loans.

Accrued income includes basically supplementary gains contracted with suppliers, in the amount of EUR 134,790 thousand (2013: EUR 113,675 thousand).

The deferred costs include EUR 7,890 thousand of pre-paid rents, EUR 1,024 thousand of bond issue expenses and pre-paid interest, EUR 2,209 thousand of insurance costs and EUR 5,587 thousand of other costs attributable to future years and paid in 2014, or, if not yet paid, already charged by the entities.

Other debtors include an amount of EUR 18,052 thousand (2013: EUR 17,826 thousand), of guarantees mostly 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:

	2014	2013
Debtors balances not considered impaired		
Less than 3 months past due	28,084	27,549
More than 3 months past due	15,399	13,694
	43,483	41,243
Debtors balances considered impaired		
Less than 3 months past due	19	285
More than 3 months past due	16,356	15,936
	16,375	16,221

Of the debtors balances not considered impaired, EUR 6,496 thousand (2013: EUR 7,760 thousand) are covered by credit guarantees and credit insurance.

Movements on the Group provision for impairment of trade receivables are as follows:

	2014	2013
Balance as at 1 January	20,982	18,689
Set up, reinforced and transfers	5,311	4,448
Unused and reversed	(1,470)	(506)
Foreign exchange difference	(202)	(32)
Used	(499)	(1,617)
Balance as at 31 December	24,122	20,982

15 Cash and cash equivalents

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

	2014	2013
Bank deposits	171,790	188,489
Short-term investments	255,043	179,376
Cash and cash equivalents	3,827	3,806
	430,660	371,671

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

Short-term investments correspond to time deposits in financial institutions that, as at December 31, 2014 had a rating between BBB- and A+.

16 Cash generated from operations

	2014	2013
Net results	301,711	382,256
Adjustments for:		
Non-controlling interests	23,367	10,286
Income tax	103,729	110,839
Depreciations and amortisations	276,746	249,280
Provisions and other operational gains and losses	12,314	14,024
Net financial costs	34,327	38,849
Profit in joint ventures and associates	(15,181)	(18,838)
Profit/losses on other investments	1,122	1,651
Profit/losses on tangible and intangible assets	2,653	5,416
	740,788	793,763
Changes in working capital:		
Inventories	(10,170)	(112,944)
Debtors, accruals and deferrals	(1,365)	(65)
Creditors, accruals and deferrals	144,927	163,119
	874,180	843,873

17 Capital and reserves

Share capital

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

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

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

Payable and receivable dividends

Payable dividends are recognised as a liability in the Group's financial statements in the period in which they are approved for distribution by the Shareholders.

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

17.1 Share capital and share premium

Authorised share capital is represented by 629,293,220 ordinary shares (2013: 629,293,220).

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

During the year 2014, no changes occurred in the amount of EUR 22,452 thousand showed in share premium.

17.2 Own shares

As at 31 December 2014, the Group held 859,000 own shares (2013: 859,000). As defined by law the own shares are not entitled to dividends.

17.3 Dividends

Dividends distributed in 2014 totalling EUR 208,428 thousand, were paid to JMH shareholders in the amount of EUR 191,672 thousand, and to non-controlling interests in the Group Companies in the amount of EUR 16,756 thousand.

17.4 Other reserves and retained earning

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. We therefore recommend reading this information in the individual annual report.

18 Earnings per share

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

18.1 Basic and diluted earnings per share

	2014	2013
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
	2014	2013
Diluted net results of the year attributable to shareholders that own ordinary shares	301,711	382,256
Diluted weighted average ordinary shares	628,434,220	628,434,220
Basic and diluted earnings per share - euros	0.4801	0.6083

19 Borrowings

Borrowings are initially recognised at fair value less the transaction costs that were incurred and are subsequently measured at the amortised cost. Any difference between the issued value (net of transaction costs incurred) and the nominal value is recognised in the results during the period of the borrowings, in accordance with the effective interest rate method.

Borrowings are classified as current liabilities, unless the Group has the unconditional right to defer settlement of the liability for more than 12 months after the reporting date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Jerónimo Martins Polska S.A. contracted several loans with a total amount of PLN 1,000,000 thousand with maturity in 2017. The Polish companies also contracted overdrafts facilities for a total amount of PLN 355,000 thousand.

In April 2014, JMR – Gestão de Empresas de Retalho, SGPS, S.A. (JMR-SGPS) reimbursed the EUR 52,500 thousand of the 2009 Bond Loan as well as the final tranche of the US Private Placement in the amount of USD 96,000 thousand that matured in June 2014.

In September 2014, JMH reimbursed the Bond Loan JMH 2011-2014 in the amount of EUR 100,000 thousand.

The contracts of Commercial Paper held with several banks by JMH and JMR-SGPS were renegotiated.

Jerónimo Martins Colombia S.A.S (JMC) renewed the short term credit lines with an increase to COP 151,107,000 thousand and the extension of the maturity for one more year. In June 2014, contracted a new short term loan in the amount of COP 15,500,000 thousand, with the interest rate indexed to the DTF ('Depositos Termino Fijo').

In December 2014, JMC contracted a long term loan, in an amount equivalent to USD 20,000 thousand, with the interest rate indexed to the IBR (Inter-Bank Rate), of which only 25% was being used at the end of the year.

For the Portuguese Companies, the Group uses grouped credit lines, which means that the maximum amount approved by a financial entity can be used simultaneously by more than one company. The amount of credit lines which are not being used, amount to EUR 172,000 thousand (2013: EUR 120,000 thousand).

19.1 Current and non-current loans

	2014	2013
Non-current loans		
Bank loans	373,651	142,910
Bond loans	-	225,000
Financial lease liabilities	226	1,163
	373,877	369,073
Current loans		
Bank overdrafts	58,327	74,021
Bank loans	56,544	22,243
Bond loans	225,000	223,852
Financial lease liabilities	1,054	4,600
	340,925	324,716

19.2 Loan terms and maturities

2014	Average rate	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Bank loans					
Loans in PLN	3.36%	351,025	-	351,025	-
Loans in COP	6.55%	79,170	56,544	22,626	-
Bond Loans					
Loans	3.57%	225,000	225,000	-	-
Bank overdrafts	3.00%	58,327	58,327	-	-
Financial lease liabilities	2.62%	1,280	1,054	226	-
		714,802	340,925	373,877	-
2013	Average rate	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Bank loans					
Loans in PLN	3,98%	120,357	-	120,357	-
Loans in COP	6,61%	44,796	22,243	22,553	-
Bond Loans					
Loans	4,34%	458,037	233,037	225,000	-
Fair value adjustment		(9,185)	(9,185)	-	-
Bank overdrafts	3,26%	74,021	74,021	-	-
Financial lease liabilities	2,93%	5,763	4,600	1,163	-
		693,789	324,716	369,073	-

At 31 December 2013 the Group had a bond loan of USD 96,000 thousand with fixed interest rate recognised at fair value. As at 31 December 2013 the fair value was EUR 71,352 thousand, incorporating a negative adjustment of EUR 9,185 thousand. This loan was reimbursed in 2014.

19.3 Bond loans

	2014	2013
Non-convertible bonds	225,000	458,037

In December 2012, 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, being reviewed when the interest payment occurs, every 6 months, in December and June. At the end of 2014 the outstanding amount of the loan was EUR 225,000 thousand.

The redemption dates of the bond loans are as follows:

2015	225,000
Total	225,000

19.4 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:

	2014	2013
Non-current loans (note 19.1)	373,877	369,073
Current loans (note 19.1)	340,925	324,716
Derivative financial instruments (note 11)	1,769	18,552
Interest on accruals and deferrals	2,622	1,367
Bank deposits (note 15)	(171,790)	(188,489)
Short-term investments (note 15)	(255,043)	(179,376)
Collateral deposits (note 14)	(19,367)	-
	272,993	345,843

20 Provisions

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

Restructuring provision

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

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

Legal claims provision

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

	2014	2013
Balance as at 1 January	77,949	99,859
Set up, reinforced and transfers	11,088	24,549
Unused and reversed	(6,368)	(20,618)
Foreign exchange difference	(44)	(64)
Used	(797)	(25,777)
Balance as at 31 December	81,828	77,949

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.

21 Trade creditors, accrued costs and deferred income

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.

Suppliers and other creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

	2014	2013
Non-current		
Accrued costs and deferred income	836	861
	836	861
Current		
Other commercial creditors	2,182,406	2,054,839
Other non-commercial creditors	175,726	190,583
Other taxes payables	79,456	72,686
Accrued costs and deferred income	178,416	159,630
	2,616,004	2,477,738

The accrued costs include salaries and wages to be paid to the employees, in the amount of EUR 72,112 thousand, interest payable in the amount of EUR 25,338 thousand and supplementary costs with the distribution and promotion of goods in the amount of EUR 10,218 thousand. The remaining EUR 67,819 thousand relates to sundry costs (utilities, insurance, consultants, rents, among others), for 2014, which had not been invoiced by the respective entities prior to the end of the year.

22 Guarantees

The bank guarantees are as follows:

	2014	2013
Guarantees provided to suppliers	2,749	2,805
Guarantees for Portuguese tax authorities	138,411	142,347
Financing bank guarantees	16,473	-
Other State guarantees	7,086	6,798
Other guarantees provided	20,220	11,386
Total of guarantees	184,939	163,336

23 Operational lease

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

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

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

	2014	2013
Payments in less than 1 year	295,059	257,535
Payments between 1 and 5 years	1,078,234	918,639
Payments in more than 5 years	1,550,304	1,356,448
	2,923,597	2,532,622

These amounts relate to store and warehouse rent contracts, with initial terms 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, the majority of them with the payment of penalties. The liabilities relating to these penalties correspond mainly to the remaining rents until the end of the contract, which at the end of 2014, were of EUR 2,291,866 thousand (2013: EUR 1,866,747 thousand).

The operational lease contracts recognised as costs amounting to EUR 305,623 thousand (2013: EUR 269,408 thousand), are analysed as follows:

	2014	2013
Buildings	276,877	243,206
Plants & machinery	9,650	8,267
Transport equipment	14,771	13,410
IT equipment	720	878
Others	3,605	3,647
	305,623	269,408

The difference to the rents stated in note 4 are costs with occasional renting in the amount of EUR 327 thousand (2013: EUR 166 thousand) deducted from rents that were allocated to the cost of goods sold in the amount of EUR 473 thousand (2013: EUR 406 thousand).

24 Capital commitments

Capital expenditure contracted for at the balance sheet date amounted to EUR 48,066 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.

There are no capital commitments assumed by the Group in relation to joint ventures and associates.

25 Contingencies

- Under non-current debtors (note 14), an amount of EUR 77,822 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 2012 one of the judicial proceedings was held to be well-grounded by the Court of Appeal (Tribunal Central Administrativo Sul), which ruled the cancelation 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) 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). The Tax Authorities challenged the VAT deduction method adopted by Recheio SGPS. Meanwhile, the Lisbon Tax Court ruled in favour of Recheio SGPS, amounting to EUR 1,753 thousand. Consequently the amount in dispute is now EUR 750 thousand, which reinforces the Board of Directors judgment that they are entirely right on this matter;
 - b) The Portuguese Tax Authorities have informed Recheio SGPS that it should restate the dividends received, amounting to EUR 81,952 thousand, from its subsidiary in the Madeira Free Zone in the years 2000 to 2003, considering them as interest for tax purposes. According to the Portuguese Tax Authorities the said income should be subject to Corporate Income Tax (CIT) as opposed to dividends received that are exempt. The Portuguese Tax Authorities have issued additional assessments, amounting to EUR 20,888 thousand, of which EUR 19,581 thousand is still in dispute. In spite of a judicial claim that was ruled in favour of the Portuguese tax authorities, the Board of Directors maintains its convictions and claimed against them judicially;
 - c) 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 2011, amounting to EUR 57,889 thousand. In the meantime, the Lisbon Tax Court has ruled partially in favour of JMR regarding the 2002 and 2005 assessments. The Board of Directors firmly believes in its arguments;
 - d) The Portuguese Tax Authorities assessed Feira Nova – Hipermercados, S.A. (Feira Nova) and Pingo Doce – Distribuição Alimentar, S.A. (Pingo Doce) with regard 2002 to 2004, the amount of EUR 4,845 thousand. These additional assessments relate to the amount booked by these Companies as shrinkage (loss of inventory through crime or wastage) which was not accepted as a tax deductible cost for CIT purposes, and also the associated VAT since there was no evidence that the goods were not sold. Meanwhile, the Lisbon Tax Court ruled in favour of Feira Nova regarding all VAT assessments, amounting to about EUR 2,813 thousand. The remaining judicial claims are still under discussion in Court. The Board of Directors believes that their outcome should be the same;
 - e) 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. Regarding this correction the tax amount in dispute is EUR 3,065 thousand. The Board of Directors, consider that the report issued by the Tax Authorities does not have any legal basis or validity, and will challenge it;

- f) The Portuguese Tax Authorities carried out some corrections of VAT rates applied to certain goods sold by some Group companies. With these corrections the total amount of assessments for the years 2005 to 2011 in Pingo Doce, Feira Nova and Recheio SGPS amounted to EUR 1,814 thousand, EUR 1,300 thousand and EUR 551 thousand, respectively. The Board of Directors believes that the Tax Authorities have no grounds to request this payment and these assessments have been challenged;
- g) The Portuguese Tax Authorities carried out some corrections to the CIT from Companies included in the perimeter of the Tax Group headed by Recheio SGPS. With these corrections the total assessments concerning 2007 to 2011, amount to EUR 11,269 thousand. We believe that the Tax Authorities have no grounds to request this payment and these assessments have been challenged. The Lisbon Tax Court has already ruled in favour of Recheio SGPS regarding the 2008 assessment. However Tax Authorities have appealed from said decision;
- h) The Portuguese Tax Authorities have informed Jerónimo Martins, that they do not accept losses on capital gains associated with a liquidation of one Company and the sale of another, amounting to EUR 24,660 thousand, which generated a correction on the company's tax losses regarding 2007. The Board of Directors believes that the Tax Authorities have no grounds to request this payment and these assessments have been challenged;
- i) Sociedade Ponto Verde (SPV) claimed through a judicial proceeding against Pingo Doce, in September 2014, an amount of EUR 3,397 thousand (including outstanding interest), related to the Management of the secondary and tertiary packaging waste system. Pingo Doce contested considering that SPV does not manage that kind of waste and therefore no amount is due;
- j) The Food and Veterinary Department (Direcção-Geral de Alimentação e Veterinária) claimed from Pingo Doce the amount of EUR 6.102 thousand, in respect of the Food Safety Tax (Taxa de Segurança Alimentar Mais – TSAM) assessed for the years 2012, 2013 and 2014. The values at stake have been challenged in Court by Pingo Doce, since it understands that this tax is not due on the grounds of the unconstitutional nature of the Statute that approved the TSAM.

In 2014, the following proceedings that were reported in previous years, were concluded:

- k) Rui Ribeiro Construções, S.A., filed indemnity proceedings with the 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. After partial condemnation of Pingo Doce, the Group appealed to the Court of Appeal, which revoked the decision of the Arbitration Court on the ground that the decision was substantiated in facts that were not carried into the process and that were not to be dealt by the Court. Rui Ribeiro did not appeal to the Supreme Court. Accordingly the decision is now final;
- l) At the end of 2012, DST, SGPS, S.A. (DST) initiated judicial proceedings against Pingo Doce, claiming that Pingo Doce breached a promissory share purchase agreement dated 2000, regarding a company that owns real estate in Barcelos. The plaintiff (promissory seller) claimed to be entitled to keep part of the purchase price paid by the defendant (promissory buyer) in the amount of EUR 5,000 thousand, as indemnity. Pingo Doce presented a counterclaim, alleging that the contract was no longer in force and asking for the reimbursement of the amount paid, plus interest accrued in a total amount of EUR 6,062 thousand. The trial took place by the end of 2013. Meanwhile the Court has decided in favour of Pingo Doce and determined DST to pay EUR 5,000 thousand plus interest as of 2011. DST filed an appeal to the Supreme Court of Justice. After submitting such appeal, DST entered into an agreement with Pingo Doce, accepting to pay EUR 5,257 thousand. Such payment was made in July and the judicial suit is now closed;
- m) Proherre Internacional, Lda. claimed an indemnity payment of EUR 2,500 thousand (plus accrued interest) from Pingo Doce, alleging the termination of a lease agreement by Pingo Doce, without the minimum period agreed between the parties having elapsed. Lisbon Court of Appeal determined an amount of compensation of EUR 1,100 thousand to be paid by Pingo Doce. Proherre filed an appeal to the Supreme Court of Justice. The STJ decided in favour of Proherre while limiting the amount of interest. The parties reached an agreement setting the amount of EUR 2,980 thousand, that have been already paid and the case was closed.

26 Related parties

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

26.1 Balances and transactions with related parties

56.14% of the Group is owned by Sociedade Francisco Manuel dos Santos, BV and no direct transactions occurred between the Company and any other Company of the Group in 2014, neither were there any amounts payable or receivable between them on December 31st 2014.

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

	Sales and services rendered		Stocks purchased and services supplied	
	2014	2013	2014	2013
Joint ventures (note 29)	645	291	89,360	84,193
Associates (note 29)	-	-	9	20
Other related parties(*)	97	61	216	260

	Trade debtors, accrued income and deferred costs		Trade creditors, accrued costs and deferred income	
	December 2014	December 2013	December 2014	December 2013
Joint ventures (note 29)	640	477	5,774	7,251
Associates (note 29)	-	-	-	10
Other related parties(*)	17	6	-	-

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

All the transactions with the jointly controlled companies (joint ventures) and associate companies were made under normal market conditions, meaning, the transaction value corresponds to prices that would be applicable between non-related parties.

Outstanding balances between Group Companies and related parties, as a result of trade agreements, are settled in cash, and are subject to the same payment terms as those applicable to other agreements contracted between Group companies and their suppliers.

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.

26.2 Remuneration paid to Directors and Senior Managers

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

	2014	2013
Salaries and other short-term employee benefits	13,997	16,586
Termination benefits	313	1,037
Post-employment benefits	353	458
Other benefits	1,006	1,007
Total	15,669	19,088

The Board of Directors of the company consisted of 9 members at the end of 2014. The average number of Senior Managers of the Group was 73 (2013: 68).

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

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

The amounts presented reflect 100% of costs with salaries and wages of the Directors and the Senior Managers.

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

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

27 Group subsidiaries

Group control is ensured by the parent company, Jerónimo Martins, SGPS, S.A..

The tables below list the subsidiaries of Jerónimo Martins Group, fully consolidated.

Company	Business area	Head office	% Owned
Jerónimo Martins, SGPS, S.A.	Business portfolio management	Lisbon	-
Jerónimo Martins – Serviços, S.A.	Human resources top management	Lisbon	100.00
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
Origins – Agro Business Investments B.V.	Business portfolio management and financial services	Amsterdam (Holland)	100.00
Jerónimo Martins – Agro-Alimentar, S.A.	Other business support service activities, n.e.c..	Lisbon	100.00
Jerónimo Martins – Lactínios de Portugal, S.A.	Manufacture of milk and dairy products	Portalegre	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
Lidininvest – Gestão de Imóveis, S.A.	Real estate management and administration	Funchal	75.50
Beleggingsmaatschappij Tand B.V.	Business portfolio management and financial services	Amsterdam (Holland)	100.00
Jerónimo Martins Polska S.A.	Retail and wholesale of food and consumer goods	Kostrzyn (Poland)	100.00
Optimum Mark Sp. Z o.o.	Trademarks management	Warsaw (Poland)	100.00
JM Nieruchomosci – Sp. z o.o.	Provision of services in the area of wholesale and retail distribution	Kostrzyn (Poland)	100.00
JM Nieruchomosci – Sp. Komandytowo-akcyjna	Real estate management and administration	Kostrzyn (Poland)	100.00
Jerónimo Martins Drogerie i Farmacja Sp. z o.o.	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

In November 2014 the company JM TELE – Sp. z o.o., was wound up.

28 Financial information on subsidiaries with material non-controlling interests

The non-controlling interests as at 31 December 2014 were EUR 242,875 thousand (2013: EUR 235,835 thousand), of which EUR 242,165 thousand (2013: EUR 235,146 thousand) related to JMR Group, where Royal Ahold Group holds a stake c.a. 49%.

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

	2014	2013
Non-current assets	1,337,014	1,389,310
Current assets	319,076	345,804
Non-current liabilities	(89,332)	(307,230)
Current liabilities	(1,069,280)	(942,742)
Net assets	497,478	485,142
Revenue	3,552,073	3,485,217
Net profit	45,325	20,966
Other comprehensive income	875	958
Total comprehensive income	46,200	21,924

29 Interests in joint ventures and associates

Set out below are the joint ventures and associates of the Group, consolidated by the equity method:

Company	Business area	Head Office	% Owned
Unilever Jerónimo Martins, Lda.	Wholesale of consumer goods	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
Perfumes e Cosméticos Puig Portugal Distribuidora, S.A.	Retail sale of perfumes and cosmetics	Lisbon	27.55

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 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 holds a direct interest 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.

Despite the low materiality of the financial statements of joint ventures and associates for the Group's Accounts, we present summarized financial information relating to them:

	Joint ventures		Associates	
	2014	2013	2014	2013
Non-current assets	283,265	284,494	309	387
Current assets	162,933	184,145	5,733	7,015
Non-current liabilities	(10,040)	(6,566)	-	(38)
Current liabilities	(272,743)	(289,542)	(3,372)	(4,114)
Net assets	163,415	172,531	2,670	3,250
Revenue	527,640	520,974	12,032	13,044
Net result	33,273	41,061	756	1,308
Other comprehensive income	186	596	-	-
Total comprehensive income	33,459	41,657	756	1,308

The information above reflects the amounts presented in the financial statements of the joint ventures and associates adjusted to the accounting policies adopted by the Group, and consolidation adjustments.

The table below presents a reconciliation of the financial position of joint ventures and associates with the value presented in the financial statements of the Group:

	Joint ventures		Associates	
	2014	2013	2014	2013
Opening net assets as at 1 January	172,531	160,230	3,250	3,651
Profit/(loss) for the period	33,273	41,061	756	1,308
Dividends and other income distributed in the year	(42,575)	(29,356)	(1,336)	(1,709)
Other comprehensive income	186	596	-	-
Closing net assets as at 31 December	163,415	172,531	2,670	3,250
Interest in joint-ventures/associates(%)	45%	45%	27.5%	27.5%
Carrying value (Note 12)	73,537	77,639	735	895

30 Financial risks

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 minimise their adverse effects on the Group's financial performance.

Certain types of exposure are managed using financial derivative instruments.

The activity in this area is carried out by the Financial Operations Department, under the supervision of the Chief Financial Officer, and 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.

30.1 Market risk

30.1.1 Foreign exchange risk

The main source of exposure to foreign exchange risk comes from Jerónimo Martins' operations in Poland. Although not significant today, there is also a currency risk that comes from the investment in Colombia.

At 31 December 2014, a depreciation of the zloty against the euro of around 10% would have a negative impact on the net investment of EUR 75,208 thousand (2013: EUR 73,939 thousand). Jerónimo Martins vulnerability to this risk did not increase during 2014 given the natural hedge of the exposure, through financing in Zloty, resulting from the increase of the net investment in Poland.

In addition to this exposure, within the scope of the commercial activities of its subsidiaries, the Group acquires merchandise denominated in foreign currency, mainly Zloty and US Dollars for the Portuguese 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 exceeds EUR 1,000 thousand the Group's policy is to cover 100% of its value.

The Management of the Operational Companies' exchange rate risk is centralised in the Group's Financial Operations Department. Whenever possible, exposure is managed through natural hedges, namely through loans denominated in local currency. When this is not possible, hedging structures are contracted using instruments such as swaps, forwards or options.

The Group's exposure to foreign exchange risk in financial instruments recognised on and off balance sheet as at 31 December 2014 was as follows:

As at 31 December 2014	Euro	Zloty	Dollar	Colombian Peso	Total
Assets					
Cash and cash equivalents	209,923	216,831	-	3,906	430,660
Available-for-sale financial investments	1,252	-	-	-	1,252
Trade debtors and deferred costs	97,974	205,713	-	36	303,723
Derivative financial instruments	-	2,627	-	-	2,627
Total financial assets	309,149	425,171	-	3,942	738,262
Liabilities					
Borrowings	225,986	409,646	-	79,170	714,802
Derivative financial instruments	1,715	2,681	-	-	4,396
Trade creditors, accrued costs and deferred income	821,105	1,610,725	-	29,677	2,461,507
Total financial liabilities	1,048,806	2,023,052	-	108,847	3,180,705
Net financial position in the balance sheet	(739,657)	(1,597,881)	-	(104,905)	(2,442,443)
As at 31 December 2013					
Total financial assets	353,693	247,739	-	1,550	602,982
Total financial liabilities	1,189,437	1,721,602	80,537	53,577	3,045,153
Net financial position in the balance sheet	(835,744)	(1,473,863)	(80,537)	(52,027)	(2,442,171)

30.1.2 Price risk

With the investment in Banco Comercial Português (BCP), the Group is exposed to the risk of share price fluctuation. At 31 December 2014, a negative 10% variation in the trading price of BCP shares would have a negative effect of EUR 37 thousand (2013: EUR 34 thousand) in the net results.

30.1.3 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 Group is also exposed to fair value risk. Currently, according to the Financial Risk Management Policy, 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 Group is essentially exposed to the euro and the zloty interest rate curves, and starting now to have some exposure to the Colombian Peso interest rates.

The sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect interest gains and losses on financial instruments, traded at variable interest rates;
- Changes in market interest rates only affect gains and losses in interest on financial instruments with fixed interest rates if these are recognised at fair value;
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities;
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated by discounting future cash flows from current net values, using the market rates at the valuation date.

For each analysis, whatever the currency, the same changes to the yield curves are used. The analyses are carried out for the net debt, meaning deposits and short-term investments with financial institutions and derivative financial instruments are deducted. Simulations are performed based on net debt values and the fair value of derivative financial instruments as of the reference dates and the respective change in the interest rate curves.

Based on the simulations performed on 31 December 2014, 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 EUR 1,400 Thousand (2013: EUR 1,600 thousand). Incorporating the effect of interest rate derivatives, the net impact would be negative in EUR 400 thousand (2013: positive EUR 2,800 thousand).

These simulations are carried out at least once a quarter, but are reviewed whenever there are relevant changes, such as debt issuance, debt repayment or restructuring, significant variations in reference rates and in the slope of the interest rate curve.

Interest rate risk is managed through operations involving financial derivatives contracted at zero cost at the initial moment.

30.2 Credit risk

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

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

With regard to customers, the risk is mainly limited to Recheio Cash & Carry and to the Services businesses, since the other businesses operate based on sales 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 on bank deposits and short-term investments and derivative financial instruments with positive fair value, as at 31 December 2014 and 2013:

Financial Institutions		2014	2013
Rating Company	Rating	Balance	Balance
Standard & Poor's	[A+ : AA]	3,812	68,973
Standard & Poor's	[BBB+ : A]	115,493	152,886
Standard & Poor's	[BB+ : BBB]	143,391	18,054
Standard & Poor's	[B+ : BB]	89,680	89,438
Standard & Poor's	[B]	-	587
Fitch's	[A- : A+]	62,796	24,495
Fitch's	[BBB- : BBB+]	406	12,827
Fitch's	[BB- : BB+]	11,508	-
	Not Available	2,374	605
Total		429,460	367,865

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 and other debtors without non-payment or impairment:

Credit quality of the financial assets		
	2014	2013
New customer balances (less than six months)	1,753	899
Balances of customers without a history of non-payment	46,216	48,833
Balances of customers with a history of non-payment	14,404	12,348
Balances of other debtors with the provision of guarantees	2,905	810
Balances of other debtors without the provision of guarantees	103,874	70,346
	169,152	133,236

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

Concentration of the credit risk from the financial assets				
	2014		2013	
	No.	Balance	No.	Balance
Customers with a balance above 1,000,000 euros	6	15,191	6	14,542
Customers with a balance between 250,000 and 1,000,000 euros	20	8,156	20	8,338
Customers with a balance below 250,000 euros	7,830	36,355	8,473	36,753
Other Debtors with a balance above 250,000 euros	46	64,117	28	36,139
Other Debtors with a balance below 250,000 euros	2,766	45,333	2,159	37,464
	10,668	169,152	10,686	133,236

The maximum exposure to credit risk as at 31 December 2014 and 2013 is the financial assets accounting value.

30.3 Liquidity risk

Liquidity risk is managed by maintaining an adequate level of cash or cash equivalents, as well as by negotiating credit limits that not only ensure the regular development of 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.

Exposure to liquidity risk			
2014	Less than 1 year	1 to 5 years	+ 5 years
Borrowings			
Financial leasing	1,077	238	-
Bond loans	230,993	-	-
Commercial paper	157	-	-
Other loans	128,747	387,609	-
Derivative financial instruments	3,618	1,145	-
Creditors	2,358,132	-	-
Operational lease liabilities	287,661	1,065,401	1,569,818
Total	3,010,385	1,454,393	1,569,818
2013			
Borrowings			
Financial leasing	4,689	1,186	-
Bond loans	245,909	232,684	-
Commercial paper	317	78	-
Other loans	102,879	152,845	-
Derivative financial instruments	4,203	1,136	-
Creditors	2,245,422	-	-
Operational lease liabilities	257,535	918,639	1,356,448
Total	2,860,954	1,306,568	1,356,448

Jerónimo Martins has entered into some covenants in its loan agreements for the medium and long term debt in place.

These covenants include:

- Limitation on sales and pledge of assets above a certain amount;
- Limitation on mergers and/or demergers when these imply the reduction of assets in the consolidation perimeter;
- Limitation in the dividend payment of the subsidiary that issued the debt;
- Change of control clause;
- A limit on the ratios of Net Debt/EBITDA and EBITDA/Financial Results.

In some cases, the breach of these covenants may trigger the early redemption of the associated debt. At the end of December 2014 the Group was in full compliance with the covenants assumed on the debt loans in place.

30.4 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.

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 target for the gearing ratio below 70%, consistent with an investment grade rating.

The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014	2013(*)
Capital Invested	1,911,684	1,885,209
Net Debt	272,993	345,843
Shareholder's Funds	1,638,691	1,539,366
Gearing	16.7%	22.5%

(*) Restated – see note 2

31 Additional information required by law

In accordance with article 508-F of the Portuguese Commercial Companies Code, we hereby inform of the following:

- 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;
- The total remuneration paid to the External Auditor and Statutory Auditor in 2014, was EUR 951 thousand, of which EUR 809 thousand correspond to statutory audit of the accounts, while the remaining EUR 142 thousand, the most relevant are the access to a tax database, tax consulting related to human resources management and consulting on improving the reporting in the field of Corporate Responsibility with the implementation of Global Reporting Initiative indicators;
- Note 26 of the Notes to the Consolidated Financial Statements includes all the related parties disclosures, in accordance with the International Accounting Standards.

32 Events after the balance sheet date

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

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

Lisbon, 3rd March 2015

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.
- 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, March 3rd 2015

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

Alan Johnson
(Member of the Board of Directors)

Andrzej Szlezak
(Member of the Board of Directors)

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

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

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

José Manuel da Silveira e Castro Soares dos Santos
(Member of the Board of Directors)

Nicolaas Pronk
(Member of the Board of Directors)

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



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, 2014 (which shows total assets of Euro 5,172,421 thousand and total shareholder's equity of Euro 1,638,691 thousand including non-controlling interests of Euro 242,875 thousand and a net profit of Euro 301,711 thousand), the consolidated statement of income by functions, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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, 2014, 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 5, 2014

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Registered in the Comissão do Mercado de Valores Mobiliários with no. 9077
represented by:

José Pereira Alves, R.O.C.

Report and Opinion of the Audit Committee

Dear Shareholders,

In accordance with sub-paragraph g) of paragraph 1 of article 423-F of the Commercial Companies Code, we herewith present our report on our supervisory activity and our opinion on the Jerónimo Martins, SGPS, S.A. report and consolidated accounts for the year ending December 31st, 2014, 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, having had access to all the corporate documentation that it considered relevant, in order to assess compliance with its regulations and with the applicable laws

The Committee 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 to which is exposed.

The Committee also monitored the compliance with the Financial Risk Management Policy and the Group's Global Risk Management Policy, with the co-operation of the Managing Committee, the Financial Operations Department, the Group Risk Management 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.

It closely monitored the work carried out by the Internal Audit Department, by following its annual activity plan, the conclusions of the reports on the work carried out, as well as the actions that the Company implemented as a result of the recommendations issued by this department and also those contained in the reports issued by the External Auditor. The Committee reviewed and approved the internal audit plan for 2015 as well as the necessary resources allocation.

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.

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 in respect of the firm of External Auditors the Committee discussed and considered the costs and advantages of rotating said firm, having decided to give a favorable opinion for the latter's maintenance.

The audit Committee 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, March 5th, 2015

Hans Eggerstedt
(Chairman of the Audit Committee)

António Pedro Viana-Baptista
(Member)

Sérgio Tavares Rebelo
(Member)

ANNUAL REPORT 2014



4.

CORPORATE GOVERNANCE

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

Section A SHAREHOLDER STRUCTURE

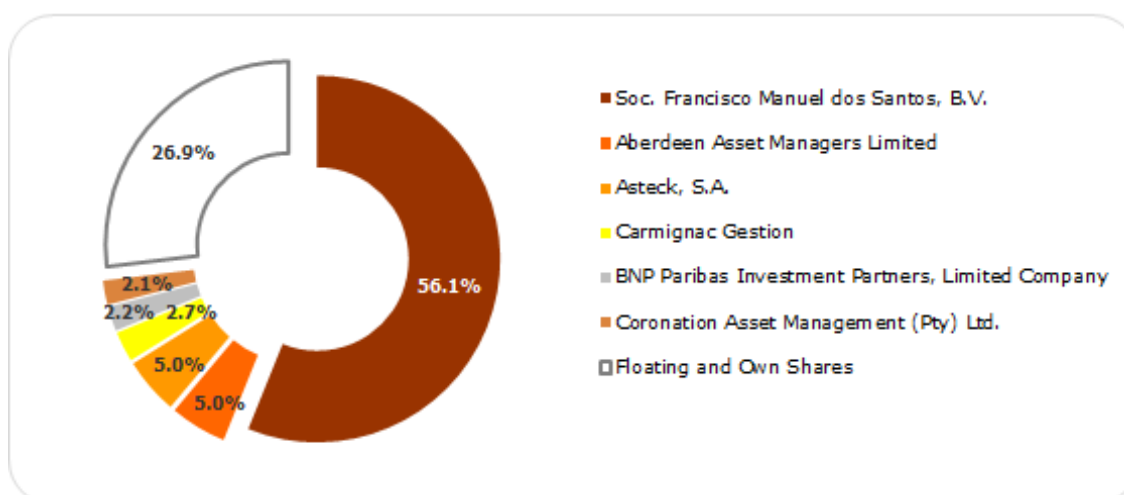
Subsection I Capital Structure

1. Capital Structure

The Company's share capital is 629,293,220 euros. It is fully subscribed and paid up, and divided into six hundred and twenty-nine million, two hundred and ninety-three thousand, two hundred and twenty shares with a nominal value of one euro each.

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

The Company's shareholder structure is the following, with reference to 31 December 2014:



2. Restrictions on the Transfer of Shares

Jerónimo Martins' shares are freely transferable and there are no restrictions concerning their tradability.

3. Own Shares

The Company holds 859 thousand shares in its own portfolio, which were acquired in 1999 at an average price of 7.06 euros per share (price adjusted by the restatement of capital). These shares represent 0.14% of the Company's share capital, which would correspond to equal percentage of voting rights.

4. 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 After a Takeover Bid

There are no significant agreements to which the Company is a Party and that come into effect, are amended or terminated in case of a change in the control of the Company after a takeover bid.

5. Defensive Measures

No defensive measures were adopted that require payments or the assumption of costs by the Company in the event of a change of control or a change in the composition of the Board of Directors and that are likely to impair the free transfer of shares and the free assessment by the shareholders of the performance of the Board members, or that provide for a restriction on the number of votes capable of being held or exercised by only one shareholder individually or together with other shareholders.

6. Shareholders Agreements Known to the Company

Pursuant to the communication regarding the qualifying holding received by the Company on 2 January, 2012, the Board of Directors was informed 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.

Subsection II Shareholdings and Bonds Held

7. Shareholders with Qualifying Holdings

The holders of Qualifying Holdings, calculated in accordance with the terms of paragraph 1 of Article 20 of the Portuguese Securities Code, based on the total number of shares under the terms of section b), paragraph 3 of Article 16 of the Portuguese Securities Code, as at 31st December 2014, are identified in the table below.

List of Qualifying Holdings as at 31st December 2014

(Pursuant to paragraph 4 of Article 448 of the Commercial Companies Code and in sub-paragraph b) of paragraph 1 of Article 8 of the Portuguese Securities Code Regulations no. 5/2008)

Shareholder	No. of Shares Held	% Capital	No. of Voting Rights	% of Voting Rights
Sociedade Francisco Manuel dos Santos, SGPS, S.A. Through Sociedade Francisco Manuel dos Santos, B.V.	353,260,814	56.136%	353,260,814	56.136%
Aberdeen Asset Managers Limited Directly	31,482,477	5.003%	31,482,477	5.003%
Heerema Holding Company Inc. Through Asteck, S.A.	31,464,750	5.000%	31,464,750	5.000%
Carmignac Gestion Directly	16,859,313	2.679%	16,859,313	2.679%
BNP Paribas Investment Partners, Limited Company Through Investment Funds Managed by BNP Paribas	13,536,757	2.151%	12,604,860	2.006%
Coronation Asset Management (Pty) Ltd Through Investment Funds Managed by Coronation Asset Management (Pty)	13,447,972	2.137%	13,447,972	2.137%

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

8. Number of Shares and Bonds Held by Members of the Management and Supervisory Boards

(Pursuant to paragraph 5 of Article 447 of the Commercial Companies Code)

The Board of Directors

Members of the Board of Directors	Held on 31.12.13		Increases during the year		Decreases during the year		Held on 31.12.14	
	Shares	Bonds	Shares	Bonds	Shares	Bonds	Shares	Bonds
Pedro Manuel de Castro Soares dos Santos ¹	235,805	-	39,000	-	-	-	274,805	-
Alan Johnson ²	21,400	-	8,675	-	-	-	30,075	-
Andrzej Szlezak	-	-	-	-	-	-	-	-
António Pedro de Carvalho Viana-Baptista	-	-	-	-	-	-	-	-
Francisco Manuel Seixas da Costa	-	-	-	-	-	-	-	-
Hans Eggerstedt	19,700	-	-	-	-	-	19,700	-
José Manuel da Silveira e Castro Soares dos Santos ³	-	-	20,509	-	-	-	20,509	-
Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code) ⁴	353.260.814						353.260.814	
Nicolaas Pronk	-	-	-	-	-	-	-	-
Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code) ⁵	31.464.750						31.464.750	
Sérgio Tavares Rebelo	-	-	-	-	-	-	-	-

¹ The 39,000 shares were bought on 30/10/2014, at an average price of 7.46 euros each.

² The 8,675 shares were bought on 13/03/2014, at a price of 11.50 euros each.

³ The 20,509 shares were bought on 31/07/2014, at an average price of 9.74 euros each.

⁴ Sociedade Francisco Manuel dos Santos, B.V.; See Point 20.

⁵ Asteck, S.A.; See Point 20.

Statutory Auditor

As at 31 December, 2014, the Statutory Auditor PricewaterhouseCoopers & Associados, SROC, Lda., did not hold any shares or bonds of Jerónimo Martins, SGPS, S.A. and had not made any transactions with Jerónimo Martins, SGPS, S.A. securities.

9. Special Powers of the Board of Directors, especially in Relation to Deliberations on Capital Increases

Any capital increase is subject to prior deliberation by the General Shareholders' Meeting.

10. Significant Business Relationships between the Holders of Qualifying Holdings and the Company

Pursuant to the policy that has been followed by the Company in this area, no business was carried out by the Company with the owners of Qualifying Holdings or entities in any type of relationship with the owners of such holdings, outside of normal market conditions.

There are no significant business relationships between holders of Qualifying Holdings and the Company.

Section B CORPORATE BODIES AND COMMITTEES

Subsection I General Meeting

A. Composition of the Presiding Board of the General Meeting

11. Details and Position of the members of the Presiding Board of the General Meeting

On 10 April 2013 João Vieira de Castro and Tiago Ferreira de Lemos were appointed as Chairman and Secretary of the General Shareholders' Meeting respectively, for the term of office that expires on 31 December 2015. On 17 December 2013 the Company was informed of the resignation of the Chairman of the General Shareholder's Meeting.

Subsequently to said resignation, Abel Bernardino Teixeira Mesquita was elected Chairman of the General Shareholders' Meeting on 10 April 2014, for the remainder of the term in force.

B. Exercising the Right to Vote

12. Restrictions on the Right to Vote

The Company and its Board of Directors particularly value the principles of free transferability of shares and assessment by Shareholders of the performance of members of the Board of Directors.

As such Article Twenty Four of the Articles of Association of the Company establishes the rule that each share has the right to one vote.

Accordingly, the Company has not established mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each ordinary share, inter alia, no special rights for shareholders or restraints on the exercise of voting rights are provided for in the Company's Articles of Association, nor is there any special rule in the Articles of Association regarding systems whereby the financial rights attached to securities are separated from the holding of securities.

Attending the Shareholders' Meeting is not subject to holding a minimum number of shares.

According to Article Twenty-Six of the Articles of Association of the Company, the Shareholders' Meeting may take place upon the first convocation, as long as more than 50% of the Company's capital is present or represented.

Participation in the General Shareholders' Meeting

Under the provisions of the Portuguese Securities Code and Article Twenty-Three of the Articles of Association, the Shareholders that meet the following conditions can participate and vote at the General Meeting:

- i. On the Record Date, corresponding to 00:00 (GMT) of the fifth trading day prior to the General Shareholder's Meeting, they held shares of the Company entitling them to at least one vote;
- ii. By the end of the day prior to the day of the Record Date, they had stated in writing, to the Chairman of the General Shareholder's Meeting and to the respective financial intermediary, their intention to participate in the meeting;
- iii. By the end of the day of the Record Date, the respective financial intermediary has sent to the Chairman of the General Shareholder's Meeting information on the number of shares registered under that Shareholder's name on the Record Date.

Postal Vote

According to paragraph three of Article Twenty-Five of the Articles of Association, postal votes are allowed. Pursuant to the Articles of Association, postal votes count for the formation of a constitutive quorum for the General Shareholders' Meeting, and it is the responsibility of the Chairman of the Board of the Shareholders' Meeting or his substitute to verify their authenticity and full compliance with the procedures, as well as to assure confidentiality when a vote is submitted. In the event that a Shareholder or a Shareholder's representative is present at the General Shareholders' Meeting, the postal vote that was issued is revoked.

Postal votes count as negative votes in relation to deliberative proposals presented subsequent to the date on which those votes were issued.

The Company has provided a form to exercise the right to vote by post on its web page.

As the Company's Articles of Association do not state anything on this matter, the Company has established a deadline of 48 hours prior to the General Shareholders' Meeting for receipt of postal votes, thus complying with and, to a certain extent, exceeding the recommendations of the CMVM on this matter.

Vote by Electronic Means

The Company, also recognising that using new technologies encourages Shareholders to exercise their right to vote, has adopted, since 2006, adequate mechanisms so that they may vote electronically in General Shareholders' Meetings. Thus, Shareholders must state their intent to exercise their right to vote electronically to the Chairman of the Board of the General Shareholders' Meeting, at the Company's Head Office or using the Jerónimo Martins website, at <http://www.jeronimomartins.pt/?lang=en>. In that expression of interest, shareholders must indicate the address of the financial intermediary with whom the securities are registered, to which a registered letter will be subsequently sent containing the electronic address to be used to vote, and an identification code to use in the electronic mail message by which the shareholder exercises its right to vote.

13. Maximum Percentage of Voting Rights That May Be Exercised By a Single Shareholder or By Shareholders That Are In Any Relationship As Set Out In No. 1 of Article 20 of the Portuguese Securities Code

The Company has not established rules stating that voting rights over a certain number are not counted, when issued by a single shareholder or shareholders related to it.

14. Shareholders' Resolutions That, Imposed By The Articles Of Association, May Only Be Taken With a Qualified Majority, In Addition To Those Legally Provided

There is no special rule in the Articles of Association regarding deliberative quorums.

Subsection II Management and Supervision

A. Composition

15. Corporate Governance Model Adopted

The Company has adopted the anglo-saxon governance model which corresponds to the option foreseen in subparagraph b) of Article 278 of the Commercial Companies Code. According to this model the management and supervision of the company are organized through a Board of Directors, which includes the Audit Committee, and a Statutory Auditor.

16. Articles of Association Rules on the Procedural Requirements Governing the Appointment and Replacement of Members of the Board of Directors and of the Supervisory Board

The first Article of the Regulations of the Company's Board of Directors foresees that the composition of this body will be decided in the General Shareholders' Meeting pursuant to the terms indicated in paragraph one of Article Twelve of the Articles of Association, and that it will be presided over by the respective Chairman, chosen by the General Shareholders' Meeting.

Paragraph number three of Article nine of the same Regulations prescribes that in the event of death, resignation or impediment, whether temporary or definitive, of any of its members, the Board of Directors will agree on a substitute. If the appointment does not occur within 60 days of the absence of the Director, the Audit Committee will be responsible for appointing the substitute.

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.

17. Composition of 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, elected by the General Shareholders' Meeting for three year terms. Currently, the Board of Directors has nine members and there are no substitute members:

Pedro Manuel de Castro Soares dos Santos

- Chairman of the Board of Directors since 18 December 2013
- CEO
- First appointment on 31 March 1995
- Expiry of the term of office on 31 December 2015

Alan Johnson

- Non-Executive Director (with special tasks until 3 November 2014)
- First appointment on 30 March 2012
- Expiry of the term of office on 31 December 2015

Andrzej Szlezak

- Non-Executive Director
- First appointment on 10 April 2013
- Expiry of the term of office on 31 December 2015

António Pedro de Carvalho Viana-Baptista

- Independent Non-Executive Director
- First appointment on 9 April 2010
- Expiry of the term of office on 31 December 2015

Francisco Seixas da Costa

- Independent Non-Executive Director
- First appointment on 10 April 2013
- Expiry of the term of office on 31 December 2015

Hans Eggerstedt

- Non-Executive Director
- First appointment on 29 June 2001
- Expiry of the term of office on 31 December 2015

José Manuel da Silveira e Castro Soares dos Santos

- Director with special tasks
- First appointment on 31 March 1995
- Expiry of the term of office on 31 December 2015

Nicolaas Pronk

- Non-Executive Director
- First appointment on 30 March 2007
- Expiry of the term of office on 31 December 2015

Sérgio Tavares Rebelo

- Independent Non-Executive Director
- First appointment on 10 April 2013
- Expiry of the term of office on 31 December 2015

There were no changes in the composition of the Company's Board of Directors in 2014.

18. Distinction Between Executive and Non-Executive Directors, And Identification of Independent Directors Among Non-Executive Directors

The Company seeks a balance in the composition of the Board of Directors through the integration of Non-Executive Directors and Independent Directors alongside Executive Directors, being referred, in point 17, above, the respective discrimination. The criteria used coincides with that of the EU Commission's Recommendation 2005/162/EC, of 15 February 2005, being considered as Executive Director any member who is engaged in the daily management of the company and, *a contrario sensu*, Non-Executive Directors are those who are not engaged in the daily management.

The Board of Directors is therefore composed of Non-Executive Directors, in particular Independent Directors who possess a wide range of technical skills, contact networks and connections with national and international bodies, who therefore enrich and optimise the Company's management in terms of creating value and ensuring adequate protection of the interests of all its shareholders, thereby ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the Board of Directors.

In accordance with the principles by which the Company is run, although all Board Members are accountable to all Shareholders equally, the independence of the Board of Directors in relation to the Shareholders is further reinforced by the existence of Independent Board Members.

Pursuant to the 2013 CMVM's Recommendations on Corporate Governance, hereafter referred to as "2013 CMVM's Recommendations", considering the provision of recommendation II.1.7, which establishes the independence criteria to be used in the evaluation made by the Board of Directors, Francisco Seixas da Costa, António Viana-Baptista, Sérgio Rebelo and Hans Eggerstedt qualify as Independent Directors. The latter three Directors are also members of the Audit Committee and therefore they are further subject to the independence criteria indicated in paragraph 5 of Article 414 of the Commercial Companies Code. According to these criteria Director Hans Eggerstedt cannot be regarded as independent. Each of the members of the Audit Committee also complies with the rules of incompatibility laid down in paragraph 1 of Article 414-A of the Commercial Companies Code, except that provided for in sub-paragraph b).

There being three Independent Directors, in accordance to the criteria above mentioned, out of a total of nine Directors, the Company complies with recommendation II.1.7. (2013 CMVM's Recommendations), also in the part where it establishes that Non-Executive Directors shall include an appropriate number of independent members (*in casu*, one third).

19. Professional Qualifications of the Members of the Board of Directors

Pedro Soares dos Santos joined the Operating Division of Pingo Doce in 1983. In 1985, he joined the Sales and Marketing Department of Iglo/Unilever, and five years later, assumed the post of Assistant Director of Recheio Operations. In 1995, he was named General Manager of the 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 and Chairman of the Board of Directors of the Company since 18 December 2013.

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 was a member of the Market Oversight Committee of the Chartered Association of Certified Accountants between 2007 and 2013 and has been 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.

Andrzej Szlezak is a Polish national and has a Master degree in English philology and in law from Adam Mickiewicz University in Poznan, Poland; in 1981, he passed the judicial exam and in 1994, he was admitted to the Chamber of Legal Advisors (Poznan Chapter). In 1979 he started his academic career at said university where he was awarded his doctorate and post-doctorate degrees in Law ("Habilitated Doctor") in 1985 and in 1992, respectively. In 1994, he was awarded a professorship at Adam Mickiewicz University (Law School), which he held until 1996. At present, he is a professor at Warsaw School of Social Sciences and Humanities. In 1991, he joined the law firm of Soltysinski, Kawecki & Szlezak ("SK&S") where he became Partner in 1993 and Senior Partner in 1996. During his practice at SK&S he has provided legal advice in numerous privatization and restructuring transactions in many sectors of Polish economy (mostly in M&A, corporate and greenfield projects). Since 1999, he has been an arbitrator of the Arbitration Court at the Polish Chamber of Commerce (KIG) in Warsaw, being at the moment Deputy Chairman of the Arbitration Board of this Court. He has also been appointed an arbitrator in several proceedings (national and international) before the ICC International Court of Arbitration in Paris and in *ad hoc* proceedings conducted according to the UNCITRAL Arbitration Rules. He is also the author of several publications, including foreign-language publications, in the fields of civil, commercial and arbitration law. He has been a Non-Executive Director of the Company since 10 April 2013.

António Viana-Baptista holds a Degree in Economics from Universidade Católica Portuguesa (1980), has a postgraduate diploma in European Economics from Universidade Católica Portuguesa (1981) and an MBA from INSEAD (Fontainebleau, 1983). Between 1985 and 1991 he was Principal Partner of Mckinsey & Co. in the Madrid and Lisbon offices. He held the post of Director in the Banco Português de Investimento between 1991 and 1998. From 1998 to 2002 he was Chairman and CEO of Telefónica International. From 2002 to 2006 he was Chairman and CEO of Telefónica Móviles S.A. From 2006 to 2008 he was Chairman and CEO of Telefónica España. Between 2000 and 2008 he was a Non-Executive Director of the Board of Directors of Portugal Telecom. Since 2011, he is CEO of Crédit Suisse AG for Spain and Portugal. He has been Non-Executive Director of the Company since 9 April 2010.

Francisco Seixas da Costa is a Portuguese national and has a degree in Political and Social Sciences from the Universidade Técnica of Lisbon. He started his diplomatic career in 1975 as a diplomat in the Portuguese Ministry of Foreign Affairs. Between 1995 and 2001, he was Secretary of State for European Affairs, where he had several official functions, amongst others, Portuguese chief negotiator of the EU Amsterdam treaty, from 1995 to 1997, Portuguese coordinator for the negotiation of the EU financial framework, from 1997 to 1999, and President of the Council of Ministers of the EU Internal Market in 2000. From 2001 until 2002 he was Ambassador, Permanent Representative to the United Nations, in New York and, from 2002 until 2004, he was Ambassador, Permanent Representative to the Organization for Security and Cooperation in Europe (OSCE), in Vienna. Between 2004 and 2008 he was Ambassador to Brazil, in Brasília and between 2009 and 2013 he was Ambassador to France and Permanent Representative to UNESCO (since 2012), in Paris. Since 2013 he has been member of the Consultative Council of Fundação Calouste Gulbenkian and member of the Strategic Council of Mota-Engil, SGPS, S.A. He has been a Non-Executive Director of the Company since 10 April 2013.

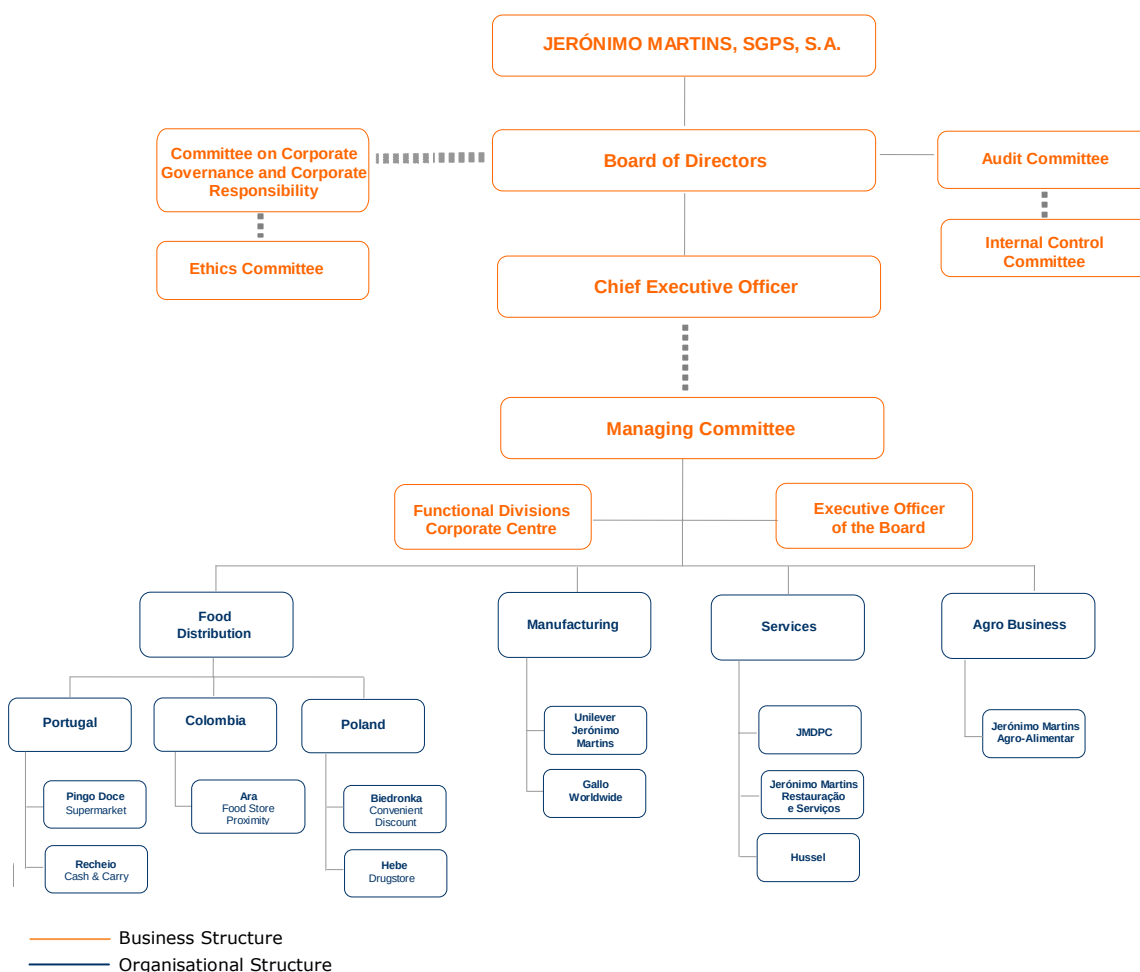
Nicolaas Pronk is a Dutch national, and has a degree in Finance, Auditing, and Information Technology. Between 1981 and 1989 he worked for KPMG in the Financial Audit area for Dutch and foreign companies. In 1989 he joined the Heerema Group, created the Internal Audit Department, and since then has performed 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.

Sérgio Tavares Rebelo is a Portuguese national and has a degree in Economy from Universidade Católica Portuguesa. He also has a M.Sc. in Operations Research from Instituto Superior Técnico of Lisbon, as well as a M.A. and a Ph.D. in Economy from University of Rochester. He began his academic career as an instructor at Universidade Católica Portuguesa in 1981. In 1988 he joined Northwestern University as Assistant Professor of Finance and became Associated Professor of Finance in 1991. Between 1992 and 1997 he was Associated Professor of the Department of Economics of the University of Rochester and since 1997 he has been Tokai Bank Distinguished Professor of International Finance, Kellogg School of Management, of Northwestern University. Since 1982, he has published numerous Articles and books on economics and finance. He has been a Member of the Advisory Council to the Global Markets Institute at Goldman Sachs since April 2012. He has been Non-Executive Director of the Company since 10 April 2013.

20. Customary and Significant Relationships of the Members of the Board with Shareholders with Qualifying Holdings

Member of the Board of Directors	Type of Relationship	Shareholder with Qualifying Holding
José Soares dos Santos	Director	Sociedade Francisco Manuel dos Santos, SGPS, S.A.
	Director	Sociedade Francisco Manuel dos Santos, B.V.
Nicolaas Pronk	Director	Astek, S.A.

21. Organisational Charts, Delegation of Powers and Division of Responsibilities



Chairman of the Board of Directors

The Chairman of the Board of Directors, according to the Board of Directors' Regulations, in addition to the institutional representation of the Company, has a special responsibility for managing the respective meetings, for monitoring the action taken on the decisions made by this body, for taking part in the meetings of other committees set up by the Board of Directors and for defining the overall strategy of the Company.

Delegation of Powers, Coordination of Non-Executive Directors, and Special Duties

The Board of Directors, by resolution, delegated various duties regarding the day-to-day management of the Company in one Chief Executive Officer who, in the terms of such delegation, is entitled:

- a. To manage all corporate businesses and perform all operations relating to its corporate objectives, included in the scope of its current role, as holding company;
- b. To represent the company, in court or otherwise, to propose and answer to any lawsuits or engage in any arbitrations, for which purpose it may designate proxies, as well as compromise in, confess or withdraw from any such lawsuits or arbitrations;
- c. To decide on loans or other financial operations to be contracted from the financial market at home or abroad, as well as on the issuance of debt securities within the powers of the Board of Directors and to accept the supervision of the lending entities, all these up to the amount of 50,000,000 (fifty million) euros and in full compliance with that prescribed in the Articles of Association of the Company;
- d. To decide on the provision of technical and financial support, including through the granting of loans by the Company to companies whose stakes or shares the former holds in total or in part;
- e. To decide on the sale/transfer or lease (as lessor) any movable or immovable assets, including shares, units, quotas and bonds, and in general to decide on any divestments up to the amount of 50,000,000 (fifty million) euros or, independently of such threshold, whenever such divestment is set out in the Medium or Long Term Plans, as defined below, approved by the Board of Directors;
- f. To decide on the acquisition or lease (as lessee) of any movable or immovable assets, including shares, units, quotas and bonds, and in general to decide on any investments up to the amount of 50,000,000 (fifty million) euros or, independently of such threshold, whenever such investment is set out in the Medium and Long Term Plans, as defined below, approved by the Board of Directors;
- g. To appoint the individuals to be proposed to the General Shareholders' Meeting from the companies referred to in sub-paragraph d) above, to fill the roles of the respective corporate bodies, indicating those who will fulfil executive functions;
- h. To approve policies and rules transverse to the companies of the group, such as procedure manuals, regulations and service instructions, maxime, those concerning (i) human resources, (ii) operational control, (iii) food safety and quality control, and (iv) reporting and investments;
- i. To approve the expansion plans with respect to the activities of each of the business areas, as well as group companies forming part of the group but not included in the business areas;
- j. To approve the organic structure for the Group's companies;
- k. To decide on the instructions to be given by the Company to the management of its subsidiary companies with respect to those matters referred to herein, pursuant to and in compliance with the applicable laws.

For the purpose of the delegation of powers, it is considered as being foreseen in the Medium and Long Term Plans (which are considered to be the activity and investment plans and financial projections on a three-year term), the acquisitions, sales, investments or divestments whose amount does not exceed more than 10% each heading contained in those Plans.

In 2014, the Managing Committee remained in office as the consultative body which, as referred in point 29, has the primary goal of assisting the Chief Executive Officer in the duties delegated by the Board, in relation to the daily management of the businesses within the corporate purpose of the Company.

Nevertheless, pursuant to the terms of its Internal Regulation, the Board of Directors retains authority over strategic matters of management of the Group, in particular those regarding the definition of general policies of the Company and the corporate structure of the Group and those that, due to their importance and special nature, may significantly impact on the business activity of the Group.

The matters referred to in Article 407(4) of the Commercial Companies Code are off-limits to the Chief Executive Officer.

Apart from the powers on strategic matters of management of the Group, the Board of Directors has effective control on directing corporate activities by always seeking to be duly informed and by ensuring the supervision of the Company's management, having implemented mechanisms that ensure such supervision.

To this end, at each Board of Directors meeting the Chief Executive Officer reports on the Company activity since the last meeting and provides any further clarification that the Non-Executive Directors may require. All information requested by the Non-Executive Directors in 2014 was provided in full and in a timely manner by the Chief Executive Officer.

Additionally, considering that the Chief Executive Officer is, simultaneously, Chairman of the Board of Directors, it was approved by decision of the said Board, a Mechanism for Coordinating the Activities of Non-Executive Directors, complying with Recommendation II.1.10 of CMVM's Recommendations 2013.

Such Mechanism foresees that the members of the Board of Directors who are not part of an Executive Committee or are not Executive Directors are responsible, pursuant to the terms of Article 407, paragraph 8 of the Commercial Companies Code, for monitoring the activity of the Executive Committee or the Executive Directors, as the case may be, as well as for the damages caused by their acts or omissions when, having knowledge of such acts or the intent to commit them, they do not seek the intervention of the Board of Directors to take the necessary measures.

The monitoring and supervising activity is also carried out by Non Executive Directors through their participation in specialized committees and working groups set up by the Company as well as in the corporate bodies of subsidiary companies.

Still on the terms of such Mechanism, the Executive Directors or the Chairman of the Executive Committee, as applicable, as well as Directors charged with a special duty, pursuant to the terms of Article 407, paragraphs 1 and 2 of the Commercial Companies Code, shall:

- (a) whenever necessary disclose to Non-Executive directors all the relevant information regarding the performance of the delegated powers or the special duty conferred upon them;
- (b) answer, within a reasonable deadline, to any information request presented by any Non-Executive Director, within their respective functions, and such information shall also be made available to the remainder members of the Board of Directors.

It is foreseen in the said Mechanism that Non-Executive Directors may also meet in *ad hoc* meetings, convened at the request of any two of them by the Company's Secretary (who shall inform the Chairman of the Board of Directors about the summons), pursuant to the terms foreseen in the Board of Directors Regulations.

In order to allow for an independent and informed participation of Non-Executive Directors in the meetings of the Board of Directors or in the meetings of the specialized committees and working groups set up by the Company as well as in the corporate bodies of subsidiary companies they integrate, the Mechanism foresees that the Company's Secretary shall make available to them the definitive agenda of the meeting and respective preliminary documentation, pursuant to the terms and within the deadlines foreseen in the Board of Directors Regulation.

The Company's Secretary shall also ensure, according to the Mechanism implemented, the delivery to the Directors, who so request, of a copy of the minutes of the meetings of the Managing Committee as well as a copy of any other minutes of the meetings of corporate bodies or specialized committees within the Board of Directors. Moreover, the Company's Secretary shall, within its duties, provide Directors with all information regarding the resolutions of the Board of Directors or Executive Committee or the decisions of the Executive Directors.

In what concerns the allocation of special duties, regarding Director Alan Johnson, the special duty of financial management of Jerónimo Martins Group and for investor relations within the Board of Directors that had been allocated to him, have ceased on 3 November, 2014.

The responsibility for investor relations within the Board of Directors has been undertaken since that date by the Chairman of the Board and Chief Executive Officer, Pedro Soares dos Santos.

Pursuant to Article 407 (1) of the Commercial Companies Code, the Board of Directors allocated to Director José Manuel da Silveira e Castro Soares dos Santos the special task of monitoring of the activities of the joint venture Unilever Jerónimo Martins, of the activities of Jerónimo Martins – Distribuição de Produtos de Consumo, Lda. and the activities of Jerónimo Martins – Restauração e Serviços, S.A..

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 four business segments: i. Food Distribution, ii. Manufacturing, iii. Marketing Services, Representations and Restaurant Services, and iv. Agro-Business. The first area is organised into Geographical Areas and Operating Areas.

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:



Environment and Food Safety – Responsible for defining the strategy, policies and procedures to be implemented within the areas under its responsibility across all the countries where the Jerónimo Martins Group is present.

Concerning the environment, Jerónimo Martins has defined the principle of establishing strategies, processes, projects and goals, as part of the value chain, in order to minimise the impacts caused by its operations, especially those linked to the consumption of energy and water, the proper use of materials, correct waste management and protecting biodiversity. The main actions implemented in 2014 and the results obtained can be found in the Chapter V of the Annual Report and Accounts.

In terms of Food Safety, a crucial activity at Jerónimo Martins, the Management has defined plans and objectives, aiming to bring the concept of Food Safety to the customer's home, thereby contributing towards maintaining the quality and freshness of the products until the time of their consumption. Several Articles about the correct manipulation and product handling have been published in magazines and other materials made available by the different companies of the Group.

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 2014, this Division continued to focus on monitoring the evolution of the corporate rules and recommendations in the Group's various reorganization operations and on supporting the Board of Directors and other functional divisions in the 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 – Assesses the quality and effectiveness of the internal control and risk management systems (both operational and non-operational) that are set by the Board of Directors, ensuring their compliance with the Group's Procedures Manual, as well as with procedures laid out in the Operations Manual of each business unit, as well as ensuring compliance with the legislation and regulations applicable to the respective operations.

This Division reports hierarchically to the Chairman of the Board of Directors and functionally to the Audit Committee. The activities carried out by this Functional Division are referred in point 50.

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.

In 2014, this Department organized the conference "Sustainability: Under Pressure" that aimed to sensitise the senior management of the Group and some of its strategic suppliers to environmental and social issues along the value chain. Mechanisms that allow to face the growing demand of information on Environmental, Social and Governance issues by analysts and investors with Sustainability concerns were developed.

Aimed at the internal stakeholders, both the Group's Corporate Communication Policy and the "Social Media Guidelines" were disclosed to all employees.

Financial Control – Responsible for providing financial information to support decision-making by the Company's corporate Bodies. It encompasses the areas of consolidation, accounting, financial planning and control.

The Consolidation and Accounting area prepares consolidated financial information in order to comply with statutory and legal obligations and supports the Board of Directors by implementing and monitoring the policies and the accounting principles adopted by the Group.

It also supervises the financial reporting of the different Group companies to ensure that it conforms to these standards, supporting the Companies in the accounting assessment of non-recurrent transactions, as well as restructuring and expansion operations.

The area of Planning and Control coordinates and supports the process for creating the Jerónimo Martins Strategic Plans, which are used as a basis for strategic decision-making by the Corporate Governance bodies.

It has a control function, monitoring the performance of the different business units of the Group and investigating any deviations from the plans. It thus provides the Managing Committee of Jerónimo Martins with relevant information and proposals to guarantee corrective measures that allow the defined strategic objectives to be achieved.

It also makes a financial assessment of all investment projects that are relevant for the Group, providing support to the Managing Committee for its approval and subsequent follow-up.

In 2014 it focused its activity on the monitoring of the performance of the business units in particular in the evaluation and interpretation of the impact of deflationary macroeconomic environment in the performance of the Group's business areas. It has also supported the development of new projects of the Group, as well as strengthened the monitoring of the new businesses.

International Expansion and Strategy – Responsible for prospecting and analysing opportunities to develop the Group's business portfolio and for leading and participating in projects of a strategic nature.

With regard to the development of the business portfolio, it holds the responsibility to search for, analyse and evaluate opportunities for the Group to expand and increase its value, focusing its activity on markets and businesses that can support the development of new and relevant business units for the Jerónimo Martins portfolio.

With regard to strategic projects, it holds the responsibility to lead or support both corporate group-wide projects, and strategic projects that are specific to individual Group Companies.

During 2014, it led and supported several strategic projects across the Group's geographies, and continued to develop prospects for expansion in new markets and businesses.

Fiscal Affairs – Provides all of the Group's Companies with assistance in tax matters, ensuring compliance with legislation in force and the optimisation of the business units' management activities from a tax perspective. It also manages the Group's tax disputes and its relations with external consultants and lawyers, as well as with Tax Authorities.

In 2014, through the associations that represent the sector, it ensured the defense of the Group's interests, whether collaborating on the clarification and implementation of new legislation, or in the public debate of legislative projects. Also participated in the commissions of the *Forum dos Grandes Contribuintes* (Large Taxpayers Forum), to improve the Portuguese tax system and the relationship between the Tax Authority and taxpayers. The function also developed actions aimed at obtaining tax benefits for the Group.

Risk Management – Responsible for implementing the Group's risk management policies and procedures, as well as for providing the necessary support to the Governance bodies in identifying any risks that might compromise the strategy defined by the Group, as well as its business objectives.

The activities carried out in the area of Risk Management are described in points 52 to 55 of this Report.

Financial Operations – This Division includes Financial Risk Management as well as Treasury Management. The activity of the first area is discussed in detail in points 52 to 55.

Treasury Management is responsible for managing relations with the financial institutions that have or intend to have business with Jerónimo Martins, ensuring that these entities fulfil the defined criteria, and also ensuring that the best possible conditions may be obtained at all times. It also executes treasury planning with the aim of negotiating and implementing, for all the Group's Companies, the most suitable financial sources according to its cash flow generation profile. It is also this area's responsibility to elaborate and ensure the execution of the treasury budget that is based on the activity plans of the Group's Companies.

A large part of the treasury activities of Jerónimo Martins is centralized in the Holding Company, which is a structure that provides services to all other Companies of the Group. In compliance with the above-described activities during 2014 new debt was issued to finance the investments in Poland and in Colombia.

Quality Control and Own Brand Development – Responsible for defining, planning, implementing and controlling the policies, procedures, methodologies and rules in the various countries where Jerónimo Martins operates, ensuring the use of the best and most up-to-date practices in this area.

In 2014 the main activities carried out focused on: i. increasing the control of products and suppliers in Portugal, Poland and in Colombia; ii. continuing with the improvement process for own brands by reformulating existing products; iii. using the IT tool, QMS Projects, in Portugal to support the development of new products; iv. implementing IT tool, QMS Suppliers, in Poland and in Colombia; v. maintaining the Quality and Food Safety certifications; vi. Systematizing of the implemented changes on the new products development procedure in Poland.

Human Resources – Founded on the Culture and Values and Principles of Jerónimo Martins, this Corporate area is responsible for defining and implementing the strategy and global policies of Human Resources with regard to the main pillars of Human Resource Management - Recruitment, Training, Development, Compensation and Benefits – promoting its compliance, safeguarding the uniqueness of the different geographical areas in which the Group operates and the individual nature of the different companies.

The activities that this Functional Division carried out in 2014 can be found in detail in Chapter V, Section 8 - Being a Benchmark Employer - of the Annual Report.

Investor Relations – This Division is responsible for the communication with investors – whether current shareholders or not, institutional and private, national and foreign – as well as with the analysts who formulate opinions and recommendations regarding Jerónimo Martins' share price. It is also the responsibility of this Division to co-ordinate all matters related to the CMVM.

The activities carried out by this Functional Division can be found in detail in points 56 and 58.

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 – Responsible for implementing and maintaining an information security management system which ensures the confidentiality, integrity and availability of information on all Group Companies, as well as assuring recovery of systems in the event of any disruption to the operations.

Information Security Officers (ISO) in each country, who report functionally to this Corporate Directorate, ensure local compliance with applicable Information Security Policies and Standards and provide assistance to the respective business and support areas.

In 2014, Information Security implemented a system to increase the network protection level and assessed the impact of transposing the European Directive on Protection of Personal Data. The Governance model with Information Technology was developed to consolidate a proactive and preventive posture in Information Security. The work on the assessment and remediation of risks in system access profiles continues.

Information Technology – Area responsible for defining and implementing the Global Information Technology strategy for the Group, for promoting technology-based innovation and for aligning IT systems, policies and processes.

IT also has the responsibility to create the conditions for the businesses to achieve their goals, by providing IT services that enable to implement and support the solutions required by the processes of the organization, from infrastructure to applications.

Of the work carried out in 2014, the following should be highlighted: i) the definition of the IT Strategy to support the development of new Business Units; ii) the development of a Global Infrastructure Model to address the new context of the Group; iii) the deployment of replicable solutions for the new business models of the Group; iv) adaptation of the Group's systems to support new developments in the models of the Business Units and to achieve higher levels of productivity.

In addition, major progress towards convergence of applications, infrastructure and IT processes was achieved, with the adoption of common tools to deliver the IT service across the different geographies.

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), which encompasses the Foodservice division through Caterplus. In Poland there are also two Operational Areas: Biedronka (food stores) and Hebe (drugstores) that includes Apteka Na Zdrowie (pharmacies). In Colombia one area: Ara (food stores).

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 major international brands of food products and premium cosmetic brands in Portugal; 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.

In 2014 the Group took the first steps in developing a new Agro-Business area, focusing mainly in protecting the supply chain of its Food Distribution operations.

B. Functioning

22. Availability and Place Where Rules on the Functioning of the Board of Directors May be Viewed

The Regulation of the Board of Directors is available on the Company's website, through the link mentioned in point 61 ("Relevant Addresses").

23. Number of Meetings Held and Attendance

The Board of Directors, whose duties are described in Article Thirteen of the Company's Articles of Association, meets at least four times a year, and any of its members may be represented at the Board meetings by another member, by means of a letter addressed to the Chairman.

During 2014, the Board of Directors met five times. The respective minutes were prepared for all meetings.

The Directors who have not personally attended Board Meetings have always appointed another Board Member to represent them, as statutorily provided, with the attendance of each Director to the referred meetings during the exercise of respective duties as follows:

Pedro Soares dos Santos	100%
Alan Johnson	100%
Andrzej Szlezak	100%
António Viana-Baptista *	80%
Francisco Seixas da Costa	100%
Hans Eggerstedt	100%
José Soares dos Santos	100%
Nicolaas Pronk *	80%
Sérgio Rebelo *	80%

* In every meeting not attended, the Director in question issued a representation letter, according to the Company's by-laws.

24. Performance Appraisal of Executive Directors

The assessment of performance of Executive Directors is made by the Remuneration Committee, elected by the General Shareholders' Meeting (see points 66 *et seq.*). The Remuneration Committee is in charge of, in the scope of the Remuneration Policy set, assessing the individual and collective performance of Executive Directors, evaluate their influence and impact in Jerónimo Martins' businesses and assessing their alignment with the medium and long-term interests of the Company. As referred below (see point 27) currently there are no committees composed exclusively by Directors. Notwithstanding such fact, the performance of Executive Directors who are part of mixed Committees (i.e. also composed of non-Directors) is evaluated by the Remuneration Committee, in the terms referred above.

25. Predefined Criteria For Assessing Executive Director's Performance

The predefined criteria for assessing Executive Directors' performance arise from that established in the remuneration policy, described in point 69.

26. Positions that the Members of the Board of Directors Hold in Other Companies, and Respective Availability

The members of the Board of Directors hold positions in other companies, namely:

Pedro Soares dos Santos

- Director of Jerónimo Martins Serviços, S.A.*
- Director of Jeronimo Martins Polska, S.A.*
- Director of Jeronimo Martins Drogerie i Farmacja Sp. z o.o.*
- Director of Jeronimo Martins Colombia, SAS*
- Director of Recheio, SGPS, S.A.*
- Director of Funchalgest – Sociedade Gestora de Participações Sociais, S.A.*
- Director of JMR – Gestão de Empresas de Retalho, SGPS, S.A.*
- Director of Jerónimo Martins – Agro-Alimentar, S.A.*
- Director of Quinta da Parreira – Exploração Agrícola, S.A.
- Manager of Jerónimo Martins – Distribuição de Produtos de Consumo, Lda.*
- Manager of Servicompria, SGPS, Lda.*
- President of the Supervisory Board of Warta – Retail & Services Investments B.V.*
- Member of the Supervisory Board of Bliska Sp z o.o. until 3 December 2014*

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 Olá – Produção de Gelados e Outros Produtos Alimentares, S.A. **
- Director of Jerónimo Martins – Restauração e Serviços, 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 Warta – Retail & Services Investments B.V.*

Member of the Supervisory Board of Bliska Sp z o.o. until 3 December 2014*
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.* until 19 September 2014
Director of JMR – Gestão de Empresas de Retalho, SGPS, S.A.* until 19 September 2014

Hans Eggerstedt

Member of the Board of Directors of Arica B.V.
Member of the Advisory Board of the Amsterdam Institute of Finance (The Netherlands)
Member of the Supervisory Board of Warta – Retail & Services Investments B.V.*

Andrzej Szlezak

Chairman of the Supervisory Board of Agora, S.A..
Member of the Supervisory Board of Warta – Retail & Services Investments B.V.*

António Viana-Baptista

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 B.V.
Member of the Board of Directors of Jasper Wireless Inc.

Francisco Seixas da Costa

Member of the Consultive Board of Faculdade de Economia da Universidade de Coimbra
Member of the Consultive Board of Faculdade de Ciências Sociais e Humanas da Universidade Nova de Lisboa
Member of the Consultive Board of Fundação Calouste Gulbenkian
Member of the Strategic Committee of Mota-Engil, S.A.
Member of the Board of Directors (Non-Executive) of Mota-Engil Africa, N.V.
Member of the Supervisory Board of Warta – Retail & Services Investments B.V.*

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 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.

Sérgio Tavares Rebelo

Member of the Advisory Council to the Global Markets Institute at Goldman Sachs

The positions held by the members of the Board in other companies did not affect their availability to take part in the Company's affairs, as demonstrated in the attendance report mentioned in point 23..

C. Committees within the Board of Directors and Chief Executive Officer**27. Details of the Committees created within the Board of Directors**

Currently there are no committees in the Company composed exclusively by Directors, without prejudice to the Audit Committee to which is made reference to in points 30 to 33.

However, some committees were created in the Company, composed by Directors and by other individuals who are not Directors, analysed in point 29.

28. Details of the Chief Executive Officer

The Board of Directors appointed a Chief Executive Officer, responsible for implementing the strategic decisions taken by the Board, in accordance with the delegated powers, and a Managing Committee, responsible for assisting the Chief Executive Officer in the duties delegated to that officer by the Board of Directors.

The role of Chief Executive Officer is performed by Pedro Soares dos Santos.

29. Description of the Powers of Each of The Committees Established and Summary of Activities Undertaken**Managing Committee**

The Managing Committee of the Company, which has the same term of office as that of the Board of Directors that appointed it, is composed of the Chief Executive Officer, Pedro Soares dos Santos, who is the chair, Javier van Engelen (the Group's Chief Financial Officer), Pedro Pereira da Silva, Marta Lopes Maia, Nuno Abrantes, Sara Miranda and Carlos Martins Ferreira. In accordance with its regulations, the Managing

Committee is responsible for advising the CEO, within the respective delegation of powers, in carrying out the following functions:

- Control over the implementation by the Companies in the Group of the strategic guidelines and policies defined by the Board of Directors;
- Financial and accounting control of the Group and of the companies that are a part thereof;
- Senior coordination of the operational activities of the different Companies in the Group, whether integrated or not in business areas;
- Launching of new businesses and monitoring them until they are implemented and integrated in the respective business areas;
- Implementation of the management policy of human resources defined for the top-level management of the entire Group.

In 2014, the Managing Committee met seven times, drawing up minutes of the meetings, which were sent to the Chairman of the Board of Directors and to the Company's Secretary.

Committee on Corporate Governance and Corporate Responsibility (CCGCR)

CCGCR is made up of a minimum of three and a maximum of nine members, who are not required to be Directors, appointed by the Board of Directors. One of the members will be the Chairman.

The Board of Directors decided to appoint the current Chairman of the Board of Directors, Pedro Soares dos Santos, as Chairman of CCGCR, with the other members of the Committee being Andrzej Szlezak, Francisco Sá Carneiro, Francisco Seixas da Costa, Henrique Soares dos Santos, J.J. Gomes Canotilho, José Soares dos Santos, Ludo van der Heyden and Sara Miranda.

In carrying out its mission, the CCGCR met once in 2014, and collaborates with the Board of Directors, assessing and submitting to it proposals for strategic orientation in the area of Corporate Responsibility, as well as monitoring and supervising on a permanent basis matters concerning: i. corporate governance, social responsibility, the environment and ethics; ii. the business sustainability of the Group; iii. internal codes of ethics and of conduct; and iv. systems of assessment and resolution of conflicts of interest, especially regarding relations between the Company and its shareholders or other stakeholders.

Especially on what concerns company governance, CCGCR has the duty to keep up, review and assess the appropriateness of the Company's model of governance and its consistency with the recommendations, patterns, and national and international best practices on company governance, addressing the Board of Directors the recommendations, and proposing any changes, deemed adequate.

Ethics Committee

The Ethics Committee of Jerónimo Martins is composed of three to five members appointed by the Board of Directors, based on a proposal from the Committee on Corporate Governance and Corporate Responsibility. Currently it is composed by Susana Correia de Campos, Agata Wojcik-Ryszawa and Helena Morais. The mission of

the Ethics Committee is to provide independent supervision of the disclosure of and compliance with the Group's Code of Conduct in all the Companies of the Group.

The duties of the Ethics Committee include: i. establishing the channels of communication with the addressees of the Jerónimo Martins Group Code of Conduct and gathering such information as may be addressed to it in this connection; ii. ensuring the existence of an adequate system of internal control of compliance with the Jerónimo Martins Group Code of Conduct and with the appraisal of the recommendations stemming from such control; iii. appraising such issues as may be submitted to it by the Board of Directors, by the Audit Committee or by the CCGCR within the scope of compliance with Code of Conduct and with analysing in abstract those that may be raised by any employee, customer or business partner (stakeholders); iv. proposing to the CCGCR the adoption of such measures as it may deem fit in this connection, including a review of internal procedures and alterations to the Jerónimo Martins Group Code of Conduct; and , v. drawing up an annual report on its activities to be presented to the Committee on Corporate Governance and Corporate Responsibility.

The Ethics Committee reports functionally to the CCGCR, which has responsibilities in the fields of corporate governance, social responsibility, environment and ethics, including those related to the internal codes of ethics and of conduct, having met once in 2014.

Internal Control Committee

The Internal Control Committee (ICC), appointed by the Board of Directors and reporting to the Audit Committee, is specifically responsible for evaluating the quality and reliability of the internal control system and the process of preparing financial statements, as well as for evaluating the quality of the monitoring process in force in Jerónimo Martins' Companies, with a view to ensuring compliance with the laws and regulations to which they are subject. In performing this latter task, the ICC must obtain regular information on the legal and fiscal contingencies that affect the Companies of the Group.

The ICC meets monthly, as a general rule, and is composed since 3 November 2014 of a Chairman (Alan Johnson) and four members (David Duarte, José Gomes Miguel, Madalena Mena and Henrique Santos). None of the members is an Executive Director of the Company.

In 2014, the ICC continued its activities of supervision and evaluation of risks and critical processes, analysing the reports prepared by the Internal Audit Department. As a representative of the External Audit team is invited to attend these meetings, the Committee is also informed of the conclusions of the external audit work that takes place during the year.

Subsection III Supervision

A. Composition

30. Details of the Supervisory Board

The supervisory board of the Company is the Audit Committee, consequence of the anglo-saxon governance model adopted.

In addition to the responsibilities conferred by law, the Audit Committee, in performing its activities, is responsible in particular for the following:

- Monitoring the preparation and disclosure of financial information;
- Monitoring the effectiveness of internal control systems, internal auditing and risk management. For this purpose, they may work with the ICC, which shall report to them regularly on their work, pointing out situations that should be analysed by the Audit Committee;
- Evaluating the external audit on a regular basis;
- Approving activity plans in the area of risk management and following up on their execution, proceeding with the assessment of the recommendations resulting from the audit actions and the revisions of the procedures undertaken;
- Looking after the existence of an adequate internal risk management system for the companies of which the Jerónimo Martins is holder of shares or quotas, ensuring full compliance with its objectives;
- Approving internal audit activity programmes, which respective Department functionally reports to it, as well as of the external audit;
- Selecting, as proposed by the Managing Committee, the service provider for the external audit;
- Monitoring the legal accounts audit services;
- Assessing and monitoring the independence of the Statutory Auditor, especially when it performs additional services for the Company;
- Issuing prior opinion on transactions of significant importance between the Company and its shareholders with qualifying holdings – or entities with them related under the terms of Article 20.º, no. 1 of the Portuguese Securities Code –, establishing the procedures and criteria necessary to define the level of significant importance.

The Audit Committee, for the adequate performance of its duties, requests and appraises all the management information deemed necessary. In addition it has unrestricted access to the documentation produced by the auditors of the Company, having the possibility to request any information from them it deems necessary and being the first recipient of the final reports prepared by the external auditors.

During the previous year, the Audit Committee paid particular attention to the financial risk management and to the analysis of the reports and corrective measures proposed by Internal Audit.

31. Composition of the Audit Committee

According to the Articles of Association, the Audit Committee is comprised of three members of the Board of Directors, elected by the General Shareholder's Meeting to terms of three years. Currently, the Audit Committee has no substitute members.

Currently, the Audit Committee is composed of:

Hans Eggerstedt

- Chairman of the Audit Committee
- First appointment on 29 June 2001
- Expiry of the term of office on 31 December 2015

Sérgio Tavares Rebelo

- First appointment on 10 April 2013
- Expiry of the term of office on 31 December 2015

António Pedro de Carvalho Viana-Baptista

- First appointment on 9 April 2010
- Expiry of the term of office on 31 December 2015

32. Details of the Independent Members of the Audit Committee

Each member of the Audit Committee complies with the rules of incompatibility laid down in paragraph 1 of Article 414-A of the Commercial Companies Code, except that provided for in sub-paragraph b). Except for its Chairman, the other two members further comply with the independence criteria foreseen in Article 414, number 5 of the Commercial Companies Code.

33. Professional Qualifications of the Members of the Audit Committee

The professional qualifications of the Members of the Audit Committee are those described on point 19 ("Professional Qualifications of the Members of the Board of Directors").

Additionally, reference should be made to the vast experience of the members of the Committee in corporate body positions, as well as their special technical merit in this particular matter, have created particular added value for the Company.

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.

B. Functioning

34. Availability and Place Where the Rules On The Functioning of the Audit Committee Regulation May be Viewed

The Regulation of the Audit Committee is available on the Company's website, through the link mentioned in point 61 ("Relevant Addresses").

35. Number of Meetings Held, and Attendance of Each Member of The Audit Committee

The Audit Committee meets, at least, once every three months and is responsible for supervising Company management, carrying out the duties attributed by law and by Article Twenty of the Articles of Association.

During 2014, the Audit Committee met five times and all meetings were duly minuted.

The attendance of each Director at the meetings during the exercise of the respective duties was as follows:

Hans Eggerstedt	100%
António Viana-Baptista	100%
Sérgio Rebelo	100%

36. Positions that the Members of the Audit Committee Hold in Other Companies, and respective Availability

Members of the Audit Committee have been always available for the Company's affairs during 2014, having participated in the same when it was necessary or when they considered to be necessary.

The positions held by the members of the Audit Committee in other companies are described in point 26 ("Positions that the Members of the Board of Directors Hold in Other Companies").

C. Powers and Duties

37. Description of the Procedures and Criteria Applicable to the Audit Committee for The Purposes of Hiring Additional Services From the External Auditor

With respect to the provision of non-audit services by the Auditor, 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 considered 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 considered 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.

Finally, it should also be noted that, taking into account the Audit Committee's role of evaluating and supervising the Statutory Auditor and External Auditor, when it carries out its annual assessment on the independence of these entities, as well as on the possibility of maintaining or the need to change the external audit service provider, the Audit Committee is compelled to check if there are reasons requiring the justified dismissal of either of these entities. Should they believe that there is just cause for this purpose, it is the Audit Committee's responsibility, in the case of the Statutory Auditor, to propose such dismissal to the General Shareholders' Meeting, within the terms provided for in Article 419 of the Commercial Companies Code and, consequently, as the role of the External Auditor is carried out by the same entity, to propose the termination of the respective auditing service contract to the Company's Board of Directors.

38. Other Duties of the Supervisory Body - Audit Committee

The duties of the Audit Committee are described in point 30.

Subsection IV Statutory Auditor

39. Details of the Statutory Auditor and the Partner That Represents the Same

The Company's Statutory Auditor is PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda., ROC (Chartered Accountant) No. 183, registered at the CMVM (Portuguese Securities Market Commission) under no. 9077, represented by Abdul Nasser Abdul Sattar, ROC no. 958, until January 9th, 2014 and, as from that date, represented by José Pereira Alves, ROC no. 711 or by António Joaquim Brochado Correia, ROC no. 1076.

40. Number of Years that the Statutory Auditor Consecutively Carries Out Duties With the Company

The Company's Statutory Auditor carries out duties with the Company for 26 years.

The Statutory Auditor was nominated for the first time during 2005, although for calculating the said number of years, the period in which other statutory auditors, members of the PricewaterhouseCoopers & Associados, SROC, Lda. network carried out that role at Jerónimo Martins is taken into account.

41. Description of Other Services that the Statutory Auditor Provides to the Company

The Statutory Auditor also carries out the role of the Company's External Auditor, as mentioned in point 42.

Subsection V External Auditor

42. Details of the External Auditor and the Partner That Represents the Same in Carrying out These Duties

The External Auditor is PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda., ROC (Chartered Accountant) No. 183, registered at the CMVM (Portuguese Securities Market Commission) under no. 9077, represented by Abdul Nasser Abdul Sattar, ROC no. 958 until January 9th, 2014 and, as from that date, represented by José Pereira Alves, ROC no. 711 or by António Joaquim Brochado Correia, ROC no. 1076.

During 2014 the External Auditor monitored the efficiency and functioning of the internal control mechanisms, taking part in the meetings of the Internal Control Committee, reporting any deficiencies identified in the exercise of its activity, as well as making the necessary recommendations regarding the procedures and mechanisms that were analysed.

The External Auditor was able to verify the implementation of the remuneration policies and systems by reviewing the minutes of the Remuneration Committee's meetings, the remuneration policy in force and other accounting and financial information that is essential for that purpose.

43. Number of Years that the External Auditor and Respective Partner that Represents the Same in Carrying out These Duties Consecutively Carries Out Duties With the Company

PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. has been carrying out the role of External Auditor to the Company for 26 years, taking into account in calculating the said number of years, the period in which other statutory auditors, members of the PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. network carried out that role at Jerónimo Martins.

The partner that represented the External Auditor until January 9th 2014 had been carrying out that role for the Company since 2010, having been replaced in those duties as from that date.

44. Rotation Policy and Schedule of the External Auditor and the Respective Partner That Represents Said Auditor in Carrying Out Such Duties

With regard to the rotation of the External Auditor, the Company has not set any external auditor rotation policy based on a pre-defined number of years, taking into account the fact that disadvantages have been identified in carrying out the auditing role when approaching the end of the pre-defined period.

Alternatively, bearing in mind that the Audit Committee is the body responsible for determining the conditions for maintaining, rotating or replacing the External Auditor, this body performs an annual assessment of the External Auditor, checking the independence necessary for it to remain in office and carries out an analysis of the cost/benefit of changing the External Auditor, advising on the respective maintenance or otherwise.

Additionally, the Company complies with what is foreseen in paragraph 2 of Article 54 of the Legal Regime of Portuguese Statutory Auditors which sets seven years as the maximum period for exercising audit functions by the partner responsible for overseeing the statutory audit or for the direct execution of the statutory audit, which is the Company's case, and the analysis made by the Audit Committee has always implied compliance with such legal obligation.

45. Details of the Board Responsible for Assessing the External Auditor and Regular Intervals to Carry Out the Assessment

The Audit Committee is the responsible body for evaluating the performance of the External Auditor, which is performed annually. The Committee discussed and considered the costs and advantages of maintaining the External Auditor, as well as the independence shown in that role, having decided to give a favourable opinion for its maintenance for the year 2014.

46. Non-Audit Services carried out by the External Auditor for the Company and/or Companies in a Control Relationship, and Indication of Internal Procedures for Approving the Recruitment of Such Services and Reasons for Said Recruitment

From the non-audit services requested by Group's Companies to the External Auditor and other entities belonging to the same network, totalling 141,898 euros, reference is made to those concerning access to a tax database, tax consultancy in human resources management issues and assistance in improving Corporate Responsibility reporting, with the implementation of indicators from the Global Reporting Initiative.

All these services were necessary for the regular activity of the Companies of the Group and, after due analysis of the situation, the External Auditor and/or the entities belonging to its network were considered as those which could best perform the said services. Besides being carried out by employees who do not participate in any auditing work for the Group, these services are marginal to the work of the auditors and do not affect, either by their nature or by their amount, the independence of the External Auditor during the performance of its role.

In this respect it should also be noted that in 2011 the Audit Committee regulated the commissioning of non-audit services to the External Auditor, as mentioned in point 37, 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.

47. Details of Annual Remuneration Paid by the Company and/or Legal Entities in a Control or Group Relationship to the Auditor and Other Natural or Legal Persons Pertaining to the Same Network and Percentage Breakdown Relating to the Following Services

In 2014, the total remuneration paid to the External Auditor and other individuals or companies' belonging to the same network was 951,375 euros.

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

	Amount	%
On behalf of the Company		
Value of the certification of accounts services (€)	95,390	10,0%
Value of the compliance and assurance services (€)	-	-
Value of the tax advisory services (€)	-	-
Value of services other than the certification of accounts (€)	26,440	2,8%
By entities that are part of the Group		
Value of the certification of accounts services (€)	714,087	75,1%
Value of the compliance and assurance services (€)	9,000	0,9%
Value of the tax advisory services (€)	36,942	3,9%
Value of services other than the certification of accounts (€)	69,516	7,3%

Section C INTERNAL ORGANISATION

Subsection I Articles of Association

48. Rules Applicable to Amendment of the Company's Articles of Association

The Articles of Association do not define any rules applicable to the amendment of the Company's Articles of Association, therefore the terms defined by the Law apply to these matters.

Subsection II Reporting of Irregularities

49. Reporting Means and Policy on the Reporting of Irregularities in the Company (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 Conduct.

This measure clarifies guidelines on questions as diverse as compliance with current legislation, respect for the principles of non-discrimination and equal opportunities, environmental concerns, business transparency and the integrity of relations with suppliers, customers and official entities, among other matters.

The Ethics Committee has informed all Jerónimo Martins employees of the available means to, if necessary, communicate with this body. This is possible by means of letter via freepost or internal or external e-mail with a dedicated address. Interested parties may also request from the respective General Manager or Functional Director any clarification of the rules in force and their application, or they may provide them with information regarding any situation that may question them.

Whichever communication channel is used, anonymity is assured for anyone who requires it.

Subsection III

Internal Control and Risk Management

50. Individuals, Boards or Committees Responsible for the Internal Audit and/or Implementation of the Internal Control Systems

The Internal Audit Department assesses the quality and effectiveness of the internal control and risk management systems that are set by the Board of Directors.

The Internal Control objectives involve the assurance of the operational efficiency, the financial and operational reporting consistency and the fulfilment of applicable laws and regulations. To assure it, the Internal Audit activity plan takes in consideration the evaluation of the operational risks and the critical processes applicable to each company.

The results of the internal audits performed during each year are made available, on a regular basis to the Internal Control Committee and to the Group's Managing Committee. Each quarter these reports are presented to the Audit Committee. With the same regularity a report is prepared regarding the status of implementation of the recommendations as agreed with the audited areas managers.

During 2014, the processes of stock management, cash collection, management of accounts payable, supplementary income and information systems risks were audited, among others.

51. Details of Hierarchical and/or Functional Dependency in Relation to Other Boards or Committees of the Company

The head of the Internal Audit Department reports hierarchally to the Chairman of the Board and CEO and functionally to the Audit Committee. The head of Internal Audit is also a member of the Internal Control Committee, which in turn reports to the Audit Committee.

See organisational structure in point 21.

52. Other Functional Areas Responsible for Risk Control

a) Enterprise Risk Management System

The Group, and in particular, its Board of Directors, dedicates a great deal of attention to the risks affecting the businesses and their objectives, and is committed to ensure that Risk Management is an effective and fundamental component of the corporate strategy, culture and value-creation process.

The approach to Risk Management is detailed in the Group's Risk Management Policy that sets out the Group's Enterprise Risk Management System, and outlines the roles and responsibilities of the persons responsible for its execution.

a.1) Risk Management Objectives

The aim of the Group's Enterprise Risk Management System is not to eliminate risk completely from the Group's activities, but rather to ensure that every effort is made to manage risk appropriately, maximizing potential opportunities and minimizing the adverse effects of risk.

The Group's Enterprise Risk Management system has the objectives to structure and consistently organize the way the Group identifies risks, assuring that they are assessed broadly, considering dependencies and correlations within various risks areas. It establishes procedures for reporting that allow for an adequate monitoring of the risk mitigation and control measures risks.

Due to 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 and reporting of risks associated within their area of responsibility. Therefore, all activities must be carried out with an understanding of what the risk is, with an awareness of the potential impact of unexpected events on the Company and its reputation.

The Group is committed to ensuring all employees are provided with adequate guidance and training on the principles of Risk Management and on the criteria and processes set by the risk management policy, and to their responsibilities to manage risks effectively.

a.2). Organisation of Risk Management

The Risk Management Governance Model is defined in order to ensure the effectiveness of Risk Management Framework and is aligned with the Three Lines of Defence Model, which distinguishes among three Groups (or lines) involved in effective Risk Management, namely:

- First Line of Defence (Business Operations: Risk Owners) – responsible for the daily Risk Management activities aligned with the business strategy, and also aligned with existing internal procedures and Risk Management Policy;
- Second Line of Defence (Oversight Functions: Group and Country Risk Managers) – responsible for the Risk Management analysis and reporting, as well as for future suggestions or policies development that improve or increase the efficiency of Risk Management processes. This second line also includes functions as Financial Control, Security, Quality & Food Safety, amongst other corporate areas.
- Third Line of Defence (Independent Assurance: Internal Audit and External Audit) – responsible for providing assurance on the effectiveness of governance, Risk Management and internal controls, including the manner in which the first and second lines of defence perform their Risk Management and control objectives.

Risk Management organizational structure considers the following main roles and responsibilities:

- The Board of Directors is responsible for establishing the Risk Management Policy and strategy, and for setting goals in terms of risk-taking. It is also the

Board's responsibility to provide for the creation of control systems necessary to ensure that the risks effectively incurred are consistent with the goals set;

- The Audit Committee approves the activity plans with regard to Risk Management, monitors their execution and assesses the effectiveness of the internal control, internal auditing and risk management system;
- The CEO, assisted by the Managing Committee, ensures the implementation of the Risk Management policy and strategy as established by the Board of Directors, as well as promotes a risk awareness culture in the organization ensuring that Risk Management is embedded in all processes and activities;
- The Risk Committee assists and advises the Managing Committee, as the CEO's assisting body, in assessing and establishing the mitigating measures for the different types of risk, and ensuring the existence of an effective Risk Management framework;
- The Group Risk Management Division (GRM) is responsible for the implementation of the Risk Management framework, coordination of all Risk Management activities and for supporting the Managing Committee and the Risk Committee in the identification of risk exposures that might compromise the Group's strategic and business goals. GRM is also responsible for the coordination and alignment of the practices adopted by the Companies in the Business Continuity Plans (BCP);
- The Country Risk Managers are responsible for the implementation of Risk Management initiatives within a specific country or region, and to support Risk Owners activities;
- The Risk Owners are all employees in charge of the execution and/or control over a given process or activity, within a business unit or a corporate structure, which are responsible for managing the risks involved in those activities;
- The Internal Audit Department focuses its work on the significant risks, as identified by management and audits the Risk Management processes across the Organization, providing assurance regarding the effectiveness and efficiency on the Management of Risk, and active support in the Risk Management process.

53. Details of the Main Risks to Which the Company is Exposed in Pursuing Its Business Activity

Strategic Risks

Strategic risk management involves monitoring factors such as social, political and macro-economic trends; the evolution of consumers' preferences; the businesses' life cycle; the dynamics of the markets (financial, employment, natural and energy resources); the competitors' activity; technological innovation; availability of resources; and legal and regulatory changes.

The management team uses this information to understand market needs attempting to identify any opportunities and threats in the industries and sectors in which it operates, namely in terms of potential profitability and growth, but also in terms of

both the strategic alignment and appropriateness of its business model in light of current and future conditions.

Operating Risks

Derives from the execution of normal business functions, across the value chain, and it focuses on risks arising from the processes through which the Group units operate.

The operational risks cover risks related to category management and sourcing, stock management, cash management, logistics and supply chain and the efficiency in the use of resource and assets as well as its safety and security.

Corruption risks are also considered in the risk assessment for the most relevant operational activities. The adequacy and range of the controls and mitigation measures are likewise reviewed and reconsidered whenever necessary.

Food quality and safety

The Group seeks to provide healthier products and food solutions, and it seeks to ensure and enforce product safety in strict compliance with food safety standards.

The Quality and Food Safety Departments of the Companies are responsible for the following areas: i. prevention, through selection, assessment, and follow-up audits on suppliers; ii. monitoring, by following the product throughout the whole logistics circuit, to analyse compliance with best practice and certification requirements; and iii. training, by carrying out periodic simulations and awareness initiatives.

The Companies are monitored continuously by quality control technicians, to ensure the implementation of procedures and assess the efficiency of training and the suitability of the facilities and equipment.

Environment Risks

The efficient management of resources, coupled with environmental preservation, is essential for the sustained growth of the Group's businesses. Jerónimo Martins, due to the nature of its activities and its dimension has environmental impacts on ecosystems.

Aware of this fact, the Group has conducted studies on the effects of its activities on ecosystems and the resources they provide. This is the case of the studies: i. Biodiversity Management in Jerónimo Martins; ii. Sustainable Agriculture; iii. Fish Species Risk Assessment, and iv. Deforestation commodity mapping in Private Label and Perishable products.

The risks of climate change are also addressed by the Group and can be of the following nature:

- Regulatory, which can be a result of increased costs of compliance with new environmental legislation;
- Physical, which may result in shortage of natural resources, such as agricultural products, or disruption of supply chain activities associated with climatic events;
- Reputational, associated with expectations of the Group's stakeholders to reduce carbon emissions.

The probability of occurrence of these situations and their level of impact are analysed by the Group as part of its risk assessment procedures. Considering the risks posed by

climate change, in particular, the Group discloses its review in the annual response to CDP (Climate Disclosure Program), which is available at <https://www.cdp.net>.

Physical Security and People Risks

The Security Department is responsible for ensuring that conditions exist to guarantee the physical security of people and facilities.

Physical security and people risks management involves defining and publicising working standards and instructions, carrying out employee awareness initiatives and training, performing audits on the stores, risk assessment in all establishments, and performing emergency simulations.

Information Systems Risks

The risks associated to Information Technologies are analysed considering the different components: planning and organization of information technologies, development of information technologies, operations management, information security and continuity. The risk management 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 to 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 Department 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, the Group Fiscal Affairs Department advises the Group's Companies, as well as oversees their tax proceedings.

Financial Risks

Risk Factors

Jerónimo Martins is exposed to several financial risks, namely: market risk (which includes exchange rate risk, interest rate risk and price risk), liquidity risk and credit risk.

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

Certain types of exposure are managed using financial derivative instruments.

The activity in this area is carried out by the Financial Operations Department, under the supervision of the Chief Financial Officer. It 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.

The information concerning financial risks to which the Group is exposed can be found on note 30 – Financial Risks of Chapter III of the Annual Report and Accounts.

54. Description of the Procedure for Identification, Assessment, Monitoring, Control and Risk Management

The Group's Risk Management framework considers a continuous process of risk assessment, which is an integral part of the normal decision-making and management processes.

The Risk Management process is aligned with the ISO 31000 international standard recommendations, and seeks mainly to distinguish what is irrelevant from what is material requiring an active management which involves the assessment of sources of risk, the probability of occurrence of a certain event, and the consequences of its occurrence within the context of the control environment.

The Group prepares and maintains an overall risk profile that lists all relevant operational and strategic risks, as well as the corresponding implemented mitigation and control mechanisms. The list is updated regularly with information from the on-going risk assessment processes.

A global review is made under the coordination of the Group Risk Management Corporate Division, as part of the strategic and operational planning processes, so that the information related to the most relevant risks is duly updated and considered during the planning process. This way it triggers the development of the alternatives under analysis as well as the identification of new activities that strengthen the defense of the directed objectives.

55. Core Details on the Internal Control and Risk Management Systems Implemented in the Company Regarding the Procedure for Financial Reporting

The Board of Directors is highly committed in assuring the reliability of financial reporting and the preparation of the Group's financial statements. This by ensuring that the Group has in place adequate policies that provide reasonable assurance that transactions are recorded and reported in accordance with Generally Accepted Accounting Principles (GAAP), and that expenditures are realized only when properly authorized.

The financial reporting risk is mitigated by enforcing segregation of duties and by setting preventive and detective controls, which involves limiting access to IT systems, and a comprehensive performance monitoring system.

Additional controls are provided by the Audit Committee oversight and Internal Control Committee reliability assessments over the preparation and disclosure of financial information, and by the Group's Planning and Control Department monitoring activities over the performance of each business units and in review of the deviations to the approved plans.

Subsection IV Investor Assistance

56. Department Responsible for Investor Assistance

Composition

The Investor Relations Office of Jerónimo Martins is comprised as follows:

Office Manager: Cláudia Falcão

Team: Ana Maria Marcão, Hugo Fernandes and Solange Martins

Main Roles

The Investor Relations Office of Jerónimo Martins is responsible for communication with all investors - institutional and private, national and foreign - as well as the analysts who formulate opinions and recommendations regarding the Company. The Investor Relations Office is also responsible for matters related to the Comissão do Mercado de Valores Mobiliários (Portuguese Securities and Exchange Commission).

Communication Policy of Jerónimo Martins for the Capital Markets

Jerónimo Martins' policy for communicating to the capital markets aims to ensure a regular flow of relevant information, 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. This ensures that all relevant information is transmitted in a non-discriminatory, clear and complete manner to stakeholders.

Information provided

Annually, and based on the above-mentioned principles, the Office draws up a Communication Plan for the Financial Market, which is included in the global communication strategy of Jerónimo Martins.

With the objective of transmitting an updated and clear vision of the strategies of the different business areas of Jerónimo Martins to the market, in terms of operational performance and outlook, the Investor Relations Office organises a series of events so that investors can learn about Jerónimo Martins' various businesses, its strategies and prospects for the future, and simultaneously follow the progress of activities during the year, by clarifying any doubts.

Throughout 2014 activities were carried out that allowed the financial markets to dialogue not only with the Investor Relations Office, but also with the Jerónimo Martins management team. The following are highlighted:

- Meetings with financial analysts and investors;
- Responses to e-mail questions addressed to the Investor Relations Office;
- Telephone calls;
- Release of announcements to the market through the CMVM (Portuguese Securities and Exchange Commission) extranet, through the Jerónimo Martins and Euronext Lisbon 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 General Shareholders' Meeting;
- Biedronka's Day.

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 <http://www.jeronimomartins.pt/?lang=en>.

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, and historical collection;
- 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 five previous years.

The website also has all this information, with no exception, in English.

Additionally, the website is a pioneer in its accessibility for people with visual disabilities, 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.

Contacts

The Office may be contacted through the Market Relations Representative and the Investor Relations Office Manager, Cláudia Falcão - and via the e-mail address: investor.relations@jeronimo-martins.pt.

The main contact information for the Investor Relations Office is as follows:

Address: Rua Actor António Silva, n.º 7, 1649-033, Lisboa
Telephone: +351 21 752 61 05

57. Market Liaison Officer

The Jerónimo Martins' Market Relations Representative is the Investor Relations Office Manager, Cláudia Falcão.

58. Extent and Deadline for Replying to Requests for Information Received Throughout the Year or Pending from Preceding Years

Within the scope of issues addressed to the Office, sent via email, or through telephone contact, during the course of 2014, the Investor Relations Office recorded 472 requests for information, the majority of which were given an immediate reply to or were responded to within an appropriate time for the type of request. At the end of the year there were no pending requests for information.

Subsection V Website

59. Relevant Addresses

The Company's institutional website is available in Portuguese and English and can be accessed using the following address

<http://www.jeronimomartins.pt/?lang=en>

60. Place Where Information on The Firm, Public Company Status, Headquarters, and Other Details Referred to in Article 171 of the Commercial Companies Code is Available

Information concerning Article 171 of the Commercial Companies Code is available on the Jerónimo Martins institutional website through the following link:

<http://www.jeronimomartins.pt/o-grupo/contactos-corporativos.aspx?lang=en>

61. Place Where the Articles of Association and Regulations on the Functioning of the Boards and/or Committees are Available

The Articles of association and regulations on the functioning of the boards and/or committees are available on the Jerónimo Martins institutional website through the following link:

<http://www.jeronimomartins.pt/investidor/governo-da-sociedade.aspx?lang=en>

62. Place Where Information is Available on the Names of the Corporate Boards' Members, the Market Liaison Officer, the Investor Assistance Office, Respective Functions and Contact Details

The names of the corporate boards' members, the market liaison officer, the investor assistance office, respective functions and contact details are available on the Jerónimo Martins institutional website through the following links:

<http://www.jeronimomartins.pt/investidor/governo-da-sociedade.aspx?lang=en>
<http://www.jeronimomartins.pt/investidor.aspx?lang=en>

63. Place Where the Documents Relating to Financial Accounts Reporting are Available, and the Half-Yearly Calendar on Company Events Published at the Beginning of Every Six Months

The place where the documents relating to financial accounts reporting are available that, and where the half-yearly calendar on company events published at the beginning of every six months is the Jerónimo Martins institutional website through the following link:

<http://www.jeronimomartins.pt/investidor.aspx?lang=en>

64. Place Where the Notice Convening the General Meeting and All the Preparatory and Subsequent Information Related Thereto is Disclosed

The place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed is the Jerónimo Martins institutional website through the following link:

<http://www.jeronimomartins.pt/investidor/assembleia-geral.aspx?lang=en>

65. Place Where the Historical Archive on the Resolutions Passed at the Company's General Meetings, Share Capital and Voting Results Relating to the Preceding Three Years are Available

The place where the historical archive on the resolutions passed at the Company's General Meetings, share capital and voting results relating to the preceding three years are available is the Jerónimo Martins institutional website through the following link:

<http://www.jeronimomartins.pt/investidor/assembleia-geral.aspx?lang=en>

Section D REMUNERATION

Subsection I Power to Establish

66. Details of the Powers for Establishing the Remuneration of Corporate Bodies and Directors of the Company

Within the terms of Article Twenty Nine of the Company's Articles of Association, the remuneration of the Statutory Bodies is set by the Shareholder's Meeting, or by a committee nominated by the latter. Within the scope of the latter possibility, the shareholders of Jerónimo Martins decided to nominate the Remuneration Committee to set the remuneration of the members of the statutory bodies.

The Remuneration Committee is elected for a three year term, being the present term comprised between years 2013-2015.

The remuneration of the Company's management is decided by the respective board.

Subsection II Remuneration Committee

67. Composition of the Remuneration Committee, Including Details of Persons Recruited to Provide Services to Said Committee, and Statement on the Independence of Each Member

At the General Shareholders' Meeting held on 10 April 2013 Arlindo do Amaral (Chairman), José Queiroz Lopes Raimundo and Soledade Carvalho Duarte were elected to this committee, for the term in force.

None of the members of the Remuneration Committee is a member of the Board of Directors of the Company, or has a spouse, family member or relative in such a position, nor do they have relationships with the members of the Board of Directors that may affect their impartiality in the performance of their duties.

On 10 April 2014, José Queiroz Lopes Raimundo resigned as member of this Committee and the position remains vacant.

During 2014 the Remuneration Committee did not consider it necessary to contract services to support it in the performance of its duties.

68. Knowledge and Experience in Remuneration Policy Issues by Members of the Remuneration Committee

The members of this Committee have extensive knowledge and experience in management and remuneration policy, which gives them the necessary skills to perform their duties adequately and effectively.

Arlindo do Amaral has a Law degree from Lisbon Law School of University of Lisbon, having worked for more than thirty years in Fima Lever Iglo Group in the area of human resources management, having namely acted as Human Resources Manager, Remuneration Officer, and Human Resources Director.

Soledade Carvalho Duarte has a degree in Human Resources Management and Labor Psychology by ISLA/ESOCT, working since 1986 in the Executive Search area, having been responsible for the deployment of the Executive Assessment business line in Portugal. She developed several processes for the selection and the hiring of executives and senior management in different areas of activity. She was distinguished as Practice Leader in the Automotive and Health Care sector.

José Queiroz Lopes Raimundo has a Law degree from Lisbon Law School of University of Lisbon. During his professional career he attended several Financial Management and Marketing trainings, having acted as legal counsel and advisor to several companies in economic and financial matters. He acted as member of the Board of Directors of the following companies: Espírito Santo – Sociedade de Investimentos, S.A. (March 1986 to July 1992), Gesfinc – Espírito Santo Estudos Financeiros e de Mercados de Capitais, S.A. (September 1992 to September 2000), Esumédica – Prestação de Cuidados Médicos, S.A. (September 1994 to September 2000), Companhia de Seguros Tranquilidade, S.A. (January 1990 to September 2000), and as Chairman of the General Shareholders' Meeting of Carrefour (Portugal) – Sociedade de Exploração de Hipermercados, S.A. (August 1987 to June 2001).

Subsection III Remuneration Structure

69. Description of the Remuneration Policy of the Board of Directors and of the Supervisory Board

The Remuneration Committee was of the opinion that there was no justification for major changes to the basic principles that have been the core of the Corporate Bodies Remuneration Policy, which should continue having in attention the current legal and recommendatory framework, as well as the organizational model adopted by the Board of Directors, pursuant to the election of the respective members for the 2013-2015 period.

With respect to the organization of the Board of Directors, the Remuneration Committee has especially taken into account the following characteristics:

- The existence of a Chief Executive Officer with delegated duties regarding the day-to-day management of the Company, as well as of a Director or Directors to whom the Board have entrusted or may entrust special duties;
- The participation of Non-Executive Directors in Specialized Committees, who are therefore called to devote increased time to Company's affairs.

Considering the said organizational model the Remuneration Committee understands that there are no grounds justifying any major changes in the principles that have been adopted as to the Corporate Bodies Remuneration Policy. It should, nevertheless, be taken into account the fact that there exists accumulation of duties in Pedro Soares dos Santos as CEO and Chairman of the Board of Directors.

The remuneration of Directors with executive duties continues to comprise a fixed and a variable component, that together guarantee a more competitive remuneration in the market and which also serves as a motivating element for high individual and collective performance, allowing ambitious targets for accelerated growth and the appropriate shareholders remuneration to be set and achieved.

Annually, by proposal of the Chairman of the Board of Directors, the variable component is fixed by the Remuneration Committee, taking into account the expected contribution of Executive Directors to results, shareholder value creation (EVA), evolution of share prices, the work carried out during the preceding financial year, the degree of achievement of the projects integrated on the Group's Strategic Scorecard, as well as the criteria applied in the attribution of variable remuneration to the remaining Managers.

The Remuneration Policy continues seeking to reward the Executive Directors for the sustained performance of the Company in the long term, and the safeguarding of the interests of the company and shareholders within this period of time. For this reason, the variable component takes into account the contribution of the Executive Directors to the conduct of business through: 1) the achievement of EVA objectives set out in the Medium and Long Term Plan approved by the Board of Directors; 2) the development of the share price; 3) the implementation of a series of projects across the Group's Companies, which, having been identified by the Board of Directors as essential to ensure future competitiveness, have a time scale that may exceed one calendar year, being the Executive Directors responsible for each compliance stage, in the scope of their duties.

The variable remuneration is, as already noted, dependent on predetermined criteria to be fixed at the start of each year by the Remuneration Committee, following a proposal from the Chairman of the Board of Directors, which take into consideration the Company's real growth, the wealth created for shareholders, and long-term sustainability.

Bearing in mind the contribution of the several countries and business areas where the Group operates to total turnover and consolidated results, the Remuneration Committee considers adequate that the payment of the fixed and variable components of remuneration to Directors with executive duties be split amongst the Company and its subsidiary companies where such Directors are also members of the management body, according with a ratio to be determined by this Committee.

As regards the deferral of part of the variable component of the remuneration, the Remuneration Committee conducted a study on the subject in 2011 without reaching a conclusion about the advantages or inconveniences of its adoption, considering that the manner in which the remuneration of the Executive Directors is structured is adequate and ensures full alignment of their interests with those of the Company in the long term. For the same reason, the Remuneration Committee deems unnecessary to determine the maximum potential amount, in aggregate and/or individual terms of remuneration to be paid to members of Corporate Bodies. Furthermore, the Committee considers that the Remuneration Policy of the Company is aligned with the remuneration practices of its counterparts within the PSI-20, bearing in mind the characteristics of the Company.

The Company did not enter into any contracts with its Directors which mitigate the risk inherent to the remuneration variability set by the Company, nor is the same aware that any such contracts have been entered into between its Directors and third parties.

The absence of a deferral period for the variable component makes it unnecessary to have mechanisms to prevent the execution of contracts by Executive Directors that subvert the rationale of variable remuneration.

The remuneration of the members of the Audit Committee as well as the remuneration of Directors with non-executive duties continues to comprise a fixed component only.

With respect to Directors with non-executive duties who are part of Specialized Committees (whether or not exclusively composed of Directors), the Remuneration Committee considered it appropriate to continue the attribution of meeting fees, bearing in mind that the duties performed within those Committees demand additional availability from the respective member Directors.

Similarly, with respect to Non-Executive Directors who take part of supervisory bodies of the Company's subsidiaries, bearing in mind that such duties arise from the exercise of their functions as Directors, the Remuneration Committee considered appropriate to attribute to them meeting fees.

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

The Statutory Auditor is remunerated in accordance with the auditing services agreement signed with the Jerónimo Martins Group, which covers almost all its subsidiaries. This remuneration shall be in line with market practices.

The Retirement Pension Plan for Executive Directors was approved at the 2005 Annual General Meeting, which is described in point 76.

This remuneration policy was subject to discussion at the Annual General Shareholders' Meeting held last year.

70. Information on How Remuneration is Structured so as To Enable the Aligning of Interests of the Members of the Board of Directors With the Company's Long-Term Interests, As Well As How It Is Based on the Performance Assessment and How It Discourages Excessive Risk Taking

As results from the Remuneration Policy described in point 69, remuneration is structured in a way that allows alignment between the interests of the Board Members with the long term interests of the Company.

The existence of fixed and variable components of remuneration, the fact that the variable remuneration is fixed depending on the verification of several objective factors, e.g., the real growth of the Company, the wealth created for shareholders, the implementation of projects across the Group's Companies which ensure the future competitiveness of businesses, and long term sustainability, cause that management's evaluation is made taking into attention the interests of the Company and its shareholders not only in the short term, but also in the middle and long term.

As referred in point 69, the Company did not enter into any contracts with its Directors which intend to mitigate the risk inherent to the variability of remuneration set by the Company.

71. Existence of Variable Remuneration Component and Information on Any Impact of the Performance Appraisal on This Component

The remuneration of Directors with executive duties is comprised of a variable component depending, also, of a performance review. See point 69.

72. Deferred Payment of the Remuneration's Variable Component, and Specification of Relevant Deferral Period

There is no deferred payment of the remuneration's variable component. See point 69.

73. Criteria Whereon the Allocation of Variable Remuneration on Shares is Based and Also on Maintaining Company Shares That The Executive Directors Have Had Access To, On the Possible Share Contracts (Hedging) or Risk Transfer Contracts, Corresponding Limit, and Its Relation to the Total Annual Remuneration Value

The Company does not have any type of plan for attribution of shares to Directors and officers, as defined in no. 3 of Article 248-B of the Portuguese Securities Code

74. Criteria Whereon the Allocation of Variable Remuneration on Options is Based and details of the Deferral Period

The Company does not have any plan for the attribution of share purchase options to Directors and officers, as defined in no. 3 of Article 248-B of the Portuguese Securities Code

75. Key Factors and Grounds for Any Annual Bonus Schemes and Any Additional Non-Financial Benefits

See points 69 to 71. Directors with executive duties receive also life and health insurance *fringe benefits*.

76. Key Characteristics of the Supplementary Pensions Schemes For Directors and Date When Said Schemes Were approved at the General Meeting, on an Individual Basis

At the 2005 Annual General Meeting, a retirement pension plan for Executive Directors was approved.

It is a Defined Contribution Pension Plan, in which the value of the contribution is fixed in advance – the percentage of the monthly deduction for the Fund is currently 17.5% – the value of the benefits varying depending on the earnings obtained. The Remuneration Committee defines the contribution rate of the Company and the initial contribution.

Plan participants, as defined in the respective regulation, include the Executive Directors of the Company. 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 coincides with the day itself or the first day of the month following the month in which the Participant reaches normal retirement age, as established into the General Social Security Scheme. A Participant will be considered to be in a state of total and permanent invalidity if recognized as such by the Portuguese Social Security.

The pensionable salary is the gross monthly basic salary multiplied by 14 and divided by 12. To this fixed monthly amount is added, at the end of each calendar year, a variable amount comprising all the amounts received as variable remuneration.

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 1996 Annual General Shareholders' Meeting and only those Directors that have not opted for the Retirement Pension Plan mentioned above may benefit from this supplement.

Subsection IV Remuneration Disclosure

77. Details on the Amount Relating to the Annual Remuneration Paid as a Whole and Individually to Members of the Company's Board of Directors

The remuneration of the members of the Board in 2014 totaled 1,712,337.52 euros, corresponding the total amount to fixed remuneration.

In the chart below reference is made to the remuneration paid individually to the Members of the Board of Directors:

Director	Remuneration Paid	
	Fixed Component (EUR)	Variable Component (EUR)
Pedro Soares dos Santos	259,087.56*	-
Alan Johnson	493,500.00**	-
Andrzej Szlezak	63,000.00	-
António Pedro de Carvalho Viana-Baptista****	66,000.00	-
Francisco Seixas da Costa	63,000.00	-
Hans Eggerstedt****	76,000.00	-
José Soares dos Santos	575,749.96***	-
Nicolaas Pronk	50,000.00	-
Sérgio Tavares Rebelo****	66,000.00	-

* Includes contributions in the financial year to the Retirement Pension Plan, in the amount of EUR 38.587,56.

** Includes contributions in the financial year to the Retirement Pension Plan, in the amount of EUR 73.500,00.

*** Includes contributions in the financial year to the Retirement Pension Plan, in the amount of EUR 85.749,96.

**** Member of the Company's Supervisory Board; See Point 81.

78. Amounts paid, For Any Reason, By Other Companies in a Control or Group Relationship, or are Subject to a Common Control

Additionally to the amounts referred to in point 77, amounts were paid by other companies in a control or group relationship or subject to a common control to Directors during 2014 totalling EUR 487.444,66, as shown in the chart below:

Director	Amounts Paid	
	Fixed Component (EUR)	Variable Component (EUR)
Pedro Soares dos Santos*	409,500.00	-
Francisco Seixas da Costa**	27,972.33	-
Hans Eggerstedt**	27,972.33	-
Andrzej Szlezak**	22,000.00	-

* For exercise of management duties.

** For exercise of functions in supervisory board.

79. Remuneration Paid in the Form of Profit-Sharing and/or Bonus Payments and The Reasons For Said Bonuses or Profit Sharing Being Awarded

The Company did not pay to Directors any remuneration in the form of profit-sharing or bonuses.

80. Compensation Paid or Owed to Former Executive Directors Concerning Contract Termination During the Financial Year

No payment was made, nor there is any payment obligation whatsoever, in the event of termination of functions during the term of the Board of Directors.

81. Details of the Annual Remuneration Paid, as a Whole and Individually, to the Members of the Company's Supervisory Board

The remuneration paid to the members of the Audit Committee, in such quality, as a whole was EUR 48,000.00, being referred in point 77 the remuneration paid individually to the members of the Audit Committee.

82. Details of the Remuneration of the Chairman of the Presiding Board to the General Meeting in the Year of Reference

The Company did not pay remuneration to the Chairman of the Board of the General Shareholder's Meeting in the year of reference, considering what is referred in point 11.

Subsection V Agreements with Remuneration Implications

83. Envisaged Contractual Restraints for Compensation Payable for the Unfair Dismissal

There are no contractual restraints for the compensation payable in the event of dismissal of Directors without due cause. This matter is regulated by the applicable law.

84. Existence and Description of Agreements Between the Company and Members of the Board of Directors and Managers That Envisage Compensation in the Event of Resignation or Unfair Dismissal or Termination of Employment Following a Takeover Bid

There are no agreements between the Company and members of the Managing Bodies, officers or employees that foresee indemnity payments in the event of

resignation, dismissal without due cause, or termination of the labour relationship as a consequence of change in the Company's control.

Subsection VI

Share Allocation and/or Stock Option Plan

85. Details of the Plan and the Number of Persons Included Therein

The Company does not have any plan in force to attribute shares or options to acquire shares.

86. Characteristics of the Plan

The Company does not have any plan in force to attribute shares or options to acquire shares.

87. Stock Option Plan for the Company Employees and Staff

The Company does not have any plan in force to attribute options to acquire shares.

88. Control Mechanisms for a Possible Employee-Shareholder System

There is no employee-shareholder system in the Company.

Section E

RELATED PARTY TRANSACTIONS

Subsection I

Control Mechanisms and Procedures

89. Mechanisms Implemented by the Company For the Purpose of Controlling Transactions With Related Parties

Business between the Company and the Members of the Board

Any dealings that may exist between the Company and its Board members are subject to the provisions of Article 397 of the Commercial Companies Code, and may only be entered into if so authorised by a resolution of the Board of Directors, for which the interested Director cannot vote, and that authorisation must be preceded by a favourable opinion from the Audit Committee.

Taking into account the election of Andrzej Szlezak (partner in the firm of lawyers Sołtysiński Kawecki & Szlezak (SK&S), one of the Jerónimo Martins Group's External Legal Counsels) for the position of Director of Jerónimo Martins for the term 2013-2015, the Board of Directors authorized since 2013, within the terms of paragraph 2 of Article 397 of the Commercial Companies Code and following the favourable opinion of the Audit Committee, the maintenance of the contract between the Companies and its subsidiaries and the above-mentioned firm for the provision of legal services.

Business between the Company and Other Related Parties

The Board of Directors adopted the procedure and criteria approved by the Audit Committee in the scope of business with other related parties. See point 91.

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

In 2014 there were no transactions subject to control.

91. Description of Procedures and Criteria Applicable to the Supervisory Body When Same Provides Preliminary Assessment of the Business to be Carried Out Between the Company and Holders of Qualifying Holdings

As mentioned on point 10 ("Significant Business Relationships between Holders of Qualifying Holdings and the Company"), no business was carried out by the Company with the shareholders with 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 Audit Committee, according to its regulations, is responsible for issuing prior opinion on transactions of significant importance between the Company and its shareholders with qualifying holdings – or entities with them related under the terms of Article 20, no. 1 of the

Portuguese Securities Code –, establishing the procedures and criteria necessary to define the level of significant importance.

The Audit Committee approved the procedure and criteria applicable to these situations.

Thus deals between the Company or Companies within Jerónimo Martins Group and shareholders with a qualifying holding or entities with which the same are linked, shall be subject to the assessment and prior opinion of the Audit Committee, whenever one of the following criteria is fulfilled:

- a) Having an amount equal to or higher than 3 million euros or 20% of the sales of the respective shareholder;
- b) Despite having an amount lower than the one resulting from the criteria mentioned in the previous paragraph, the addition of that amount to the amount of the previous deals concluded with the same shareholder with a qualifying holding, during the same fiscal year, equals or exceeds 5 million euros;
- c) Regardless of the amount, they may cause a material impact on the Company's name concerning its independence in the relationships with shareholders with qualifying holdings.

Subsection II

Data on Business Deals

92. Details of the Place Where the Financial Statements Including Information on Business Dealings With Related Parties Are Available, in Accordance With IAS 24

The information concerning business dealings with related parties may be found on note 26 – Related Parties of Chapter III.

PART II – CORPORATE GOVERNANCE ASSESSMENT

1. Details of the Corporate Governance Code Adopted

The Company adopted the Code of Corporate Governance of the CMVM which is published on the CMVM's web site at <http://www.cmvm.pt/en/recomendacao/recomendacoes/Pages/default.aspx>, having considered that the same ensures an adequate level of protection of its shareholders' interests, and company governance transparency.

The Company is also governed by its Code of Conduct, whose content is linked to corporate governance matters, and which may be consulted on its website. All of its Corporate Bodies are governed by regulations, which are documented and available on the Company's website at <http://www.jeronimomartins.pt/?lang=en>.

2. Analysis of Compliance with the Corporate Governance Code Adopted

2.1. Statement of Compliance

The Company complies in its essence with the Recommendations of the CMVM in the Corporate Governance Code of 2013. It is accepted, however, that there are some recommendations that were not adopted in their entirety as it is better explained below.

The following shows the breakdown of the recommendations contained in the Code of Corporate Governance of the CMVM that were adopted, partially adopted, not adopted and not applicable, as well as reference to the text of the Report where the compliance or justification for not adopting or partially adopting these recommendations may be found.

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
I. VOTING AND CORPORATE CONTROL		
I.1	Adopted	Part I, Section B, Sub-section I, point 12
I.2	Adopted	Part I, Section B, Sub-section I, point 12
I.3.	Adopted	Part I, Section B, Sub-section I, point 12
I.4.	Adopted	Part I, Section B, Sub-section I, point 13
I.5.	Adopted	Part I, Section A, Sub-section I, points 4 and 5 and Section B, Sub-section I, point 12

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
II. SUPERVISION, MANAGEMENT AND OVERSIGHT		
II.1. Supervision and Management		
II.1.1.	Adopted	Part I, Section B, Sub-section II, points 21 and 28
II.1.2.	Adopted	Part I, Section B, Sub-section II, point 21
II.1.3.	Not applicable	
II.1.4.	Adopted	Part I, Section B, Sub-section II, points 24, 25, 29 and Section D, Sub-section III, point 69
II.1.5.	Adopted	Part I, Section C, Sub-section III, points 50, 52 and 54
II.1.6.	Adopted	Part I, Section B, Sub-section II, point 18
II.1.7.	Adopted	Part I, Section B, Sub-section II, point 18
II.1.8.	Adopted	Part I, Section B, Sub-section II, point 21
II.1.9.	Not applicable	
II.1.10	Adopted	Part I, Section B, Sub-section II, point 21
II.2. Supervision		
II.2.1.	Partially adopted	Part I, Section B, Sub-section II, point 19 and and Subsection III, points 32, 33, and Part II, point 2.1., sub. a)
II.2.2.	Adopted	Part I, Section B, Sub-section II, point 30
II.2.3.	Adopted	Part I, Section B, Sub-section II, point 45
II.2.4.	Adopted	Part I, Section B, Sub-section II, point 30 and Section C, Sub-section III, point 52
II.2.5.	Adopted	Part I, Section B, Sub-section II, point 29 and Section C, Sub-section III, point 50
II.3. Remuneration Setting		
II.3.1.	Adopted	Part I, Section D, Sub-section II, point 67
II.3.2.	Adopted	Part I, Section D, Sub-section II, point 67
II.3.3.	Partially Adopted	Part I, Section D, Sub-section III, point 69 and Part II, point 2.1, sub. b)
II.3.4.	Not applicable	Part I, Section D, Sub-section III, points 73 and 74
II.3.5.	Adopted	Part I, Section D, Sub-section III, points 69 and 76

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
III. REMUNERATION		
III.1.	Adopted	Part I, Section D, Sub-section III, point 69
III.2.	Adopted	Part I, Section D, Sub-section III, point 69 and Sub-section IV, points 77, 78 and 79
III.3.	Not Adopted	Part I, Section D, Sub-section III, point 69 and Part II, point 2.1. sub.s b) and c)
III.4.	Not Adopted	Part I, Section D, Sub-section III, point 72 and Part II, point 2.1. sub. d)
III.5.	Adopted	Part I, Section D, Sub-section III, point 69
III.6.	Not applicable	Part I, Section D, Sub-section III, points 69, 73 and 74
III.7.	Not applicable	Part I, Section D, Sub-section III, points 69 and 74
III.8.	Adopted	Part I, Section D, Sub-section III, point 69, and Sub-section V, point 84
IV. AUDITING		
IV.1.	Adopted	Part I, Section B, Sub-section V, point 42
IV.2.	Partially Adopted	Part I, Section B, Sub-section II, point 30, Sub-section III, point 37, Sub-section V, point 46, and Part II, point 2.1, sub. e)
IV.3.	Adopted	Part I, Section B, Sub-section V, point 44
V. CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS		
V.1.	Adopted	Part I, Section A, Sub-section II, point 10, Section E, Sub-section I, points 89 and 91
V.2.	Adopted	Part I, Section E, Sub-section I, point 91
VI. INFORMATION		
VI.1.	Adopted	Part I, Section C, Sub-section IV, point 56 and Sub-section V, point 59
VI.2.	Adopted	Part I, Section C, Sub-section IV, points 56 and 58

In light of the text of the recommendations, the following recommendations, also referenced in the table above, were not fully complied with. The corresponding explanations are detailed below.

a) Regarding **recommendation II.2.1.** 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 met the objective independence criteria defined in Subparagraph b of Paragraph 5 of Article 414 of the Commercial Companies Code, bearing in mind the high degree of independence shown by the Chairman of this Committee in exercising his functions to date. In the benefit of the company and its shareholders, the Audit Committee decided to maintain its Chairman.

b) With respect to subparagraph **b** of **recommendation II.3.3.**, it is important to explain that the matter concerning the remuneration of Directors, including the setting of maximum limits for all the components of the remuneration, depends exclusively on the Remuneration Committee, which is a Committee appointed by the General Shareholder's Meeting and independent of the Board of Directors. Thus, the full compliance with the referred recommendation is within the exclusive competence of the Remuneration Committee. The latter decided not to follow the recommendation, as it recognised that the manner in which the remuneration of Executive Directors is structured is adequate and allows the alignment between the interests of Executive Directors and those of the Company in the long term, being in line with the remuneration practices of similar companies, taking into account the characteristics of the Company.

c) Regarding **recommendation III.3.:** see explanation in the preceding subparagraph.

d) In relation to **recommendation III.4.**, it should be noted that the Company's Remuneration Policy does not provide for the deferred payment of all or part of the variable component of remuneration, and the Remuneration Committee believes that it has found, thusfar, the mechanisms that allow the alignment of the interests of the Executive Directors with the long-term interests of the Company and the Shareholders, enabling the sustained growth of the Company's business and the corresponding value creation for the Shareholders.

e) As regards **recommendation IV.2.**, it is important to explain that in 2011 the Audit Committee established the rules concerning the provision of consultancy services by the External Auditor. These rules determine: i. the possibility of contracting those services, if the auditor's independence is assured; and ii. the obligation to obtain prior approval of the said Committee, from the moment the global amount of fees related to these type of services in that year surpasses 10% of the global amount of fees concerning audit services. The Audit Committee considers that the provision of non-audit services up to the said amount of 10% does not compromise the auditor's independence. Furthermore, the Committee considers this solution as the most appropriate to the Group's geographical multi-location and to the specific needs of its subsidiaries set up in other jurisdictions.

3. Other Information

There is no other data or additional information, which is relevant for understanding the corporate governance model and practices adopted.

5.

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1. Our Approach

With a history going back more than 220 years, the Jerónimo Martins Group is guided by a long-term vision that seeks a balance between economic prosperity and a positive contribution towards social and economic development and environmental conservation in the regions where it does business. Its approach is based on five pillars:

I – Promoting Good Health through Food

We are committed to improving the quality of life of our consumers through food and by promoting responsible consumption. Promoting good health through food is achieved through two action strategies:

- i. Fostering the quality and diversity of the food products that we sell;
- ii. Promoting food safety in its broader sense, including the availability, accessibility and sustainability of the products sold.

II- Respecting the Environment

Companies within the Food Sector face environmental challenges, which with the increasing scarcity of raw materials, may influence their business strategies and operational processes.

Our aim, therefore, is to help to effectively link supply and demand, in order to foster more sustainable production and consumption practices, focusing our initiatives on three priority areas: climate change, biodiversity and waste management.

III - Sourcing Responsibly

The Group incorporates ethical, social and environmental concerns into its supply chains, developing lasting business relationships, seeking to ensure that its prices are fair and actively stimulating local production in the countries in which it operates.

IV – Supporting Surrounding Communities

We pay continuous attention to situations of need in the surrounding communities, endeavouring to promote social cohesion and breaking the cycles of poverty and malnutrition, by supporting the more fragile groups in society: children and young people, and the elderly.

V – Being a Benchmark Employer

By creating employment, as a result of expanding our businesses, we aim to stimulate economic development in the markets in which we operate, whilst at the same time promoting balanced salary policies and a challenging and positive working environment, as a firm commitment to our employees.

Additionally, the Group carries out social responsibility initiatives aimed at the employees and their families, as a means of involving them in the Group's culture and of supporting them when they are in difficulty.

Business Model and Relationship with Sustainable Development



2. Engagement with Stakeholders

Due to the size of our businesses, we believe that we can have a positive influence on those who depend on our activities.

As Food Distribution specialists, we firmly believe that we can reach our strategy for creating value by engaging with various stakeholders.

Although they have different expectations, we believe that we must maintain regular and proactive dialogue, which enables us to guide our activity in the market.

With a view to continuously improving, we have furthered our engagement with all stakeholders who depend upon or influence the Group's activities, using the existing communication channels, endeavouring to ensure greater alignment with their needs and expectations.

Stakeholders	Interfaces	Communication Channels
Shareholders and Investors	Investor Relations Department; Corporate Communications and Responsibility Department	Corporate Website, Email, Annual Report, Financial Communications, Meetings, Conferences, Roadshows, Investors Day, Shareholders' Meetings
Official Bodies, Supervising Entities and Local Councils	Investor Relations Department; Tax Departments; Legal Departments; Corporate Communications and Responsibility Department	Corporate Website, Email, Meetings
Suppliers, Business Partners and Service Providers	Commercial, Marketing, Quality and Food Safety, Environment, Development of Private Brand, Regional Operations, Technical, Expansion and IT Departments; Ethics Committee	JM Direct Portal, Follow-up Visits, Quality and Food Safety Audits, Business Meetings, Direct Contacts
Employees	Human Resources Department; Training School; Ethics Committee; Employee Support Services	Employee Service Centre, Internal Magazine, Carta Aberta (Open Letter), Internal Releases, Intranet, Operational and Management Meetings, Interpersonal Relations, Annual Performance Appraisal, Training Sessions, Internal Environment Surveys
Customers and Consumers	Customer Services; Customer Ombudsman; Ethics Committee	Toll-free Phone Lines, Email, Corporate Website, Post
Local Communities	Corporate Communications and Responsibility Department; Stores and Distribution Centres	Follow-up Visits, Meetings, Protocols, Partnerships/Patronage
Journalists	Corporate Communications and Responsibility Department	Corporate Website, Press Releases, Press Conferences, Meetings, Annual Report
NGOs and Associations	Corporate Communications and Responsibility Department	Follow-up Meetings, Meetings, Partnerships/Patronage

To ensure compliance with the Principles of Corporate Responsibility and to disclose and reinforce them, the Group relies on the Corporate Governance and Corporate Responsibility Committee, which works closely with the Board of Directors, and on the Ethics Committee, which monitors the disclosure of and compliance with the Code of Conduct across all the Group's Companies.

The responsibilities of each of these Committees are described at www.jeronimomartins.pt, in the "Investor" area.

Non-Governmental Organisations and Associations

The Jerónimo Martins Group is part of various national and international organisations and initiatives concerning Corporate Responsibility:

- Global Compact
- BCSD Portugal
- GRACE
- Carbon Disclosure Project
- London Benchmarking Group
- Consumer Goods Forum
- Consumer Goods Forum' Global Food Safety Initiative
- Global Social Compliance Programme
- Retail Forum for Sustainability
- The Supply Chain Initiative

For further details on our relations with stakeholders and on the organisations we are part of, go to www.jeronimomartins.pt, in the "Responsibility" area.

3. Highlights 2014

Promoting Good Health through Food

- Pingo Doce complemented the Pura Vida range with the "0% Lactose" tag, having launched three references: semi-skimmed UHT milk, sliced Flemish-style cheese and fresh cheese;
- The nutritional reformulation of 93 Private Brand products, in Portugal and in Poland, led to 281 tonnes of fat, 155 tonnes of sugar and 39 tonnes of salt being removed from the market;
- In Portugal, we began analysing the raw material of the Bakery products for genetically modified organisms;
- In Poland, a partnership began with *Polskie Stowarzyszenie Osób z Celiakią i na Diecie Bezglutenowej* (Polish Association of Celiac Disease Sufferers and a Gluten-Free Diet), to identify gluten-free Private Brand products.

Respecting the Environment

- The Group reached the objective of reducing its carbon footprint by 5% in the 2012-2014 three-year period, comparing the same store network and per thousand euros of sales;
- In Poland, the Warsaw head office was awarded the "Green Office" certificate by the Environmental Partnership Foundation;
- In Portugal, the Algoz Distribution Centre was awarded the SIL Real Estate award, in the "Sustainable Construction and Energy Efficiency" category;
- The sale of plastic bags in Portugal and in Poland led to a drop in consumption – in weight – of 58%, which represents a reduction, since the initiative was implemented, of over 53 thousand tonnes of bags sent to landfill, the equivalent of around 59,500 tonnes of carbon.

Sourcing Responsibly

- The Group reached the objective of introducing certified products in sustainability, in at least six products during the 2012-2014 three-year period;
- Biedronka and Pingo Doce launched a range of detergents and cleaning products with the EU Ecolabel certification;
- The Group assessed the impacts that deforestation commodities represent for its supply chain, having mapped out the presence of these ingredients in the Private Brand products.

Supporting Surrounding Communities

- The support provided amounted to 15.9 million euros, representing an increase of 18.7% compared to 2013, 88% of which was given by Pingo Doce;
- In Portugal, the Group supported institutionally several institutions, donating more than 508 thousand euros, an increase of 15% compared to 2013;
- In Poland, Jerónimo Martins Polska joined the Forum Odpowiedzialnego Biznesu ("Forum of Responsible Companies"), in order to discuss the needs of Polish society and share initiatives for supporting the communities;

- The *Sniadanie Daje Moc* ("Breakfast Gives You Power") programme, promoted by Partnerstwo dla Zdrowia ("Partnership for Health"), was extended as the number of schools included increasing by 37%, reaching a total of 142 thousand students;
- In Colombia, Ara supported Abaco - Asociación de Bancos de Alimentos de Colombia (Colombian Association of Food Banks) providing around one tonne of food.

Being a Benchmark Employer

- The Group created 9,753 jobs, representing a net growth of 12.7% compared to 2013;
- The recruitment area strengthened its position on LinkedIn, the professional social network, reaching over 20 thousand followers;
- The Group created the Global Learning corporate area, in order to define the employee training and development model;
- In Portugal, the Group invested 700 thousand euros in the Social Emergency Fund, helping about 600 employees in need.

4. Promoting Good Health through Food

4.1. Introduction

The commitment to Promoting Good Health through Food comes from recognising the role that food can play in preventing diseases such as diabetes, osteoporosis and cardiovascular diseases and in promoting quality of life. It is also a reflection of the emerging consumption trends such as the demand for convenient food solutions with a balanced nutritional profile or for meeting special dietary requirements.

The Group is guided by two lines of action: i. promoting food quality and variety; and ii. promoting food safety.

The Quality and Food Safety Guidelines describe the various aspects of the products we sell:

- Quality and Food Safety Policy – guarantees a system for continuous improvement in the processes for developing and monitoring Private Brand products and Perishables;
- Nutritional Policy – aligned with the World Health Organisation's recommendations, it defines six pillars for developing the Private Brands: nutritional profile, ingredients, labelling, portion sizes, continuous improvement and communication;
- Policy on Genetically Modified Organisms – based on the principle that the Private Brand products do not contain ingredients or additives of transgenic origin and that, should that not be the case, the consumers will be informed on the respective label.

4.2. Quality and Diversity

We invest in reformulating our products, in differentiated solutions and in establishing partnerships to maximise our contribution to society.

The Guidelines for Developing Private Brand Products reinforces the principles listed in the Nutritional Policy, defining the following:

- restrictions as to the use of colouring, preservatives and other superfluous, synthetic additives;
- maximum accepted quantities of some ingredients in the products, such as salt, sugar and fat;
- nutritional reformulation strategies;
- packing material appropriate for contact with foodstuffs;
- principles of nutritional labelling, including claims on health, nutrition and the promotion of healthy lifestyles;
- product monitoring plans, including sensorial tests, audits and laboratory controls.

4.2.1. Launches

In Poland, products that have potential health benefits or that are aimed at people with specific dietary requirements were launched, including the following:

- Two fresh milk references, from the *Mleczna Dolina* range, whose production process makes it possible to maintain substances that promote good digestion;
- Lactose-free *Prawdziwe* milk with only 1.5% fat;
- Four *Vital Fresh* juice references, which contain 15% of the recommended daily intake of Vitamin C.

Other low-processed products were also launched in 2014, such as the *Wyśmienite* pork sausages containing 85% meat, without the addition of phosphates and without the preservative sodium glutamate, and the Greek-style light yoghurt *Tolonis*, with 60% less fat and 15% more protein in its composition compared to the market benchmark.

In Portugal, the *Pura Vida* range is addressed to people with specific dietary requirements or preferences, such as gluten-free products or those without any added sugar.

In 2014, Pingo Doce complemented the *Pura Vida* range with the "0% Lactose" tag, having launched three references: semi-skimmed UHT milk, sliced Flemish-style cheese and fresh cheese, the last two with added Vitamin B12, essential for preventing anaemia.

Other low-processed products or those that are beneficial for health were launched, such as:

- *Azeite das Nossas Planícies* and *Azeite dos Nossos Planaltos* unfiltered olive oils;
- *Panados de Salmão (Breaded Salmon) Pingo Doce*, made with salmon from Norway, a source of fatty acids such as Omega-3;
- *Bífidus de Kiwi* liquid yoghurt made with fruit pulp and providing a source of calcium.

For further information on the products launched in 2014, go to the "Responsibility" area at www.jeronimomartins.pt.

4.2.2. Reformulations

The reformulations strategy is focused on the fast-moving consumer goods and the ones most consumed by children, perceived as being beneficial for the health.

In 2014, it was possible to remove the following from the market¹:

- 281 tonnes of fat;
- 155 tonnes of sugar;
- 39 tonnes of salt.

¹ The quantity of tonnes of sugar, fat and salt removed is obtained using the following method of calculation: quantity of these ingredients present in comprised references' formula multiple by the number of units sold in the year.

In Poland, 73 food products were reformulated, additives of synthetic origin, flavour intensifiers, preservatives, salt and sugar having been removed.

In total, 261 tonnes of fat, 123 tonnes of sugar and 39 of salt were removed.

Various packed meat products were reformulated, increasing the percentage of meat and eliminating preservatives, salt and fat. In the *Smaczna Porcja* instant soup range, the salt content was reduced by 4% in the mushroom soup, the equivalent of 15 tonnes of salt being removed from the market.

In Portugal, 20 products were nutritionally reformulated, having removed 32 tonnes of sugar from the market and around 20 tonnes of fat. The 26% reduction in sugar in some *Pura Vida Soja* drinks references meant that 21 tonnes of sugar were removed from the market. In the case of the chocolate reference, vitamin D was added, which is essential for the organism to absorb calcium.

Replacement of palm oil

In Portugal, more than 90% of the Private Brand products had no palm oil in their composition. In Poland, 82% of the products in the regular food assortment did not have this type of oil.

Some products were reformulated, such as two of the *La Colore* pasta references and the *Chocolocos*, *Estrelinhas* and *Gold & Crash* children's cereals from Pingo Doce, in which the palm oil in their composition was replaced with sunflower oil.

4.2.3. Promoting Healthier Choices

The Packaging Manuals are for disclosing the characteristics and benefits of the Private Brand products, in compliance with the technical and legal requirements.

One of the examples is the commitment to clearly and concisely informing consumers on the nutritional composition of the products, providing full nutritional tables with the values per 100 grams and per portion.

In 2014, in compliance with European legislation on providing information to consumers on foodstuffs, products were re-packaged in Portugal and Poland, focusing on the following:

- adjusting the nutritional values in the tables;
- defining the minimum size of the characters;
- singling out and highlighting allergens in the list of ingredients;
- replacing the sign for the Daily Reference Values (DRV) using icons in line with regulations.

In Poland, 600 references were re-packaged and in Portugal, 862 Pingo Doce brand references and 823 Recheio Private Brand references were re-packaged, inserting the five compulsory icons: energy, lipids (fat), saturated fat, sugar and salt.

Packaging Manuals

Apart from making the adaptations for legal requirements, the banners' packaging manuals provide greater engagement with the consumer, with sensorial tests being carried out in order to have a perception of the characteristics that are more clearly highlighted on the packages, endeavouring to innovate whilst also meeting their expectations.

From a technical point of view, the manuals take into consideration those packaging materials that are best adapted to the demands of quality and food safety.

The display boxes are also designed taking into consideration the product lettering, the savings to be obtained from printing and the efficiency of the replacement process.

Responsible Communication

The advertising and marketing agencies that help to create the Group's banners' promotional campaigns in Portugal and in Poland are part of associations that have signed codes of ethics and follow commercial best practice guides.

The European Association of Communications Agencies' (EACA) Code of Ethics and other references such as those drawn up by the International Chamber of Commerce or the European Advertising Standards Alliance, include environmental, social, nutritional and communication aspects directed at children.

Pingo Doce has been following the principles of the Mediterranean Diet as a reference for developing its Private Brand products and for the meals from the Meal Solutions business unit, as a differentiating aspect of its communication with external and internal customers.

The following communication materials continued to be produced:

- "Sabores Mediterrânicos" (Mediterranean Flavours) theme-based leaflets, using ingredients from the Mediterranean Diet, with an average print-run of around 495 thousand copies;
- "Sabe Bem" (Tastes Good) bimonthly magazine for Pingo Doce customers, with an average print-run of 160 thousand copies, in which recipes and articles on that diet are provided.

Other communication initiatives aimed at consumers were also promoted.

Pingo Doce launched a list of products on its website that do not contain milk, helping those who are lactose-intolerant to choose the right products.

In Poland, Biedronka maintained its partnership with the *Instytut Żywności i Żywienia* (Institute of Food and Nutrition), which apart from supporting the study of consumers' dietary requirements, promotes actions in the community on the relevance of food for good health.

Together with this institution, it carried out the "5 Garści dla Zdrowia" (Fruit and Vegetables, 5-a-day) campaign, available for consultation at <http://5garscizdrowia.biedronka.pl/>, in order to raise consumer awareness on the need to eat fruit and vegetables every day, attempting to reverse a national diet pattern which is still lacking in the consumption of this type of food.

A partnership began with the *Polskie Stowarzyszenie Osób z Celiakią i na Diecie Bezglutenowej* (Polish Association of Celiac Disease Sufferers and a Gluten-Free Diet), mentioning on the label of eight of the Private Brand references that their composition is gluten-free.

4.2.4. Partnerships and Support

The Group has been encouraging active dialogue with institutions that can contribute towards more in-depth knowledge on food, nutrition and health, as well as towards disseminating products aimed at people with specific dietary requirements.

Pingo Doce sponsored the 1st Edition of the Food and Nutrition Observatory, which consists of supporting the study of Portuguese society's food consumption habits, a process that had not been carried in Portugal for over three decades.

Pingo Doce also signed a cooperation protocol with the Portuguese Directorate-General for Health for sharing recipes, within the scope of the "Programa Nacional para a Promoção da Alimentação Saudável" (Portuguese Programme for Promoting Healthy Food), on the website <http://www.alimentacaosaudavel.dgs.pt>.

In Poland and Colombia, other partnerships with various institutions continued in 2014, such as:

- Partnerstwo dla Zdrowia ("Partnership for Health"), for the Milk Start and *Snidanje Daje Moc* ("Breakfast Gives You Power!") projects in Poland;
- Instituto Colombiano de Bienestar Familiar (Colombian Institute of Family Well-Being), within the scope of the governmental programme "Madres Comunitarias" (Community Mothers) in Colombia.

4.3. Quality and Food Safety

We continually invest 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.

4.3.1. Certifications

In 2014, the certification on the Integrated Environmental Management System, in accordance with the ISO 14001:2004 and HACCP standards, and based on the *Codex Alimentarius* food safety dimension was obtained for the Algod Distribution Centre.

The following certifications were also renewed:

- ISO 22000:2005 certification, regarding Biedronka's warehousing, distribution and product development process;
- ISO 9001:2008 certification for the Development of Private Brands in Portugal and Post-Launch Product/Supplier Follow-Up;
- HACCP certification in accordance with the *Codex Alimentarius* of Pingo Doce's central kitchens in Gaia, Aveiro and Odivelas;
- HACCP certification in accordance with the *Codex Alimentarius* of the Recheio Cash & Carry stores (including the store in Madeira);
- HACCP certification in accordance with the *Codex Alimentarius* of a franchisee Recheio Cash & Carry store in Azores;
- HACCP certification in accordance with the *Codex Alimentarius* of the Caterplus Food Service platforms (except the Lisbon platform due to relocation).

The certifications of the Integrated Environmental Management System, in accordance with the ISO 14001:2004 and HACCP standards, and based on the *Codex Alimentarius*, that had been renewed in 2010 in the Azambuja, Modivas and Guardediras Distribution Centres, were monitored. In 2014, all the Polish Distribution Centres renewed their certification for handling organic products according to the EC 834/2007 Regulation.

4.3.2. Audits

To guarantee high levels of Quality and Food Safety of the products sold by the Group, the processes, facilities and equipment are subject to control audits.

Distribution Poland

The stores and Distribution Centres in Poland carried out internal audits and, only in the case of the Distribution Centres, external audits to verify the adequacy of the facilities, equipment and procedures.

Stores and Distribution Centres	Biedronka			Distribution Centres**		
	2014	2013	Δ2014/2013	2014	2013	Δ2014/2013
Internal Audits	3,767	2,648	+42%	30	26	+15%
Follow-up Audits	58	-	-	-	-	-
External Audits	-	-	-	31	25	+24%
HACCP Performance*	76%	78%	-2 p.p.	93%**	92%**	+1 p.p.

*At Biedronka, HACCP implementation is evaluated based on specific requirements, which in turn are based on the *Codex Alimentarius*.

** In the Distribution Centres, the compliance rate refers to the ISO 22000 - Food Safety Management System certification, which is based on the HACCP principles of the *Codex Alimentarius*.

Distribution Portugal

Audits were carried out at Pingo Doce and Recheio:

Stores and Distribution Centres	Pingo Doce			Recheio			Distribution Centres		
	2014**	2013	Δ2014/2013	2014	2013	Δ2014/2013	2014	2013	Δ2014/2013
Internal Audits	1,139	1,362*	-16%	89	99	-10%	15	8	+88%
External Audits	45	37	+22%	37	12	+208%	2	3	-33%
Follow-up Audits	870	512	+70%	158	170	-7%	17	8*	+113%
HACCP Performance***	86%	86%	-	78%	77%	+1 p.p.	75%	65%	+10 p.p.

* Values corrected to the 2013 Annual Report.

** Including Lidosol stores.

*** At Pingo Doce, as at Recheio, the implementation of HACCP is evaluated on specific requirements, based on the Codex Alimentarius and appropriate for each of the realities in which the Companies operate.

The Companies Pingo Doce, Recheio and the respective Distribution Centres, also carried out around 95,930 thousand analyses, including those on work surfaces, handlers of Perishables and on products handled in stores, the water and the air, in order to reduce microbiological risks. This value represents an increase of 15% compared to the previous year.

No. Analyses/Samples collected	2014	2013	Δ2014/2013
Surfaces	47,272	38,623	+ 22%
Handlers	20,586	18,988	+ 8%
Products Handled	25,761	23,643	+ 9%
Water/Air	2,311	2,348	- 2%

Distribution Colombia

In Colombia, internal audits were carried out on the Ara stores and on the Distribution Centre.

Stores and Distribution Centres	Ara			Distribution Centres		
	2014	2013	Δ2014/2013	2014	2013	Δ2014/2013
Internal Audits	52	28	86%	-	1*	-100%
HACCP Performance	86%	84%	+2 p.p.	-	97%	-

* Value corrected when compared to the 2013 Annual Report.

A total of 399 analyses were also carried out on work surfaces, handlers of Perishables, products handled in the stores and on water.

4.3.3. Analyses

As far as food safety is concerned, apart from the audits mentioned in the previous point, the Group carries out laboratory analyses on the Perishables and Private Brand products that are sold by its banners.

Distribution Poland

Number of Analyses/Samples collected	2014	2013	Δ2014/2013
Private Brand - Food	5.158	3.884	+32%
Private Brand - Non-Food	839	696	+21%
Fruit and Vegetables	669	323	+107%
Meat	870	752	+16%
Bakery	15	-	-

Distribution Portugal

Number of Analyses/Samples collected	2014	2013	Δ2014/2013
Private Brand - Food	11.281*	5.839	+ 93%
Private Brand - Non-Food	2.822	2.346	+ 20%
Fruit and Vegetables	2.319	1.611	+ 44%
Meat	2.334	2.069	+ 13%
Fish	1.720	1.264	+ 36%
Bakery	483	286	+ 69%
Meal Solutions	721	447	+ 61%

**Including routine analyses on the presence of gluten, GMOs, lactose and on the denomination of species.*

The increase in the number of analyses carried out on Bakery products is due, among other things, to having introduced the control of genetically modified organisms in the raw material used in these products.

Distribution Colombia

In Colombia, 381 laboratory analyses were carried out on products sold.

Number of Analyses/Samples collected	2014	2013	Δ2014/2013
Private Brand - Food	278	37	+651%
Private Brand - Non-Food	74	7	+957%
Fruit and Vegetables	5	22	-77%
Meat	21	2	+950%
Bakery	3	1	+200%

4.3.4. Training

In Poland, the volume of training in Food Hygiene and Safety given to employees totalled 11,393 trainees and 37,688 hours of training.

In Portugal, 10,877 employees received 29,863 hours of training. In Colombia, training was given to 175 employees, in a total of 700 hours.

5. Respecting the Environment

5.1. Introduction

Companies within the Food Sector face environmental challenges which, with the increasing demand for raw materials, may influence their business strategies and operational processes.

Given the Group's size and partnerships, we seek to effectively link supply and demand and establish supply chains that promote more sustainable production and consumption practices.

Environmental Management is defined in the Group's Environmental Policy. This is organised around three main areas: Biodiversity, Climate Change and Waste Management, carried out through the following principles of action:

- to combine the legitimate demand for growth with the protection of the Environment;
- to integrate environmental performance criteria when into the development and implementation of all operations and into management decision processes;
- to promote and encourage environmental management practices and eco-efficiency throughout the supply chain;
- to promote and encourage eco-innovation through the development and support for differentiating environmental projects and services.

All the initiatives carried out in pursuit of these principles are monitored and assessed on a regular basis and their results ascertained and communicated. For more detailed information, see the "Responsibility" area at www.jeronimomartins.pt.

Main Environmental Impacts

In 2014, the Group endeavoured to reduce the environmental impacts arising from:

- water and energy consumption;
- waste production;
- air emissions and consumption of fossil fuels.

Environmental Audits

In 2014, 232 internal environmental audits were conducted on stores and Distribution Centres in Portugal to ensure their compliance with legal requirements and with the Group's internal environmental management procedures. In Poland, 11 internal environmental audits were conducted for the same reasons. In total, the number of internal audits carried out increased by 5% compared to 2013. Corrective actions are always defined when the score is less than 100%.

Environmental Certification

The Environmental Management Systems implemented within the Group are based on the ISO 14001:2012 international standard. The Group has been constantly investing in the certification of its Distribution Centres (DC). In Portugal, the number of DCs with this certification went from three to four (Azambuja, Vila do Conde, Guardediras and Algoz) out of a total of nine. In Poland, in the beginning of 2015, 13 of the 15 DCs received this certification.

In 2014, all the Polish DC renewed their certification for handling organic products according to the EC 834/2007 Regulation.

Head Office in Warsaw receives “Green Office” Certification

The “Green Office” certification, attributed by the Environmental Partnership Foundation, awards organisations that have implemented measures aiming to reduce their environmental impacts, such as energy-efficiency measures.

Obtaining the certification for the Group’s head office in Poland, in 2014, gave rise to a reduction in the consumptions of water and energy used for heating, of 12% and 3% respectively.

5.2. Biodiversity

The Group has a role to play with regard to protecting biodiversity and assessing the environmental risks linked to its activities. For this purpose, opportunities for getting involved are identified and whenever possible, other partners in the supply chain, such as suppliers, are included.

Assessments have been made of the risks linked to different ecosystem services since 2010, in accordance with the Ecosystem Services Review (ESR) methodology, proposed by the World Research Institute (WRI). This assessment was reviewed in 2014 and four new priority action areas having been identified, out of a total of 11:

- Wood and Other Wood Fibres;
- Genetic Resources;
- Pollination;
- Ethical Values.

In 2014, we promoted projects to support the Group’s management systems and practices, namely regarding:

- information management;
- training;
- partnerships with suppliers;
- research and development.

Within the scope of the threats and opportunities identified, a risk assessment was concluded of the 10 most relevant species of fish for the Group, in Portugal, in terms

of biomass. This analysis showed that none of the species are at high risk, after considering aspects such as the level of stock exploitation, impacts on the ecosystems, traceability, the impacts on surrounding communities and working conditions.

With regard to agriculture, a study was finalised that enabled a methodology to be devised for encouraging sustainable agriculture practices, curbing the loss of biodiversity and eliminating the existence of invasive species. This project covered 15 of the most relevant farms from Portuguese suppliers and aspects such as biodiversity (fauna and flora), water consumption and the implementation of farming practices were assessed. Based on the results obtained, training in sustainable agriculture will be given to the Group's suppliers.

5.3. Climate Change

The most recent data from the Intergovernmental Panel on Climate Change² (IPCC) show a reduction in agricultural productivity, making it very clear that climate change may have an impact on price stability and on the security of supply.

The approach of the Group to climate change can be seen in its measures to reduce energy consumption and to minimise greenhouse gas emissions from logistics processes or from refrigeration gases, for example, as well as in the measures implemented related to deforestation commodities³.

5.3.1. Carbon Footprint

In 2014, the Group's carbon footprint was estimated at 1,121,852 equivalent tonnes of carbon dioxide (CO₂e), showing an increase of 14.9% compared to 2013⁴, which is mostly explained by the Group's growth in the number of stores and DCs. On the other hand, the specific amount increased from 0.083 to 0.088 equivalent tonnes of carbon dioxide for every thousand euros of sales.

² Information published in the 5th Assessment Report from the Intergovernmental Panel on Climate Change, available for public consultation at <http://www.ipcc.ch/report/ar5/syr/>.

³ To find out about our initiatives regarding deforestation commodities, see subchapter 6 – "Sourcing Responsibly" in this chapter.

⁴ The overall and specific values for 2013 were recalculated compared to those reported in the 2013 Annual Report due to the external Carbon Footprint verification process. This process was conducted during April/May 2014 and may be consulted at the "Responsibility" channel at <http://www.jeronimomartins.pt>.

Carbon Footprint - Indicators	2014	2013	Δ2014/2013
Overall value (scope 1 & 2) – t CO ₂ e.	1,121,852	*976,599	+14.9%
Specific value (scope 1 & 2) – t CO ₂ e/’000 €	0.088	*0.083	+6.0%

Carbon Footprint - Indicators	2014 (t CO ₂ e)	2013 (t CO ₂ e)	Δ2014/2013
Overall Carbon Footprint (scope 1 and 2)			
• Distribution Portugal	317,534	*297,105	+6.9%
• Distribution Poland	802,260	*678,659	+18.3%
• Distribution Colombia	2,058	1,257	+63.7%
Carbon footprint (scope 1 - direct impacts)			
• Leakage of refrigeration gases	221,913	*189,644	+17.0%
• Fuel consumption	41,313	*47,003	-12.1%
• Light vehicle fleet	15,933	14,372	+10.9%
Carbon footprint (scope 2 - indirect impacts)			
• Electricity consumption	825,009	*677,730	+21.7%
• Heating	17,684	47,850	-63.0%
Carbon Footprint (scope 3 - other indirect impacts)			
• Transport of goods to stores (Distribution)	138,671	130,655	+6.1%
• Disposal of waste in landfills	47,431	*61,873	-23.3%
• Air travel by employees	2,007	2,060	-2.6%

* Corrected figures as a result of the external Carbon Footprint certification audit.

Notes: Calculation of the carbon footprint of the different activities is made using the three levels of the WBCSD Greenhouse Gas Protocol method: direct impacts, indirect impacts and impacts of third parties. The values presented took into account emission factors defined by the IPCC - Intergovernmental Panel on Climate Change, by the Portuguese Directorate-General for Energy and Geology and by Krajowy Ośrodek Bilansowania i Zarządzania Emisjami (Polish Centre for Emission Balance and Management, for fuels), by the International Energy Agency and by the suppliers (electricity) and by the European Environment Agency (air travel). The emissions related to the area of Marketing, Representations and Restaurant Services were not included (it is estimated that they represent less than 1% of total emissions). The values marked with * were corrected to eliminate the values from Manufacturing, quantities and/or emission factors.

As part of its environmental policy, the Group exceeded the carbon footprint 5% reduction target in the 2012-2014 three-year period, when comparing the same store network as in 2011 and for each thousand euros of sales, having achieved a reduction of 44%. The goal was met, mainly, due to the investment in energy efficiency measures and adoption of best practices.

5.3.2. Energy and Water Consumption

Water and energy consumption gives rise to a series of initiatives which aim to contribute towards fighting climate change, as well to obtaining savings as result of greater efficiency.

This is the case of the “Energy and Water Consumption Management Teams”, which achieved a like-for-like reduction, in energy and water consumption of 13,309,450 kWh and 378,807 m³ since 2011 respectively. These teams have enabled the Group to obtain an overall saving of two million euros since 2011.

The increase verified in Colombia’s water and energy consumption is related to the significant increase in the number of stores when compared to 2013. Also in Poland, the increase in the number of DCs and stores led to a raise in energy consumption, essentially due to heating in stores, even though the specific consumption decreased. In Portugal, the increment in energy and water is mostly due to the increase in the number of boxes transported.

Energy Consumption

Total consumption	2014	2013	Δ2014/2013
Energy consumption			
• Absolute value - GJ	6,482,625	5,640,395	+14.9%
• Specific value - GJ/'000 €	0.511	0.477	+7.1%
Energy consumption per business unit			
• Distribution Portugal - GJ	1,826,150	1,742,940	+4.8%
• Distribution Poland - GJ	4,584,681	3,843,728	+19.3%
• Distribution Colombia - GJ	31,747	16,723	+89.8%
• Others (estimate) - GJ	40,155	37,004	+8.5%

Values for 2013 were corrected as a result of the external Carbon Footprint certification audit.

Water Consumption

Total consumption	2014	2013	Δ2014/2013
Water consumption			
• Absolute value - m³	2,227,490	2,141,561	+4.0%
• Specific value - m³/'000	0.176	0.181	-2.8%
Water consumption per business unit			
• Distribution Portugal - m³	1,644,244	1,552,925	+5.9%
• Distribution Poland - m³	545,969	561,859	-2.8%
• Distribution Colombia - m³	23,584	12,707	+85.6%
• Others (estimate) - m³	13,693	14,070	-2.7%

Renewable Energy

Technology	No. buildings	Energy saving/year	CO ₂ saving/year
Lamp posts powered by photovoltaic panels	1	72,000 kWh	36 t
Tubular solar light transporting system	3	99,600 kWh	50 t
Solar collectors to produce hot water used for heating water and/or in the air conditioning system	14	223,101 kWh	111 tt

Investing in renewable energy leads to an annual saving of 41,800 euros.

5.3.3. Reduction of Environmental Impacts Resulting from Logistics Processes

The Group is committed to reducing the environmental impacts linked to the logistics processes throughout the value chain by minimising the consumption of raw materials and energy resources and reducing the amount of emissions and waste. The following actions were particularly important in 2014:

Emissions in Distribution

- In Portugal, 69% of the goods transport vehicles complied with the Euro 5 requirements (195 vehicles) and Euro 6 requirements (nine vehicles). In Poland, 76% of the goods transport vehicles complied with the Euro 5 requirements (765 vehicles) and Euro 6 requirements (36 vehicles);
- Backhauling in Poland amounted to a volume of 115,330 pallets, leading to a saving of 392,578 km, thereby avoiding the emission of 337 tonnes of CO₂, which was 91% more pallets collected than in 2013. In Portugal, backhauling

represented a volume of 376,117 pallets, leading to a saving of 5,382,214 km, the equivalent of 4,803 tonnes of CO₂ being emitted, which was 30% more pallets collected than in 2013.

Reusable Packaging

In Portugal, use of reusable plastic boxes in the Perishables and Dairy areas represented 14.5% of the total boxes handled, 0.9 p.p more than in 2013. In Poland, the test that began in 2013 for the use of reusable plastic boxes for packing fruit and vegetables was continued, saving 805 tonnes of cardboard.

5.3.4. Management of Refrigeration Gases

The Group has been reinforcing the control of leaks, the use of more efficient technology and cooperation with service providers of refrigeration and HVAC services. Investments in natural coolants have been made both in Portugal and in Poland:

- In Poland, 13 DCs have cooling systems installed with thermal roll-containers with CO₂ snow. In Portugal, the same system has been in operation in the Algoz DC since the beginning of 2014;
- Cooling technologies running exclusively on CO₂ (two in Portugal and three in Poland);
- Five DCs (four in Portugal and one in Poland), have refrigerated warehouses (positive and/or negative cold) with systems running on ammonia combined with glycol;
- In Poland, two lorries use CO₂ as a cooling gas.

R22 gas was replaced in all the chilling plants and air conditioning chillers. The Group only has a few small air conditioning units with R22.

5.3.5. Rationalisation of Paper Consumption

Measures such as electronic invoice management permitted a saving of more than 6.3 million sheets of paper, i.e. a total of 749 thousand trees.

In Poland, the paper used in the central offices has the EU Ecolabel certification and in Colombia it is manufactured from sugar cane. In Portugal, the paper used is ISO 14001 certified.

In Portugal and in Poland, the paper used for printing the banners' magazines is PEFC certified (Programme for the Endorsement of Forest Certification) or the companies producing it have ISO 14001 certification. This report is also produced at printers with the FSC (Forest Stewardship Council) certificate.

5.4. Waste Management

Raising employee and public awareness on correct waste separation practices and on seeking new recovery solutions, aims to promote recycling and avoid the generation of waste.

Waste Recovery Rate

	2014	2013	Δ2014/2013
Distribution - Portugal	58.2%	57.7%	+0.5 p.p
Distribution - Poland	89.5%	88.8%*	+0.7 p.p
Distribution - Colombia	90.0%	93.3%	-3.3 p.p

* 2013 value was corrected.

The objective of increasing the waste recovery rate in Portugal, by five percentage points compared to 2011 for the 2012-2014 three-year period was registered at +4.3 p.p.. The difference is mostly due to Pingo Doce's promotional activity intensification. The weekly and monthly frequency of the "This Week" and "Essential Foods" campaigns led to a larger amount of non-recyclable waste.

5.4.1. Characterisation of Waste

In 2014, the Group produced 340,042 tonnes of waste, 17.0% more than in 2013, due to the growth in the store network.

Waste	Distribution Portugal (t)		Distribution Poland (t)		Distribution Colombia (t)	
	2014	2013	2014	2013	2014	2013
Cardboard and Paper	30,106	29,922	163,141	143,372	1,291	411
Plastic	2,178	2,099	8,133	7,371	82	25
Wood	509	114	2,079	2,197	-	-
Organic waste	3,880	3,646	56,757	16,468	-	-
Unsorted waste	34,680	29,882	27,212	31,510	131	58
Used Cooking Oil and Fat (grease traps)	141	154	-	-	-	-
Sewage Treatment Waste	3,557	3,699	-	-	22	-
Hazardous Waste	8	3	35	5	-	-
Other Waste	775	285	2,268	15,602	-	-

5.4.2. Customer Waste Recovery

The following were the most important projects in 2014:

- Pingo Doce's network of recycling points covers 344 establishments, which is 90% of the store network;
- The recovery of coffee capsules and caps/corks/bottle tops goes entirely to charities;
- All Biedronka stores and 11 DC guarantee separate collection of organic waste. 2,077 stores have the facility for collecting customers' small electrical appliances, fluorescent light bulbs and batteries.

In total, there was an increase in the number and type of recycling points available for customers. For more detailed information, see the "Responsibility" area at www.jeronimomartins.pt.

Waste Dropped Off by Costumers in Recycling Bins at Stores

Waste (in tonnes)	2014	2013	Δ 2014/2013
PORTUGAL			
Batteries	23.12	28.20	-18.0%
WEEE	81.67	94.44	-13.5%
Used Cooking Oil	120.06	128.97	-6.9%
Printer ink cartridges	3.44	3.71	-7.3%
Capsules	37.20	1.29	+2,784%
Lids, Corks and Bottle Tops	4.92	1.63	+202%
POLAND			
Batteries	47.32	31.48	+50.3%
WEEE (including fluorescent light bulbs)	243.47	213.85	+13.9%
COLOMBIA			
Used batteries	0.43	0.22	+95.5%

In Portugal, there are two reasons for the verified performance: i. the retraction in consumption has limited the acquisition of new electronic equipment, leading to less collection of this type of waste; ii. the proliferation of collection points outside our network has led to consumers depositing their waste in locations close to their home.

In Poland, the percentage increase in the collection of WEEE is mostly due to the investment in the installation of collection bins in Biedronka stores.

5.4.3. Ecodesign of Packaging

A reduction in waste can also be encouraged in the upstream supply chain, namely by co-operating with suppliers to improve the eco-efficiency of the packaging with a view to:

- reducing the environmental impact of the packaging of items sold by the banners, especially the Private Brands;
- optimising the costs with production, transport and management of packaging waste.

Products encompassed	Portugal	Unit
Number of references	151	SKU*
Savings in packaging materials	2,326	t materials/year
Transport avoided	397	t CO ₂ e/year
Packaging with FSC certification	15	SKU*

* SKU – Stock Keeping Unit.

In Poland, packaging ecodesign projects have been initiated in eight SKU. The results for these projects will be disclosed in next year's report.

5.5. Eco-efficient Infrastructures

The Group includes environmental criteria in its projects for building or remodelling infrastructures, boosting the positive impacts and minimising the adverse ones.

The Algoz DC, which was inaugurated in February, was designed to supply the South of Portugal and in such a way as to guarantee the optimisation of water and energy consumption, for which it received an award at the 2014 SIL National Real Estate Awards, in the "Sustainable Construction and Energy Efficiency" category. This approach makes it possible to save 55 thousand kWh per year.

Biedronka has 12 eco-stores, which include measures for reducing water and energy consumption and for managing waste. In Colombia, a system was implemented in four Ara stores to automatically measure the lighting and energy consumption so as to rationalise consumption.

5.6. Raising Employee and Consumer Awareness

The Group carried out the following initiatives to raise awareness on adopting behaviour that supports better management of natural resources, emissions and waste.

Employees:

- publication of articles on the importance of the rational use of water and energy in "A Nossa Gente" (Our People), the internal magazine that is distributed to all employees in Portugal;
- an internal campaign, aimed at the employees in Colombia, for reducing the amount of printing on paper, thereby obtaining a saving of around 30 thousand sheets of paper;
- training sessions carried out on environmental management best practices for employees in Portugal, Poland and Colombia, the volume of hours having tripled compared to 2013.

Customers and consumers:

- in-store campaigns carried out in the Pingo Doce and Recheio networks against food waste and in favour of adopting environmental best practices:
 - "Reciclar Também é Ajudar" (Recycling is Also Helping), in partnership with ERP Portugal and the Portuguese Environment Agency, with the objective of raising consumer awareness on the correct destination for waste electrical and electronic equipment, thereby managing to collect 18 tonnes of this type of waste and a value of 7,200 €, which was donated to four charities;
 - "Em Sintonia com a Natureza" (In Harmony with Nature) which made it possible to collect 380 kg of aluminium packaging and over 13 tonnes of glass packaging;
 - Initiative that aimed to promote adequate management of used batteries and the risks arising from not disposing of them properly, carried out during picnics hosted by the Distribution Centres on Children's Day;

- regular publication of articles against food waste and promoting environmental and social best practices in the "Sabe Bem" (Tastes Good), "Notícias Recheio" (Recheio News) and "Kropka TV" magazines, aimed at Pingo Doce, Recheio and Biedronka customers respectively.

Reduction of Plastic Bags

In 2007, Pingo Doce stopped distributing plastic bags free of charge and started selling them. Through this measure, the consumption of bags (in weight) was reduced by 58% and the amount of bags sent to landfill dropped by 15,584 tonnes. The CO₂e emissions were reduced by 31,033 tonnes. These results benefitted from the sale of large, reusable bags and by providing trolleys.

In Poland, Biedronka began selling plastic bags in 2008, having also reached a 58% reduction (in weight) in their consumption, which represents a decrease of 22,018 tonnes of bags sent to landfill and a drop of 43,841 tonnes in CO₂e emissions.

5.7. Partnerships and Support

The Group supported the following initiatives in Portugal, focused on restoring natural habitats and protecting biodiversity.

Institution	Project	Amount	Further information at
Oceanário de Lisboa	Oceanário de Lisboa	100,000 €	www.oceanario.pt
Quercus	"SOS Pollinators" Campaign	20,000 €	yesweb.pt/polinizadores
World Wildlife Fund (WWF)	<i>Green Heart of Cork</i>	10,000 €	www.wwf.pt
Liga para a Protecção da Natureza (LPN)	ECOs-Locais	10,000 €	ecoslocais.lpn.pt
ERP-Portugal	Schools – Geração Depositário	3,000 €	geracaodepositario.abae.pt

In Poland, plush toys, puzzles and books were sold in order to raise consumer awareness on the importance of conserving endangered species. The amount raised, over 50 thousand euros, went towards nature conservation projects under the responsibility of WWF Poland.

6. Sourcing Responsibly

6.1. Introduction

The Group's Sustainable Sourcing Policy is governed by the following priorities:

- ensure Quality and Food Safety;
- encourage access to quality food products by practicing competitive and fair prices and by developing an investment and innovation policy for its Private Brand products;
- promote healthy eating by making the best fresh products available and by continuously improving the nutritional formulae of the products of its Private Brands;
- boost socio-economic development in the regions in which it operates;
- contribute positively towards the sustainability of the ecosystems and of the populations on which Jerónimo Martins directly or indirectly depends.

The Group has a Code of Conduct for Suppliers establishing a set of ethical values they should follow, namely regarding labour and environmental matters and that may have an impact on the quality and safety of the products. This Code is an integral part of the new contracts that are signed in Portugal, Poland and Colombia, for the areas of Private Brands and Perishables.

For more detailed information on the Sustainable Sourcing Policy and the Suppliers' Code of Conduct for Suppliers, see www.jeronimomartins.pt, in the "Responsibility" area. To learn more about our Nutritional Policy and the related activities carried out, see subchapter 4 – "Promoting Health through Food" in this chapter.

6.2. Commitment: Local Suppliers

The Group, preferably and under equal commercial terms, chooses local suppliers in order to enhance the socio-economic sustainability of the locations where it operates and minimise the carbon footprint of the products sold.

Importing occurs in the following cases:

- i. for reasons of production seasonality, common in the Fruit and Vegetables area;
- ii. when there is no local production or it is insufficient to guarantee supply to the stores;
- iii. when the quality of local products does not allow the Group's quality commitment to its consumers to be met.

In Portugal, around 84% of the products sold were sourced from local suppliers. In Poland, this ratio stood at 94% and 100% in Colombia, fulfilling the objective of ensuring the annual purchase from local suppliers of at least 80% of food products.

Local partnerships are also developed with local producers, seeking to ensure a secure product supply and boosting local economies.

PORTUGAL

- In 2014, and as in previous years, we maintained our technical support to Portuguese producers of lamb, veal, pork, chicken and turkey, promoting the use of cereal-based feed, advising on farm management and on more efficient distribution methods.
Within this context, the lamb sold by Pingo Doce grazes on natural pastures, in accordance with the assumptions of High Natural Value agriculture and animal husbandry. This concept foresees that low intensity production systems and with reduced inputs can contribute towards protecting the biodiversity of the regions where they are implemented;
- Regarding fish, the Group maintained a direct relationship in Portugal with dozens of Portuguese vessels, thereby supporting local fishing. Import occurs when there are not sufficient quantities of fish caught in Portugal to satisfy local demand.
The Group maintained its partnership with a cooperative of fishermen in the area of Sesimbra, ensuring the quality and price competitiveness and the traditional fishing practices that allows the sustained regeneration of species. One of these species is the black scabbard fish, which in value terms, represents 5.1% of the Group's fish procurement in Portugal, is sourced from local suppliers;
- Equally, Pingo Doce, supported by its suppliers pursued a practice for processing imported raw materials in Portugal, with the objectives of adding value to local production and ensuring the high quality of the final product, such as the cases of the frozen hake, the red fish and the cooked prawns.

POLAND

- Biedronka maintained its commitment to guaranteeing a totally local supply of apples. As is the case in Portugal, in Poland new growth opportunities are also explored with Polish producers, and in 2014 a project was developed for implementing the cultivation of the *Antonówka* variety of apples, a traditional Polish apple;
- With the objective of guaranteeing a stable supply of locally-grown produce, Biedronka – through its strategic partnership with one of its suppliers – supported the implementation of the cultivation of a variety of traditional Polish garlic, very much appreciated in that country; and this was the first plantation of garlic on such a scale in Poland. This variety will be sold in Biedronka stores for the first time in January 2015.

COLOMBIA

- Ara has been working, since the beginning of its operations, to establish long-lasting relationships with Colombian suppliers. In 2014 Ara worked with 54 local suppliers who delivered more than 300 Private Brands products.
- Ara invited 17 local suppliers to visit the Group's operations in both Poland and Portugal. This was crucial for our business partners to understand our business approach. As a result, all of these suppliers are now Private Brand producers, ensuring good quality products and competitive prices.

Amongst consumers, the Group carries out campaigns to raise the awareness on the preference for locally-sourced products through its banners:

- in Portugal, national products are identified with "O Melhor de Portugal Está Aqui" (The Best of Portugal is Here) stickers, in the Perishables, and "Produzido em Portugal" (Made in Portugal) and "Fruta 100% Portuguesa" (100% Portuguese Fruit), in the Private Brand products;
- in Poland, domestic products are identified with the "Polski Product" (Polish Product) sticker or with the "#jedzcopolskie" (Eat what is Polish) sticker;
- in Colombia, domestic products are marked with the "Hecho en Colombia" (Made in Colombia) and "Una Marca de Ara" (An Ara Brand) stickers.

Pingo Doce renews commitment to payment terms of 10 days to domestic producers

Pingo Doce decided to extend by 12 months the extraordinary measure of support to domestic producers of fresh products with whom it works and that are members of the Confederação dos Agricultores de Portugal (Portuguese Farmers' Confederation).

This measure consists of the anticipation, to an average of 10 days (instead of the 30 days established by law), and without financial costs to the producer, of the payment terms practiced by Pingo Doce.

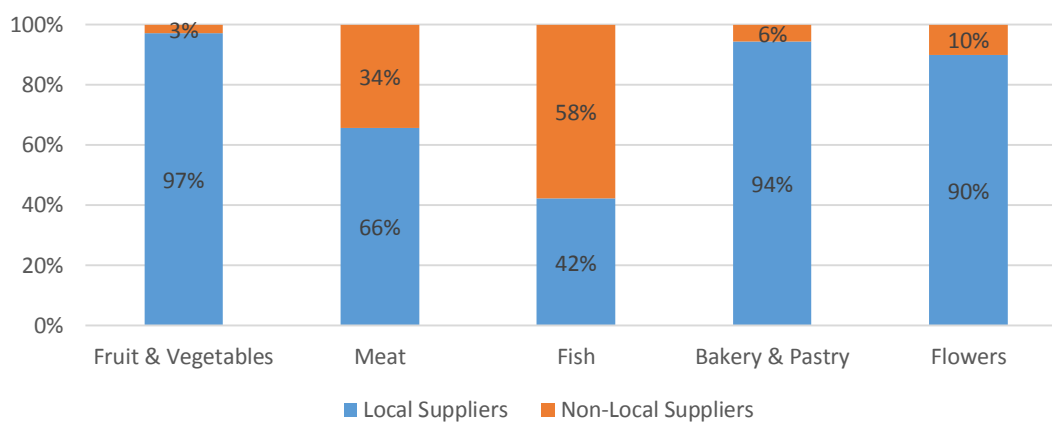
Since its implementation in 2012, around 500 producers from the primary sector, particularly fruit, vegetables, meat, fish, charcuterie and wine producers, have benefited from this initiative.

Perishables and Private Brand

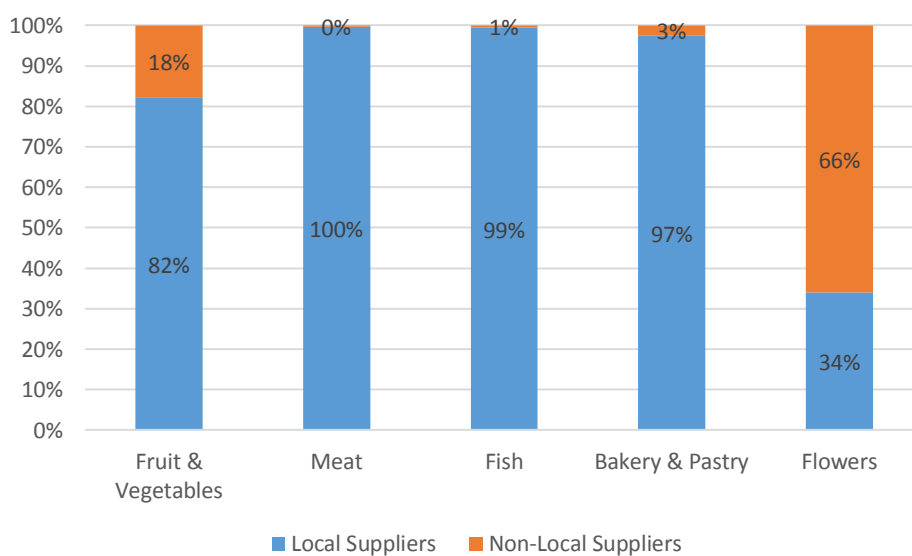
Regarding Private Brand, most of the products were sourced from local suppliers, of which 100% in Colombia, 95% in Poland and between 59% (Pingo Doce) and 75% (Recheio) in Portugal.

In the Perishables area, a similar trend exists, with 68% of products in Portugal being sourced from local suppliers, while in Poland this figure amounts to 91%. In Colombia, this ratio reaches 100%.

Portugal



Poland



Colombia

In pursuit of its policy for preferring locally-produced products, Ara acquired 100% of the perishables sold in its stores from Colombian suppliers.

6.3. Commitment: Human and Workers' Rights

In accordance with the Group's Sustainable Sourcing Policy, available at www.jeronimomartins.pt, the Group works with suppliers who commit to practices and activities that wholly comply with the law and any applicable national and international agreements on Human and Workers' Rights.

The Group is committed to severing business relations with suppliers whenever it becomes aware that they and/or their suppliers violate human, children's and/or workers' rights and/or if they do not incorporate ethical and environmental concerns when conducting their business or they are not willing to draw up a remedy plan.

6.4. Commitment: Promoting More Sustainable Production Practices

The Group prefers suppliers with production methods that aim to minimise the use of chemical products such as fertilisers, herbicides and insecticides, and to ensure the preservation and improvement of the quality of the soil in case of agricultural crops.

Under the project developed in 2013, Biedronka continued to provide its customers with tilapia, a type of fish produced in Poland from domestic aquaculture. This species feed is based on plants and is produced in pools with a closed water circuit, minimising the risk of pollution. Biedronka also began a trout production project in aquaculture with a water filtration technology that allows its re-use, reducing water consumption and its pollution load.

"Sustainability Under Pressure" - Third Sustainability Conference of the Group

The sustainability conferences of the Group aim to raise awareness amongst employees and suppliers for environmental and social issues throughout the value chain.

In this edition the retail sector trends, the EU regulatory requirements under development, the performance and challenges for the Group in the areas of Environment and Sourcing, and the importance of dialogue with the stakeholders were discussed.

In order to assess the impacts that deforestation commodities pose to the Jerónimo Martins Group, the presence of these ingredients in the Private Brand and Perishables products sold in Portugal, Poland and Colombia for 2014 was mapped. Additionally, the Group's suppliers, for which these ingredients have been identified, have been asked to report on the existence of certification and the origin of these products. The results are reported in the annual response of the Group to CDP Forests. The purpose of the Group is to progressively ensure the sustainable origin of the products in line with the commitment made under the Group's participation in The Consumer Goods Forum. For further details on the Group's actions in this area, see www.cdp.net.

Certified Products

In an effort towards the continuous improvement to the sustainability of the products sold, Biedronka launched products certified with the seal of the Marine Stewardship Council (MSC): cod medallions and fresh clams, which joined the certified wild salmon and cod, which are amongst the 10 top-selling species at Biedronka.

In Portugal, Pingo Doce launched the tuna loin and frozen sardines with MSC certification and maintained the certification of the packed Vietnamese clam. In addition, 48,9% of the frozen hake that Pingo Doce sells was caught in South African waters by vessels which act in accordance with the standards of this certification. Pingo Doce's canned tuna also includes the *Dolphin Safe* labelling.

In 2014, Biedronka launched the Queen Eco toilet paper, certified by the Forest Stewardship Council (FSC) and WWF, since it is composed of a mixture of recycled fibre and virgin fibre derived from sustainable forests.

In 2014, Pingo Doce launched the range of ecological detergents and cleaners Ultra Pro, covering four references with the EU Ecolabel certificate. Pingo Doce also maintained five references of Class A energy-saving light bulbs, under the Home 7 brand, and 19 Pingo Doce product references have the Sustainable Forestry Initiative certification while nine product references of Pingo Doce juices and six Recheio juice references have the FSC certification. With regard to the range of organic Private Brand products, the number of product references reached 59, with the EU Ecolabel certification exhibited on the package.

EU Ecolabel Certification

The new range of ecological detergents and cleaners Ultra Pro, with EU Ecolabel certification, contains natural and environmentally-friendly products, guaranteeing the same efficiency.
In Poland there is also a range of products with this certification.

All plants of African origin sold at Biedronka have the More Profitable Sustainability certification.

In Private Brand, Biedronka launched 17 article references with the EU organic logo for fish, vegetables, children's meals, wine and frozen products. Just like Pingo Doce, Biedronka launched five new article references of cleaning products with the EU Ecolabel certification.

Certification

The Group favours (and requires, in the case of foreign suppliers not covered by our internal audit system) a relationship with suppliers who have a Food Safety certification recognised by the Global Food Safety Initiative, namely British Retail Consortium (BRC), Global Good Agricultural Practices (Global G.A.P.), HACCP/Codex Alimentarius or ISO.

6.5. Supplier Audits

Quality and Food Safety

Perishables and Private Brand suppliers are regularly audited for assessment and follow-ups in terms of management and control processes, the quality system implemented, the formulation of products and labour and environmental aspects. The audits are mandatory for suppliers conducting their business in territories where the Group operates.

Audits of Perishables and Private Brand Suppliers*

	2014	2013	Δ 2014/2013
Portugal			
Perishables	895	550	+63%
Private Brand – Food and Non-Food	191	205	-7%
Poland			
Perishables	1,573	1,432	+10%
Private Brand – Food and Non-Food	390**	193***	+102%
Colombia			
Perishables	12	16	-25%
Private Brand – Food and Non-Food	81	44	+84%

* Audits include the following types: selection and control and follow-up (which includes product inspection).

** In 2014 2,502 Private Brand non food product inspections were performed.

*** In 2013 2,513 Private Brand non food product inspections were performed.

The supplier evaluations cover a set of environmental requirements, which have a 5% weight in the audit assessment. These requirements include criteria associated with the management of water, effluents, waste, atmospheric emissions, noise and hazardous substances.

Each supplier is reassessed at predefined intervals based on the score obtained.

Environment

In Portugal, the Group accompanied 99 of the current service providers, audited between 2009 and 2014. The audits aimed to promote the compliance with the minimum environmental performance requirements, the assessment of the compliance level of the items listed in the reports and the definition of an action plan for the following years. For 2015, 40 audits are planned.

In 2014, the level of environmental performance was distributed as follows: 17% achieved an "Optimum" performance, 14% "High", 68% "Basic" and 1% "Below Basic". The suppliers with an environmental performance below basic have received a corrective action plan, which must be addressed within a maximum of six months.

The Group reserves the right to suspend its collaboration with suppliers who do not comply with its corrective action plan.

In Poland, there were three environmental audits of service providers, totalling nine companies audited between 2009 and 2014.

6.6. Supplier Training

In Portugal, within the scope of Quality and Food Safety, seminars took place for suppliers in the Fish, Bakery and Pastry and Fruit and Vegetables categories.

In the area of Environment, in 2014 priority was given to the review of the technical standard on the "Environmental Management for Sales and Service Providers" in order to adapt to the evolving legislation and standardize requirements. For 2015, the training for suppliers of the Fish, Meat and Fruit and Vegetables categories is expected to continue.

7. Supporting Surrounding Communities

7.1. Introduction

As it expands its operations Jerónimo Martins seeks to boost the local economies, by creating jobs and supporting the more underprivileged groups, as a way of contributing towards greater social cohesion.

Using the Policy for Supporting Surrounding Communities for guidance, which is available at www.jeronimomartins.pt, we aim to contribute towards fighting malnutrition and hunger and to help break the cycles of poverty and social exclusion in two main groups: the underprivileged elderly, children and young people.

The Group provides support through gift vouchers, which makes it possible to buy food, personal care and home care products, or by directly donating food products. Direct monetary support may also be attributed or charitable campaigns carried out that encourage donations by third-parties.

The Group also engages with organisations that perform educational work targeting children and young people at risk, to prevent early school drop-out and social exclusion, as well as those that encourage entrepreneurship, is also considered.

Forum of Responsible Companies

Seeking to have a perspective on the needs of society and sharing initiatives carried out within the community, in 2014 Jeronimo Martins Polska joined the Forum of Responsible Companies, a multi-stakeholder platform aiming to:

- Share knowledge and experience with specialists from other companies;
- Obtain support for implementing the principles of Corporate Responsibility;
- Promote Corporate Responsibility activities, including participating in work groups.

7.2. Managing the Policy

All the support initiatives carried out must be in line with the Policy for Supporting Surrounding Communities and they must be duly monitored and their impact assessed. As such, the resources provided must be targeted at social projects that are proven to be effective, reaching as many underprivileged people as possible.

The support granted is assessed using the criteria set out by the London Benchmarking Group, a business network of which the Group is a member. The model for monitoring and assessing the short and medium-term impacts on surrounding communities, enables the members to gauge the social change that the supported institutions are able to achieve.

In addition to these assessments, follow-up visits are made so that it is possible to check the infrastructures and quality of the service offered to the users of that service, which are also important moments for sharing technical knowledge.

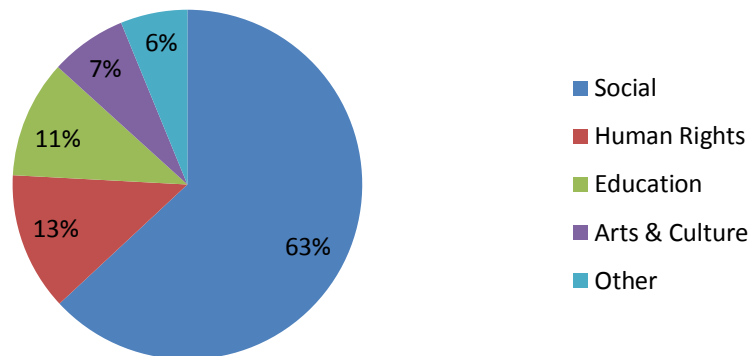
7.3. Direct Support

As in previous years, support to various institutions that carry out important social work was maintained, whether in the form of food donations, or by means of monetary support.

Direct support attributed to the surrounding communities by all the Group's companies amounted to about 15.9 million euros, which represents an 18.7% increase compared to 2013.

At a corporate level, Jerónimo Martins' support is divided between the following areas:

Institutional Support



The Group supported various institutions by donating more than 508 thousand euros, an increase of 15% compared to 2013. Of this amount, 63% went to the social area, the main beneficiaries being children and young people, and the elderly, as was the case the previous year.

Of note is the support of 40 thousand euros granted to "Filhos do Coração" (Children of the Heart) a non-governmental organisation, which is a partner of the Touch a Life Foundation, a benchmark in the fight against child slavery in Ghana. That Foundation manages the only long-term rehabilitative care centre for children that have been rescued in that country.

"Filhos do Coração" uses the funds raised to endeavour to provide food support, access to education, clothing, health and safety to each child rescued, enabling them to build a future far away from the traffickers.

Aldeias SOS Portugal

Within the scope of an on-the-job training project, aimed at young people from institutions supported by Jerónimo Martins, six young people from Aldeias SOS trained in Pingo Doce stores for a period of six weeks.

These initiatives aim to complement these young people's schooling, providing them with knowledge about the real job world.

PERA Project

For the second year running, Pingo Doce supported the PERA Project (School Food Reinforcement Project), an initiative from the Portuguese Ministry of Education and Science, whose objective is to provide undernourished school children with the first meal of the day. At the same time, it aims to raise awareness among children, young people and their families on the importance of adopting healthy eating habits.

During the 2013/2014 academic year, daily breakfasts were supplied by Pingo Doce to 2,029 children, representing an investment of around 140 thousand euros.

There were positive impacts on the school performance of the students supported by Pingo Doce: 59% went up to the next year, 28% had better behaviour and 34% improved their marks.

With regard to the support granted by Pingo Doce, over 525 institutions were given aid in 2014, essentially food. On a central level, donations in kind and in cash amounted to a value of over 380 thousand euros, representing an increase of 2.7% compared to 2013.

We would highlight the support of 40 thousand euros to the "Casa dos Marcos", a project developed by the Raríssimas Institution which gives support to children with rare diseases in Portugal.

In addition to this aid, the stores located in mainland Portugal and Madeira and the Distribution Centres also directly made in-kind donations to local charities, totalling over 13.6 million euros. This amount represents 15.25% more than that donated in 2013.

Support offered by Recheio and Caterplus, through food donations and financial support, amounted to around 355 thousand euros, a 37% increase compared to 2013.

In Poland, institutions that help to fight hunger and malnutrition were given support to the value of around 807 thousand euros (around 3.5 million zlotys). Biedronka also supported the organisation of charitable events such as the Day of the Child, World Day of the Sick and Saint Nicholas' Day, supporting the communications campaigns and donating food products.

In 2014, Jerónimo Martins Distribuição de Produtos de Consumo and Hussel supported the Portuguese Food Bank, among other institutions, by donating food and money totalling around 108 thousand euros, an increase of 20% when compared to 2013.

In Colombia, Jerónimo Martins partnered with Instituto Colombiano de Bienestar Familiar (ICBF) (Colombian Institute of Family Well-being) in 2013 to reinforce "Madres Comunitarias" (Community Mothers), a governmental initiative aiming to provide economic support to the nannies who take care of children up to the age of five in regions with low financial means.

In 2014, this programme was continued, by regularly supplying food to around 1,250 children totalling over 20 thousand euros. The support given by Ara is monitored by a nutritionist from the governmental institute, checking the mental and physical development of the children who benefit from the programme.

Asociación Abaco

During 2014, the Ara stores supported Abaco - Asociación de Bancos de Alimentos de Colombia, which has the mission of supporting the Food Banks in Colombia, by forming strategic alliances with public and private partners, streamlining the distribution of food products to the more needy (children, pregnant women, mothers and the elderly).

Around 940 kilogrammes were donated, representing over 54 thousand euros.

7.4. Internal Volunteering and Other Campaigns

In 2014, the Group's employees continued to participate in the programmes of Junior Achievement Portugal, an association whose objective is to foster entrepreneurship among children and young people, by teaching topics such as relations with family and the community, economics, the European Union and even on how to set up a business.

At Christmas, as part of an internal charitable campaign, the employees of the central structures helped two institutions that support children and young people from broken homes. Gifts were offered in response to the requests of 113 children from Associação dos Amigos da Encosta Nascente and from Casa de São Bento.

At the Christmas dinner attended by over 700 of the Group's managers, the matching donation initiative was maintained. Employees made their own donations totalling 4,662 euros, which was matched by Jerónimo Martins, making it possible to support the projects of the two organisations selected: Academia do Johnson and Associação C.A.S.A.

Associação C.A.S.A. – Centro de Apoio ao Sem-Abrigo (Centre for Supporting the Homeless), is focused on distributing meals, blankets, sleeping bags and personal care products to people who live on the streets, as well as to children, adolescents, the elderly and socially underprivileged families.

Academia do Johnson is an organisation that supports young people from tough family and social environments, through sports and personalised follow-up. Its objective is to improve the young people's relationship with school and their social surroundings, thereby offering them alternatives for their future.

7.5. Indirect Support

The Group's banners participated in campaigns for food collection and other goods, as well as fund-raising with their customers to support institutions that carry out important social work in the communities in which they operate.

During the Portuguese Food Bank's campaigns, volunteers in the Pingo Doce stores collected about 1.1 thousand tonnes of food and vouchers for food were sold to the value of 110 thousand euros.

Food vouchers sold to customers aimed at supporting other charities, totalled about 250 thousand euros.

In Poland, in cooperation with the Polish Federation of Food Banks and Caritas Polska, during the various campaigns throughout the year, Biedronka collected around 987 tonnes of food from its customers, aimed at supporting people of scarce financial means.

Aldeas Infantiles SOS Colombia

In 2014, the awareness campaign that began in 2013 was continued, whereby the value of your purchases is rounded up. The value donated is given every month to Fundación Aldeas Infantiles SOS Colombia (SOS Children's Villages Colombia Foundation).

This Foundation is recognised for its work over the last 40 years with children from vulnerable communities.

Throughout this year, over 17,5 thousand euros was raised, which was targeted at the "Programa de Fortalecimiento Familiar" (Family Strengthening Programme), in the municipality of Ríosucio, benefitting 436 children.

7.6. Other Support

In Poland, the Group maintained the partnership it started in 2006 with Danone, Lubella and Instytut Matki i Dziecka (Institute of Mother and Child), within the scope of the Partnerstwo dla Zdrowia ("Partnership for Health").

Apart from the Milk Start programme, which launched a new product reference in the market in 2014, the *Sniadanie Daje Moc* ("Breakfast Gives You Power!") campaign was also extended. Aiming to provide the first meal of the day to the children of the partnering schools and to raise awareness on the importance of balanced nutrition, the number of these schools increased by 9% in the 2013/2014 academic year. At the beginning of the 2014/2015 academic year, 7,200 schools joined the programme, a 37% increase compared to the previous year, involving over 140 thousand children.

8. Being a Benchmark Employer

8.1. Introduction

Within the challenging environment of the Group's internationalisation, the personal and professional development of the employees and the continuous improvement to their quality of life and working conditions, are strategic priorities, reflected on various levels, in the different areas of human resources and represent a significant additional investment.

Within a tough macro-economic environment, both in Portugal and in Poland, 9,753 jobs were created, representing a net growth of 12.7% compared to the previous year. More than 800 internships and on-the-job training was also provided in the different Companies of the Group.

The main indicators for the Jerónimo Martins team in 2014 are as follows:

- 86,563 people: 56,982 in Poland, 28,600 in Portugal and 981 in Colombia;
- 77% are women;
- 66% of the management positions are held by women;
- 15% are under 25 years of age; 42% are aged between 25 and 34; 30% between 35 and 44; 11% between 45 and 54; 3% are aged 55 or over;
- 82% are hired on a full-time basis;
- 61% are permanent staff.

Of particular note in 2014 was the redefinition and alignment of the processes for attracting and identifying talent and the various existing programmes, especially the Management Trainees Programme and the implementation of a global development model for the Managers, in line with the business needs.

Also noteworthy was the consolidation of the Internal Social Responsibility area, with the launch of new programmes and initiatives aimed at employees and their families.

8.2. Principles and Values

The Group's Code of Conduct lays down a series of guiding principles which should oversee employees' conduct in their day-to-day actions, as well as being a commitment to a high ethical standard in all our dealings, and may be accessed at www.jeronimomartins.pt.

The principles that direct the employees' conduct reflect both compliance with national and international legislation regarding Human and Workers' Rights and the guidelines of the United Nations Organisation and the International Labour Organisation.

The Group's principles and values are disclosed and disseminated throughout the entire organisation using internal means of communication, such as the "A Nossa Gente" (Our People) magazine and the monthly communication "Carta Aberta" (Open Letter), in Portugal and the magazine "Nasza Biedronka" (Our Biedronka) in Poland.

Equality and Non-Discrimination

In line with the Code of Conduct, the Group has adopted practices with a view to promoting equality and preventing any form of direct or indirect discrimination throughout all the stages in the employee's "life cycle". Such practices are applied to the applicant recruitment and selection processes and are used for managing professional development opportunities, as well as in the annual performance appraisals.

In Poland, there is a formal Anti-Harassment and Discrimination Policy.

Freedom of Association and Collective Bargaining

The Group respects Freedom of Association and Collective Bargaining, and is also governed by scrupulous compliance with the applicable legislation with regard to the union activity carried out in the places of work in all the countries, and by applying, at the time being only in Portugal, a collective bargaining agreement negotiated by the employee associations which represent some of its Companies.

In Portugal, over 90% of the employees come under a Collective Bargaining Agreement.

Communication with Employees

Both in Portugal and in Poland, the Group provides Employee Assistance Services to clarify any work-related issues and for receiving requests for social support. These communication channels are key to promoting the continuous improvement to the quality of life of the employees and reinforcing the relationship of trust with the Group.

In 2014, the Employee Assistance Service in Portugal was re-launched, communicating the assurance of confidentiality, independence and impartiality regarding the receipt and handling of the contacts received.

In Colombia, a "Convivencia Laboral" Committee was created internally, in accordance with the applicable legislation, aimed at receiving and resolving employees' complaints, including cases of discrimination.

	Employee Services	
	No. of Contacts/Procedures Initiated	% of Procedures Concluded
Portugal	9,046	99.6%
Poland	3,138	93.4%

8.3. Global Approach

In the last two years, the Group consolidated the "Taste Of", a global approach to people management encompassing five main areas - Taste of a New Journey, Taste of Ambition, Taste of Evolution, Taste of Recognition and Taste of Significance - which represents the different stages in the employees' "life cycle".

This model reflects the Group's organisational culture and is adapted to the business growth needs in the different countries.

8.4. From Attraction to Retention

Along with the Group's greater business diversification, its growth justified redefining the processes for attracting and identifying talent, namely regarding external recruitment and internal mobility, which will start to be implemented in 2015.

The Group's recruitment area reinforced its position on the professional social network LinkedIn which, in 2014, had more than 20 thousand followers, reflecting the importance of new technology in developing career opportunities and capturing the best candidates. In the three countries this platform is a key tool for attracting employees and for making Jerónimo Martins known as a benchmark employer.

Internal mobility is still an important factor for developing employees' talent, in view of the operational needs of the Group, and it provides unique and stimulating professional challenges. Reflecting the Group's business dynamics, 38,595 employees underwent internal mobility, i.e. people who changed their role, their work place or became part of a new company within the Group. There were 8,185 promotions in the stores, Distributions Centres and head offices. At the end of 2014, the Group had 30 employees who were expatriated.

With all its recruitment programmes and other initiatives, the Group clearly positioned itself in order to promote jobs for young people, and also joined the "Alliance for Youth" initiative promoted by Nestlé, along with other employers.

Management Trainees Programme and Summer Internships

The Group's internationalisation provides career opportunities to its employees, making it possible to react to future challenges and guarantee that we have a competitive advantage.

The Management Trainees Programme, with over 25 years of existence, is a programme for young graduates which makes it possible for them to have a structured career development, in a unique combination of a training programme tailored to the business's needs and an on-the-job training experience.

For the first time, in 2014, this programme was implemented simultaneously in the three countries, using the same criteria and methodology, thereby harmonising the application of what is the Group's most important strategic programme for attracting talent, in which 45 trainees participated.

Also of particular note is the pilot edition of the Summer Internship Programme which took place in Portugal, through which 18 young people had the benefit of an internship during the months of July and August. 92 interns took part in this programme, which already exists at Biedronka and Hebe.

Also within the scope of Employer Branding, various events and workshops with universities took place, with the objective of reinforcing Jerónimo Martins' position in the job market in the countries in which it operates.

Development and Remuneration

One of the main challenges within the area of Management Development is redefining and implementing a global development model for the Group's managers, with a view to identifying and mapping out the internal talent and creating development programmes tailored to the individual profile – motivations and competences – and with the short, medium and long-term business needs. To meet this challenge, in 2014, the practices in force were aligned, aiming to consolidate a single, global development model.

As far as remuneration is concerned, promoting a balanced, fair and competitive salary policies and practices within the scope of the Global Compensation Policy enables the Group to position itself as a benchmark employer. As such, it maintains a competitive minimum salary policy, above the minimum national wage.

Concerning compensation and benefits, various internal awards were reviewed and others were implemented, with the objective of guaranteeing the right competitiveness to attract and retain our talent.

In 2014, the Group attributed approximately 53.2 million euros in bonuses to its employees.

Training

By reinforcing the Human Resources corporate structure, 2014 was marked by the creation of the Global Learning area, with the objective of defining the global employee training and development model, anticipating the needs and challenges of the different businesses and ensuring that the Group has a competitive advantage in the markets in which it does business. This area liaised with the Jerónimo Martins Training School, in Portugal, and with the Biedronka Management Academy and the Distribution Centre Academy, in Poland.

The executive training programmes continued in partnership with the best teaching establishments in the world, such as Stanford University, Kellogg School of Management, IMD Business School, INSEAD Business School, Católica Lisbon, Nova School of Business and Economics, Kozminski University and Warsaw School of Economics, with the strategic priority of developing the organisation's leaders.

In 2014, of particular note is the demand for innovative training formats including "Share Talks" programmes, among others, aiming to promote informal reflection session on key topics for the business.

The Jerónimo Martins Training School also maintained its investment in developing the management and leadership competences of its teams, namely by implementing the following programmes:

- The programme "Thinking and Participating as a Trainer – Management of People and Teams" in which 487 employees took part;
- The "PAGL – Advanced Store Management Programme" and "PGGL – General Store Management Programme" for a total of 77 employees.

Training in Perishables is considered to be a strategic training area, and has a team comprised of 35 permanent trainers, who have trained over 5,100 employees, registering a total of 78,413 training hours in the different Companies.

Pingo Doce continued with the "5 Star Service" project, with a view to developing and implementing a culture for high quality customer service, for which 1,924 employees were trained.

In Poland, the Biedronka Management Academy promoted training sessions with a view to developing management competences for around 1,910 store managers and assistant store managers.

In Poland, 65 Training Stores were selected, which had the necessary resources for hosting and developing training projects. These stores received 541 trainees in 2014.

The Group established a series of partnerships with organisations and teaching establishments in Portugal aiming to make it possible for on-the-job training to take place, which helps participants when entering the job market. Co-operation was established with Casa Pia de Lisboa, Aldeias SOS, Rumo Cooperativa de Solidariedade Social and IEFPP – Portuguese Institute of Employment and Professional Training, among other entities, giving rise to over 600 internships and on-the-job training opportunities.

In Portugal, the partnership with Universidade de Aveiro continued, involving the tutoring for the bachelor's degree in Commercial Management, in which 88 students participated. Within the scope of this partnership, an "Open Day" took place, whereby students could experience a working day with their tutor, and thereby have more in-depth knowledge of the Group.

In Colombia, in co-operation with SENA – Servicio Nacional de Aprendizaje (National Learning Service) 30 students were able to have on-the-job training.

In 2015, we shall endeavour to extend the partnership network in the three countries.

Training Indicators	2014	2013	Δ2014/2013
Total No. of Sessions	45,942	50,841	-10%
Training Volume*	2,876,837	1,977,579	+45%

* Training Volume = No. training hours x No. employees in training

8.5. Health and Safety in the Workplace

The Group maintained its commitment to pursue a "Zero Accident Tolerance" policy based on prevention.

In 2014, apart from training sessions, simulations in the Group's infrastructures took place, both in Portugal and in Poland, thereby preparing the teams to respond in emergency situations.

In Portugal, in compliance with the objective that was defined in 2013, the "Zero Accidents" campaign was promoted, aiming to reduce work accidents in all the Group's Companies, promoting a culture of safety. This was marked by various actions, notably the Prevention and Safety in the Workplace internal award, aimed at acknowledging the employees' commitment to prevention. This campaign had a positive effect on the severity and frequency indicators.

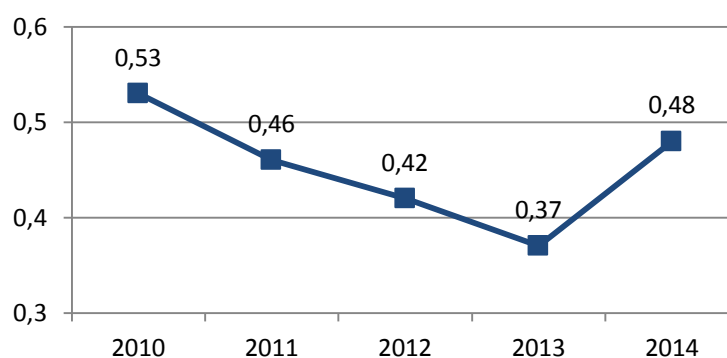
In Portugal, a survey on a sample of 800 employees was also implemented, aiming to identify and prevent psycho-social risks.

In Poland, various initiatives were implemented aiming to prevent accidents and professional illnesses, especially training, internal audits and audits within the scope of OHSAS (Occupational Health & Safety Advisory Services), with a view to improving work processes and procedures, raising awareness and knowledge about the associated risks and promoting a culture of safety.

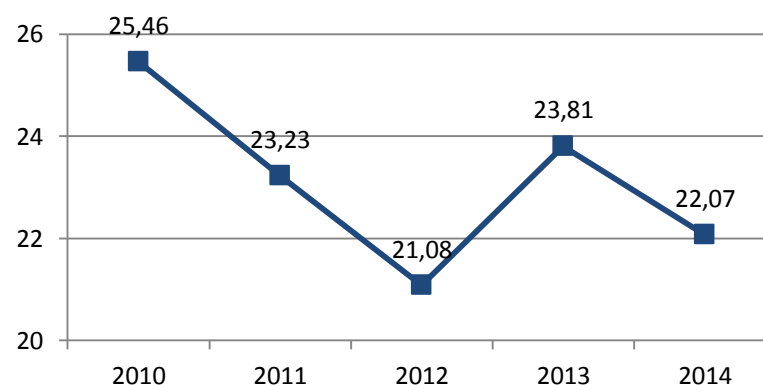
Initiatives within this context were also carried out in Colombia, notably the creation of a Health and Safety in the Workplace Committee and the consolidation of the internal procedures regarding accidents and incidents in the workplace.

Aggregate Safety in the Workplace Indicators

Severity Rate



Frequency Rate



Portugal

The following initiatives are highlighted in the Distribution area:

- 3,839 training hours on Health and Safety in the Workplace;
- 242 simulations;
- 508 audits.

The main activities in the Restaurants and Services area were:

- 69 training hours on Health and Safety in the Workplace;
- 65 audits.

Poland

The following initiatives in the different Companies are highlighted:

- 27,367 training hours on Health and Safety in the Workplace;
- 192 simulations;
- 1,114 audits.

Colombia

The following actions were carried out:

- 108 training hours on Health and Safety in the Workplace;
- 13 simulations;
- 148 audits.

In 2014, 19,000 health check-ups were carried out in Portugal, 61,807 in Poland and 1,145 in Colombia.

8.6. Internal Social Responsibility

Consolidating the Internal Social Responsibility (ISR) area as a means of supporting the employees and their families has been one of Human Resources' strategic topics, aiming to provide their human capital with greater ability and motivation and to contribute towards an improvement in their quality of life.

In 2014, we re-evaluated the progress of the ISR area since its creation five years ago and defined new programmes and actions, taking into account the employees' needs and expectations. To do so, a survey was carried out in Portugal and in Poland, which enabled us to have a broader vision of international best practices, the social framework in these two countries and the actual situation of our employees, including their levels of satisfaction with the actions carried out by the area and their current concerns.

More than 22 thousand employees answered the survey, which represents a participation rate of 83%, reflecting the importance and value given to the measures implemented. This survey also confirmed the ISR area's strategy based on three

priority action pillars: Health, Education and Family Well-Being. Over 90% of employees that benefitted from ISR measures feel satisfied or very satisfied with those measures.

In 2014, over 1.7 million euros was invested in all the programmes aimed at employees and their families.

Por Nós Ambassadors

In 2014, over 150 volunteers, called Jerónimo Martins Por Nós Ambassadors, contributed to this area, within the scope of the Social Emergency Fund.

This group of volunteers, comprised of employees from various roles within the Organisation, ensures that families in a situation of social emergency are given follow-up, through the different support mechanisms, embodying the principles and values which are its DNA.

Health

The "SOS Dentist" Programme aims to enable employees in Portugal who have greater economic difficulties to have the necessary treatments for their oral health. In 2014, this programme, in its 2nd edition, received over 1,800 registrations and over 200 employees concluded their dental treatments, representing a total investment in excess of 200 thousand euros.

Of particular note, also, is the "Child and Adolescent Development Clinic", geared towards employees' children who have development, learning or behavioural problems. In 2014, around 100 employees' children benefitted from this programme. Also in Portugal, the "Raríssimas" programme is of note, aimed at the integrated follow-up of employees' children who have a rare disease.

In Poland, within the scope of the "Let's Take Care of our Health" programme, more than 4,500 employees had access to free screening, notably breast cancer, cervix cancer and cardiovascular disease screening. The programme of free seasonal flu vaccination covered 850 employees, representing an investment of approximately nine thousand euros.

Also in Poland, the programme for supporting children with special medical needs continued, which included surgeries, medication, participation in rehabilitation camps, psychological and financial assistance to the respective families. In 2014, around 200 children were supported within the scope of these initiatives.

Education

In Portugal, the 3rd edition of the "Scholarship" programme took place, which is for employees or their children who, although they do not have the economic conditions, they would like to enrol or re-enrol in Higher Education. 95 scholarships were attributed for the 2014/2015 academic year, with an investment of around 130 thousand euros.

The "Back to School" campaign, both in Portugal and in Poland, led to around 5,500 school kits being offered to all the children of employees who went to primary school for the first time, with an investment of 120 thousand euros.

In 2014, the Holiday Camps for employees' children were maintained in Portugal and in Poland, which were free for low-income families. Over two thousand children participated in them.

In its 6th Edition, the "Learn and Develop" internal programme enabled more than 56 employees to start the process of obtaining the equivalence of 9th or 12th grade schooling.

Family Well-being

During 2014, the programmes were maintained for supporting employees and their families with greater financial difficulties.

In Portugal, the Social Emergency Fund supported around 600 employees with a total of 700 thousand euros used in 3,900 measures divided between the areas of food, health, education, legal advice and financial guidance.

Within the scope of the "Do the Accounts of Life" programme, which has the objective of transmitting ideas for saving and improving the management of household budgets, over 2,500 employees were trained.

In Poland, the "You Can Count on Biedronka" programme supported more than 8,500 employees in situations of need.

3,353 baby kits were offered to all employees in both countries who experienced maternity or paternity during 2014.

The Group also marks other important festivities for children. Of note is the Day of the Child, when books and games are offered, and Christmas with the attribution of vouchers. In 2014, over 13 thousand vouchers were attributed in Portugal and 54 thousand hampers were provided in Poland.

9. Commitments for 2012-2014

Corporate Responsibility Pillars	Commitments for 2012-2014	Progress
Promoting Good Health through Food	Develop cross-cutting policies to all Companies of the Group: ▪ Packaging Manual; ▪ Quality and Food Safety Manual.	Achieved. For further details, see section 4.1 - Introduction and point 4.2.3 - Promoting Healthier Choices.
	Further improve the nutritional profile of the Private Brand products, in Portugal and Poland.	Achieved. Between 2012 and 2014, the equivalent to 1,557 tonnes of sugar, 63 tonnes of salt and 320 tonnes of fat were withdrawn from the market.
	In Poland, proceed to the repackaging of 800 product references, with greater focus on nutritional information on the packaging.	Achieved. Between 2013 and 2014 more than 800 references of Private Label of Biedronka were repackaged.
	In Portugal, in the Meal Solutions area, adjust the doses to a rational meal (with a focus on the children's target audience), and develop and implement nutritional information.	Partially achieved. Since 2012 that the doses of meals have been adjusted to the Meal Solutions business unit, reducing the diameter of the dishes in three centimetres. In 2012, 5% of the restaurants had dishes adjusted to the doses, and in 2014 that was the case of all restaurants. The 288 employees, who worked in the restaurants in 2014, had on-the-job training to serve the recommended doses for each type of recipe according to a table of weight per dish, ensuring rationality in served doses and avoiding food waste.
	In Portugal, reduce the sugar and fat content in the Bakery products.	Achieved. Launch of three SKUs of cakes with no added sugar and one SKU of doughnuts with reduced fat content, in 2013. Additionally, in 2013, palm oil, a saturated fat, was replaced in six SKU's in Poland, and one SKU in Portugal.
	In Portugal, develop and implement nutritional information in the Bakery category.	Achieved. The percentage of product references with nutritional information increased from 23% to 64%, in 2013.

Corporate Responsibility Pillars	Commitments for 2012-2014	Progress
Respecting the Environment	Reduce the carbon footprint by 5% (LFL per €'000 of sales) between 2012 and 2014, compared to 2011.	Achieved. A reduction of 44% compared to 2011 was achieved.
	In Portugal, reduce water and electricity consumption by 2% per year (LFL per m ² of sales area).	Partially achieved. 2012 — Water: -10.1%; Electricity: -0.4% 2013 — Water: -11.6%; Electricity: -1.6% 2014 - Water: -8.7%; Electricity: +3.1%.
	In Portugal, increase the amount of customer waste collected by at least 15% between 2012 and 2014, compared to 2011.	Not achieved. There was a 26% decrease in the amount collected compared to 2011. For further details, see point 5.4.2 – Customer Waste Recovery, in this sub-chapter.
	In Portugal, increase the rate of waste recovery by at least 5 p.p. by 2014, compared to 2011.	Partially achieved. +4.3 p.p.
	In Poland, test and implement the Building Research Establishment Environmental Assessment Method (BREEAM) certification in Biedronka's eco-stores.	Not achieved. The buildings do not meet all of the BREEAM criteria.
Sourcing Responsibly	In all banners, ensure continuity of the sourcing of at least 80% of food products from local suppliers.	Achieved. In 2012, 2013 and 2014, over 80% of food products in Portugal and over 90% in Poland and Colombia).
	Introduce products with sustainability certificates (UTZ Certification, Fairtrade, MSC or other) for at least: - Private Brand (two products); - Perishables (four products).	Achieved. See section 6.4. - Commitment: Promoting More Sustainable Production Practices, Certified Products subsection.
Supporting Surrounding Communities	Careful monitoring of social investments area, according to the Policy for Supporting Surrounding Communities.	Achieved. See subchapter 7 – Supporting Surrounding Communities.
	Monitoring and dissemination of the impacts resulting, according to the LBG model (London Benchmarking Group).	Achieved. Since 2012 that the LBG monitoring model is applied. See "Responsibility" area at www.jeronimomartins.pt website.
	In Portugal, increase the number of Pingo Doce stores that support charities. Goal: 95% of the store network total by the end of 2014.	Achieved. 95% in 2012.

Corporate Responsibility Pillars	Commitments for 2012-2014	Progress
	In Poland, strengthen the involvement in social projects, e.g. through the actions carried out in partnership with Caritas Polska aimed at children.	Achieved. For examples of the application of the programme see the "Responsibility" channel, at www.jeronimomartins.pt.
	In Poland, further develop the programme to combat child malnutrition, under the project "Partnerstwo dla Zdrowia" (Partnership for Health).	Achieved. For examples of the application of the "Milk Start" and the Sniadanie Daje Moc ("Breakfast Gives you Power!") projects, please see section 7.6. – Other Support of the subchapter "Supporting Surrounding Communities".
Being a Benchmark Employer	Maintaining of the focus on Social Responsibility area, by deepening the dialogue with the employees with the aim to improve the understanding of their real situations and, consequently, to increase its positive impact on their lives.	Achieved. During the last three years, the following are of note: - Consolidation of the internal responsibility area, with various programmes aimed at the employees and their families, including the launch of the "Social Emergency Fund" (Portugal) and "You Can Count on Biedronka" (Poland); - Internal consultation to gauge the Internal Responsibility Strategy (in 2014); - Consolidation of the Employee Assistance Service (Portugal and Poland).

10. Commitments for 2015-2017

Corporate Responsibility Pillars	Commitments for 2015-2017
Promoting Good Health through Food	Further improve the nutritional profile of the Private Brand products, through product innovation and reformulation, and in the Meal Solutions meals.
	Continue to develop programmes of promotion of the Mediterranean Diet and awareness for reading food labels amongst consumers.
	Increase the number of references of the range without lactose and gluten free, in Private Brands in Portugal and Poland.
	In Portugal, ensure that products intended for children have a higher nutritional profile to market benchmark.
	In Portugal, develop and implement nutritional information in the Meal Solutions area.
	In Portugal, in the Meal Solutions area, test meals for consumers with special dietary needs, e.g. vegetarians, and test healthier menus.
Respecting the Environment	In Portugal, continue to develop and implement nutritional information in the Bakery.
	Reduce the Group's carbon footprint by 2% in the 2015-2017 three-year period (per 1,000€ of sales), compared to 2014.
	Make an annual reduction in the consumption of water and electricity of 2% per year (comparing the same store network in Portugal and Poland).
	Reduce the amount of waste sent to landfill by 5 p.p. in the 2015-2017 three-year period, compared to 2014 (objective measured using the ratio "amount of waste recovered / total amount of waste").
Sourcing Responsibly	Increase the number of locations with environmental certification (at least 20).
	In all banners, ensure continuity of the sourcing of at least 80% of food products from local suppliers.
	Continue to introduce sustainability certificates (UTZ certification, Fairtrade, MSC, EU-Ecolabel or others) for at least: • Private Brand (two products); • Perishables (four products).
	Reduce by 5% the presence of palm oil in the total sales of Private Brand products.
Supporting Surrounding Communities	Reduce by 5% soy, beef, wood and paper products and from countries at risk of deforestation.
	Monitoring and dissemination of the social impacts resulting from the supports offered, according to the LBG model (London Benchmarking Group).
	In Portugal, start at least one project of community investment per year, directed to children, young people or older people from vulnerable environments.
	In Poland, strengthen the involvement in social projects, focused on children, young people and older people from vulnerable environments.

Corporate Responsibility Pillars	Commitments for 2015-2017
	In Poland, further develop the programme to combat child malnutrition, under the project "Partnerstwo dla Zdrowia" (Partnership for Health): - increase of the number of schools by at least 5% in each academic year.
	In Colombia, continue to support the programme "Madres Comunitarias" (Community Mothers), supporting two community nurseries, for each Ara store opened.
	In Colombia, extend the involvement in social projects such as Aldeas Infantiles SOS Colombia (SOS Children's Villages) and the Abaco Foundation for the donation in foodstuffs.
Being a Benchmark Employer	Following the commitments made for the previous three-year period and with the continued tough and very challenging economic environment for the employees' families, particularly in the countries in Europe, the strategic focus will remain on: i. continuously improving the employees' working conditions; ii. supporting the quality of life of our families in the different countries in which we operate.

11. The Global Compact Principles

The United Nations' Global Compact Principles	Jerónimo Martins Annual Report
1 Businesses should support and respect the protection of internationally proclaimed human rights.	Chapter V – "Corporate Responsibility in Value Creation"; subchapter 8 – "Being a benchmark employee", section 8.2 "Principles and Values".
2 Make sure that businesses are not complicit in human rights abuses.	Chapter V – "Corporate Responsibility in Value Creation"; subchapter 6 – "Sourcing Responsibly" and subchapter 8 – "Being a benchmark employee", section 8.2 "Principles and Values".
3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Chapter V – "Corporate Responsibility in Value Creation"; subchapter 6 – "Sourcing Responsibly" and subchapter 8 – "Being a benchmark employee", section 8.2 "Principles and Values".
4 Businesses should uphold the elimination of all forms of forced and compulsory labour.	Chapter V – "Corporate Responsibility in Value Creation"; subchapter 6 – "Sourcing Responsibly" and subchapter 8 – "Being a benchmark employee", section 8.2 "Principles and Values".
5 Businesses should uphold the effective abolition of child labour.	Chapter V – "Corporate Responsibility in Value Creation"; subchapter 6 – "Sourcing Responsibly" and subchapter 8 – "Being a benchmark employee", section 8.2 "Principles and Values".
6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Chapter V – "Corporate Responsibility in Value Creation"; subchapter 8 – "Being a benchmark employee", section 8.2 "Principles and Values".
7 Businesses should support a precautionary approach to environmental challenges.	Chapter IV – "Corporate Governance"; Part I, Section C; sub-section III". Chapter V – "Corporate Responsibility in Value Creation"; subchapter 5 – "Respecting the Environment".
8 Businesses should undertake initiatives to promote greater environmental responsibility.	Chapter V – "Corporate Responsibility in Value Creation"; subchapter 5 – "Respecting the Environment" and subchapter 6 – "Sourcing Responsibly".
9 Businesses should encourage the development and diffusion of environmentally friendly technologies.	Chapter V – "Corporate Responsibility in Value Creation"; subchapter 5 – "Respecting the Environment" and subchapter 6 – "Sourcing Responsibly".
10 Businesses should work against corruption in all its forms, including extortion and bribery.	Chapter IV – "Corporate Governance"; Part I, Section C; sub-section III. Chapter V – "Corporate Responsibility in Value Creation"; subchapter 8 – "Being a benchmark employee", section 8.2 "Principles and Values".

ANNUAL REPORT 2014



6.

INDIVIDUAL ANNUAL REPORT

Jerónimo Martins, SGPS, S.A.
Public Company
Registered at the Commercial Registry Office
and Tax Number: 500 100 144
Share Capital EUR 629,293,220
Rua Actor António Silva, N.º 7
1649 - 033 LISBOA

JERÓNIMO MARTINS, SGPS, S.A.

PUBLIC COMPANY **MANAGEMENT REPORT**

Financial year 2014

Jerónimo Martins (JMH) has a portfolio of investments which controls a set of businesses that comprise Food Distribution in Portugal (Pingo Doce and Recheio), in Colombia (Ara) and in Poland (Biedronka, Hebe and Apteka Na Zdrowie), the manufacturing sector through Unilever Jerónimo Martins and Gallo Worldwide, Specialised Retail (Hussel, Olá and Jeronymo) and Marketing Services and Representations (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, Internal Audit, Legal Affairs, Corporate Communications and Responsibility, Financial Control, International Expansion and Strategy, Fiscal Affairs, Financial Operations, Quality and Own Brand Development, Environment and Food Safety, Human Resources, Investor Relations, Security, Information Security, Information Technology and Risk Management. The turnover from these services, as well as management services for negotiations on behalf of the Group Companies, was EUR 18,677 thousand.

1. The Group's operational performance and outlook for 2015

The Group's business activities are analysed in detail in the Consolidated Management Report that accompanies the 2014 Consolidated Financial Statements.

2. Company's performance

JMH, as the Holding and manager of company holdings, presented negative operating results of EUR 2,506 thousand in 2014, which represents a decrease of EUR 2,057 thousand compared with 2013. This decrease is due mainly to higher operating costs regarding international expansion and the diversification to new business area, the Agro Business sector.

For 2014, the EUR 323,509 thousand gains in subsidiaries (EUR 250,238 thousand in 2013), are essentially due to dividends received from companies in which JMH has a direct shareholding, and as such they correspond to previous years consolidated results. Under the current tax legislation, this dividend income is exempt from taxation as it was already considered for Income Tax purposes in the companies which generated them.

The net financing costs decreased by EUR 2,999 thousand compared with the previous year, to EUR 2,904 thousand, mainly due to the financial debt reduction of EUR 136,661 thousand, to a negative EUR 49,421 thousand (in 2013 the financial debt was EUR 87,240 thousand). This financial debt reduction is mainly due to the increase in dividends received from subsidiaries as well as due to the reimbursement of loans granted to subsidiaries.

The net profit of the year rose to EUR 317,223 thousand (EUR 242,861 thousand in 2013), coming mainly from the dividends distributed by its subsidiaries.

3. Information on environmental matters

There are no significant environmental matters likely to affect the Company's financial performance and situation, and the Company is unaware of any environmental contingent liability concerning environmental matters. As a result, the company did not recognise any relevant costs or investment of environmental nature in its financial statements.

4. Results appropriation proposal

In the financial year of 2014, Jerónimo Martins, SGPS, S.A. declared consolidated profits of EUR 301,711,046.74 and a profit in the individual accounts of EUR 317,223,476.17.

In accordance with the dividend distribution policy outlined in the Consolidated Management Report chapter of the Group's Annual Report, the Board of Directors proposes to the Shareholders that the net profits of the year be applied in the following manner:

- Legal Reserve 15,861,173.81 euros.
- Free Reserves 147,395,918.46 euros.
- Dividends 153,966,383.90 euros.

This proposal represents a gross dividend payment of 0.245 euros per share, excluding own shares in the portfolio.

5. Statements for legal purposes

Under the law, the Board of Directors is required to provide the following information:

- a) In addition to the above mentioned facts and those that are given in greater detail in the Report that accompanies the Group's Consolidated Financial Statements for 2014, no other situation after the end of the year has come to the Board of Director's knowledge which warrants special mention;
- b) Under the terms of Article 21 of Decree-Law no. 411/91, there are no debts of arrears of payments to Social Security;
- 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 2014 was 859,000 shares, the same as on 31 December 2013;
- d) The information regarding subsequent events, shareholdings in the Company's equity by members of the Board of Directors and Statutory Auditor and the list of Shareholders with qualifying holdings, can be found in the Consolidated Management Report.

Lisbon, 3rd March 2015

The Board of Directors

INCOME STATEMENT BY FUNCTIONS
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

Euro thousand

	Notes	2014	2013
Services rendered	31	18,677	20,197
Cost of the services rendered	3	(11,299)	(11,845)
Gross profit		7,378	8,352
Other operating revenues	3	251	668
Administrative costs	3	(4,208)	(4,184)
Other operating costs	3	(5,781)	(4,371)
Exceptional operating profits (losses)	10	(146)	(914)
Operating profit		(2,506)	(449)
Net financial costs	5	(2,904)	(5,903)
Gains (losses) in subsidiaries	8	323,509	250,238
Gains (losses) in other investments	9	193	191
Profit (loss) before taxes		318,292	244,077
Income taxes	7.1	(1,069)	(1,216)
Net profit (loss)		317,223	242,861
Basic and diluted earnings per share – euros	21	0.505	0.386

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

Euro thousand

	Notes	2014	2013
Net profit (loss)		317,223	242,861
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	4.2	(2,067)	(1,309)
Related tax	7.3	434	316
		(1,633)	(993)
Items that may be reclassified to profit or loss			
Change in fair value of cash flow hedges	26	593	2,268
Change in fair value of available-for-sale financial assets	16	(202)	186
Related tax	7.3	726	(613)
		1,117	1,841
Other comprehensive income, net of taxes		(516)	848
Total comprehensive income for the year		316,707	243,709

To be read with the attached notes to the Individual Financial Statements

BALANCE SHEET AT 31 DECEMBER 2014 AND 2013

Euro thousand

	Notes	2014	2013
Assets			
Tangible assets	11	476	476
Intangible assets	12	415	425
Investment property	13	2,470	2,470
Investments in subsidiaries	14	667,946	667,928
Loans to subsidiaries	15	562,400	590,542
Available-for-sale financial assets	16	368	339
Deferred tax assets	7.3	5,795	5,240
Other debtors	17	19,367	-
Total non-current assets		1,259,237	1,267,420
Income tax receivable	7.4	1,298	489
Loans to subsidiaries	15	43,100	54,885
Trade debtors, accrued income and deferred costs	17	15,360	7,844
Cash and cash equivalents	18	49,413	14,205
Total current assets		109,171	77,423
Total assets		1,368,408	1,344,843
Shareholders' equity and liabilities			
Share capital	20.1	629,293	629,293
Share premium	20.1	22,452	22,452
Own shares	20.2	(6,060)	(6,060)
Other reserves	20.3	(157)	(1,699)
Retained earnings	20.4	691,939	568,446
Total shareholders' equity		1,337,467	1,212,432
Employee benefits	4.2	19,325	17,978
Provisions for risks and contingencies	24	6,038	5,992
Deferred tax liabilities	7.3	1,077	1,708
Total non-current liabilities		26,440	25,678
Trade creditors, accrued costs and deferred income	25	4,501	5,915
Borrowings	22	-	100,000
Derivative financial instruments	26	-	818
Taxes payable	7.4	-	-
Total current liabilities		4,501	106,733
Total Shareholders' equity and liabilities		1,368,408	1,344,843

To be read with the attached notes to the Individual Financial Statements

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 2013		629,293	22,452	(6,060)	(3,540)	511,966	1,154,111
Change in fair value of available-for-sale financial assets	16				186		186
Remeasurements of post-employment benefit obligations						(1,309)	(1,309)
- Gross amount	4.2					316	316
- Deferred tax	7.3						
Change in fair value of cash flow hedges					2,268		2,268
- Gross amount	26				(613)		(613)
- Deferred tax	7.3						
Other comprehensive income		-	-	-	1,841	(993)	848
Net Profit in 2013						242,861	242,861
Total comprehensive income		-	-	-	1,841	241,868	243,709
Dividend payment	20.5					(185,388)	(185,388)
Balance sheet at 31st December 2013		629,293	22,452	(6,060)	(1,699)	568,446	1,212,432
Change in fair value of available-for-sale financial assets							
- Gross amount	16				1,048	(1,250)	(202)
- Deferred tax	7.3				46	825	871
Remeasurements of post-employment benefit obligations						(2,067)	(2,067)
- Gross amount	4.2					434	434
- Deferred tax	7.3						
Change in fair value of cash flow hedges					593		593
- Gross amount	26				(145)		(145)
- Deferred tax	7.3						
Other comprehensive income		-	-	-	1,542	(2,058)	(516)
Net profit in 2014						317,223	317,223
Total comprehensive income					1,542	315,165	316,707
Dividend payment	20.5					(191,672)	(191,672)
Balance sheet at 31st December 2014		629,293	22,452	(6,060)	(157)	691,939	1,337,467

To be read with the attached notes to the Individual Financial Statements

CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

Euro thousand

	Notes	2014	2013
Operating activities			
Cash received from customers and other debtors		21,809	24,754
Cash paid to suppliers		(17,621)	(16,537)
Cash paid to employees		(9,697)	(8,816)
Cash generated from operations	19	(5,509)	(599)
Interest and other similar costs paid	5	(3,894)	(5,584)
Income taxes paid		(7,517)	(785)
Cash flow from operating activities		(16,920)	(6,968)
Investment activities			
Disposals of investments in subsidiaries		-	128
Repayment of loans and capital contributions from subsidiaries	15	43,202	4,645
Disposals of tangible assets	11	4	-
Interest received	8	8,054	7,904
Dividends received	8	315,500	242,261
Acquisition of investments in subsidiaries	14	(18)	-
Loans and capital contributions given to subsidiaries	15	(3,275)	(38,485)
Acquisition of other financial assets	16 & 17	(19,598)	-
Acquisition of tangible assets	11	(108)	(187)
Acquisition of intangible assets	12	(259)	(164)
Cash flow from investment activities		343,502	216,102
Financing activities			
Interest and similar income received	5	298	564
Repayment of loans	22	(100,000)	(50,000)
Dividends paid	20.5	(191,672)	(185,388)
Cash flow from financing activities		(291,374)	(234,824)
Net changes in cash and cash equivalents		35,208	(25,690)
Cash and cash equivalents changes			
Cash and cash equivalents at the beginning of the year		14,205	39,895
Net changes in cash and cash equivalents		35,208	(25,690)
Cash and cash equivalents at the end of the year	18	49,413	14,205

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), its activity consists mostly of managing its investments in Group Companies. The activities of the Group and its performance during the year 2014 are detailed in Chapter II of the Group's Consolidated Annual Report.

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

Share Capital: 629,293,220 euros

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

JMH has been listed on the Euronext Lisbon since 1989.

The Board of Directors approved these individual financial statements on 3rd March 2015.

2. Accounting policies

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

2.1 Basis for preparation

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

The individual and consolidated financial statements of JMH were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), as at 31 December 2014.

The financial statements were prepared in accordance with the historical cost principle, except for investment property, derivative financial instruments, financial assets at fair value through profit or loss and available-for-sale financial assets, which were measured at fair value (market value).

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on the Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. However, the Management firmly believes that the estimates and assumptions adopted do not involve significant risks that may, over the course of the coming financial year, cause material adjustments in the value of the assets and liabilities (note 2.8).

Change in accounting policy and basis for presentation

2.1.1 New and amended standards adopted by JMH

In 2012 and 2014, the EU issued the following Regulations, which were adopted by JMH in 2014:

EU Regulation	IASB Standard or IFRIC Interpretation endorsed by EU	Issued in	Mandatory for financial years beginning on or after
Regulation no. 1256/2012	IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendment)	December 2011	January 1, 2014
Regulation no. 1174/2013	IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements: Investment Entities (Amendment)	October 2012	January 1, 2014
Regulation no. 1374/2013	IAS 36 Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets (Amendment)	May 2013	January 1, 2014
Regulation no. 1375/2013	IAS 39 Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	June 2013	January 1, 2014
Regulation no. 634/2014	IFRIC 21 - Levies (New)	May 2013	June 17, 2014

JMH adopted the new standards, interpretation and improvements during the year 2014, with no significant impact on its financial statements.

2.1.2 New standards, amendments and interpretations endorsed by EU but without effective application for the financial year beginning 1 January 2014 and not early adopted

The EU adopted several improvements to IFRS, issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC):

EU Regulation	IASB Standard or IFRIC Interpretation endorsed by EU	Issued in	Mandatory for financial years beginning on or after
Regulation no. 1361/2014	Annual Improvements to IFRS's 2011–2013 Cycle: IFRS 1 First-time Adoption of IFRS, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property (Amendment)	December 2013	January 1, 2015

These amendments to the standards are effective for annual periods beginning on or after January 1, 2015 and have not been applied in preparing these individual financial statements. None of these amendments is expected to have a significant impact on JMH individual Financial Statements.

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

IASB issued in 2013 and 2014 the following standards and amendments that are still pending endorsement by the EU:

IASB Standard or IFRIC Interpretation	Issued in	Expected application for financial years beginning on or after
IAS 19 Employee Benefits: Defined Benefit Plans - Employee Contributions (Amendment)	November 2013	July 1, 2014
Annual Improvements to IFRS's 2010–2012 Cycle: IFRS 2 Share-Based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets (Amendment)	December 2013	July 1, 2014
IFRS 14 Regulatory Deferral Accounts (New)	January 2014	January 1, 2016
IFRS 15 Revenue from Contracts with Customers (New)	May 2014	January 1, 2017
IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation (Amendment)	May 2014	January 1, 2016
IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations (Amendment)	May 2014	January 1, 2016
IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants (Amendment)	June 2014	January 1, 2016
IFRS 9 Financial Instruments (Amendment)	July 2014	January 1, 2018
IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements (Amendment)	August 2014	January 1, 2016
IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	September 2014	January 1, 2016
Annual Improvements to IFRS's 2012–2014 Cycle: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting (Amendment)	September 2014	January 1, 2016
IAS 1 Presentation of Financial Statements: Disclosure Initiative (Amendment)	December 2014	January 1, 2016
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures: Investment Entities - Applying the Consolidation Exception (Amendment)	December 2014	January 1, 2016

The application of these new standards or interpretation and amendments are not expected to have a significant impact on the 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, except when qualifying as cash flow hedges, for which the exchange differences are deferred in equity or when classified as available-for-sale financial assets.

2.3 Investments and loans to subsidiaries

Subsidiaries are all entities over which JMH has control. JMH controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments and loans to subsidiaries are stated at cost. When so justified, adjustments for impairment losses are set up, namely when the financial shareholdings register significant deterioration in their financial position, and the impairment tests performed by JMH conclude that it is necessary to recognise impairment losses in respect of investments and other net assets (note 2.5).

2.4 Financial assets

Financial assets are recognised in the JMH balance sheet on their trade or contracting date, which is the date on which JMH commits to acquire an asset. Financial assets are initially recognised at their fair value plus directly attributable transaction costs, except for financial assets carried at fair value through profit and loss in which the transaction costs are immediately recognised in the results. These assets are derecognised when: i) JMH contractual rights to receive their cash flows expire; ii) JMH has substantially transferred all the risks and rewards of ownership; or iii) although 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 at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which they were acquired.

Financial assets at fair value through profit or loss

A financial asset is recognised in this category if it was classified as held for trading or is designated as such on initial recognition. Financial assets are held for trading if acquired with the principal intention of being sold in the short term. This category also includes those derivatives that do not qualify for hedge accounting.

The gains and losses of changes in the fair value of financial assets measured at fair value through profit and loss are recognised in the results of the year in which they occur in net financial costs, where interest received and dividends are also included.

Loans and receivables

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

They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Available-for-sale financial assets

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

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

These financial assets are initially recognised at fair value increased by transaction costs. Subsequent fair value changes are recognised directly in other reserves until the financial asset is 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.

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

2.5 Impairment

2.5.1 Impairment of non-financial assets

Except for investment property (note 13) and deferred tax assets (note 7.3), 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.

This category includes the investments in subsidiaries. In the impairment tests for investments in subsidiaries, the inputs of these valuations for calculation of the value in use are determined by past performance and the expectation of market development for each business area, based on future cash flow projections, for a five year period, based on medium and long term plans approved by the Board of Directors.

The recoverable amount of assets with indicators of potential impairment loss is determined annually. Whenever the carrying value of an asset exceeds its recoverable amount, its value is reduced to the recoverable amount and the impairment loss recognised in the income statement.

Determining the recoverable amount of assets

The recoverable amount of non-financial assets corresponds to the higher amount of fair value less costs of disposal and value in use.

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

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

Reversal of impairment losses

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

2.5.2 Impairment of financial assets

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

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

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

Loans to subsidiaries

The impairment test for loans to subsidiaries is held simultaneously with the impairment test to investments in subsidiaries. The investment considered for comparison with the calculated value in use considers the historical cost of the subsidiary and the loans. An impairment loss on loans to subsidiaries will only be recognised after the amount corresponding to the cost of the subsidiary to be fully covered by an allowance for impairment losses.

Available-for-sale financial assets

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

Clients, debtors and other financial assets

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

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

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

Whenever 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.

2.6 Revenue recognition**Services rendered**

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

2.7 Segment information

Given that JMH's main activity consists of the management of equity holdings, it does not make sense to report the operating segments related information in these individual financial statements. Detailed information is presented in the Group Consolidated Financial Statements.

2.8 Critical accounting estimates and judgments made in preparation of financial statements**Tangible and intangible assets and investment property**

Determining the fair value of assets and investment property, as well as the useful life of assets, is based on the 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 the Management in validating indicators of impairment, expected cash flows, applicable discount rates, estimated useful life and residual values.

Fair value of financial instruments

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

Impairment in investments and loans to subsidiaries

As a rule, 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 the Management analysis of the future development of its subsidiaries. When measuring impairment, market prices are used if they are available, or other valuation parameters are used, based on the information available from the subsidiaries. JMH considers the capacity and intention to retain the investment for a reasonable period of time that is sufficient to predict recovery of the fair value up to (or above) the carrying amount, including an analysis of factors such as the expected results of the subsidiary, the economic 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.

If the rates used to recognise deferred taxes increase by 1%, the impact in JMH accounts would be the following:

	Impact on JMH accounts	
	Income statement	Other comprehensive income
Rate increase of 1%	212	38

A positive amount means a gain in JMH accounts.

Impairment losses of clients and debtors

The Management maintains impairment losses for clients and debtors, in order to reflect the estimated losses resulting from clients' inability to make payments on the required dates and amounts. When evaluating the reasonability of the adjustment for the impairment losses, the Management bases its estimates on an analysis of the ageing of the accounts receivable from its clients, its historical experience of write-offs, the client's credit history and changes in the client's payment terms.

If the client's financial conditions deteriorate, impairment losses and actual write-offs may be higher than expected.

Pensions and other long-term benefits granted to employees

Determining responsibilities for pension payments and other long-term benefits requires the use of assumptions and estimates, including actuarial projections and other factors that may impact the costs and responsibilities of the benefit plans.

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

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

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

- Narrow range [1.40% - 1.90%]
- Extended range [1.20% - 2.10%]

Based on these results JMH has decided to reduce its discount rate from 3.5% to 2.0%.

The table below shows the impacts on the obligations with defined benefit plans of JMH, resulting from changes in the following assumptions:

	Assumption used	Impact on defined benefit obligations		
		Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	2.0%	0.5%	(794)	851
Salary growth rate	2.5%	0.5%	22	(21)
Pension growth rate	2.5%	0.5%	830	(773)
Life expectancy	TV 88/90	1 year	1,091	(1,061)

A positive amount means an increase in liabilities. A negative amount means a decrease in liabilities.

Provisions

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

2.9 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 and fair value financial instruments through profit and loss. The evaluation models most frequently used are discounted cash flow and options models which incorporate, for example, interest rate curves and market volatility. For derivatives valuation JMH also uses the valuations provided by the counterparties.

In the case of more complex derivatives, advanced valuation models are used. These models include assumptions and data that are not directly observable in the market and for which JMH uses estimates and internal assumptions.

Cash and cash equivalents, debtors and accruals

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

Available-for-sale financial assets

Listed financial assets are recognised in the balance sheet at their fair value.

Borrowings

The fair value of borrowings is achieved from the 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 their fair value.

2.10 Fair Value Hierarchy

The following table shows JMH financial assets and liabilities that are measured at fair value at 31st December, according with the following hierarchy levels:

- Level 1: the fair value of financial instruments is based on quoted prices obtained in active and liquid markets at balance sheet date. This level includes equity investments quoted in NYSE Euronext Lisbon;
- Level 2: the fair value is not based on quoted prices obtained in active markets included in level 1, but using valuation models, involving other comparable quoted prices obtained in active markets or adjusted quotes. Thus, main inputs used on these valuation models are based on observable market data. This level includes the over-the-counter derivatives entered into JMH, whose valuations are provided by the respective counterparties;
- Level 3: the fair value is not based on quoted prices obtained in active markets, but determined by using valuation models and main inputs are not based on observable market data. This level includes investment property, which are evaluated by external independent experts, using in their valuations inputs that are not directly observable in the market.

	2014	Level 1	Level 2	Level 3
Assets measured at fair value				
Available-for-sale financial assets				
Equity Investments	368	368	-	-
Investment property	2,470	-	-	2,470
Total assets	2,838	368	-	2,470
Liabilities measured at fair value				
Derivative financial instruments				
Used for hedging	-	-	-	-
Total liabilities	-	-	-	-

	2013	Level 1	Level 2	Level 3
Assets measured at fair value				
Available-for-sale financial assets				
Equity Investments	339	339	-	-
Investment property	2,470	-	-	2,470
Total assets	2,809	339	-	2,470
Liabilities measured at fair value				
Derivative financial instruments				
Used for hedging	818	-	818	-
Total liabilities	818	-	818	-

2.11 Financial instruments by category

	Derivatives defined as hedging instruments	Borrowings and accounts receivable	Available-for-sale financial assets	Other financial liabilities	Total financial assets and liabilities	Non Financial Assets or Liabilities	Total assets and liabilities
2014							
Assets							
Cash and cash equivalents	-	49,413	-	-	49,413	-	49,413
Available-for-sale financial assets	-	-	368	-	368	-	368
Loans to subsidiaries	-	605,500	-	-	605,500	-	605,500
Debtors and accrued income	-	31,956	-	-	31,956	2,771	34,727
Other non-financial assets	-	-	-	-	-	678,400	678,400
Total assets	-	686,869	368	-	687,237	681,171	1,368,408
Liabilities							
Borrowings	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-
Creditors and accrued costs	-	-	-	1,507	1,507	2,994	4,501
Other non-financial liabilities	-	-	-	-	-	26,440	26,440
Total liabilities	-	-	-	1,507	1,507	29,434	30,941
2013							
Assets							
Cash and cash equivalents	-	14,205	-	-	14,205	-	14,205
Available-for-sale financial assets	-	-	339	-	339	-	339
Loans to subsidiaries	-	645,427	-	-	645,427	-	645,427
Debtors and accrued income	-	5,613	-	-	5,613	2,231	7,844
Other non-financial assets	-	-	-	-	-	677,028	677,028
Total assets	-	665,245	339	-	665,584	679,259	1,344,843
Liabilities							
Borrowings	-	-	-	100,000	100,000	-	100,000
Derivative financial instruments	818	-	-	-	818	-	818
Creditors and accrued costs	-	-	-	2,321	2,321	3,594	5,915
Other non-financial liabilities	-	-	-	-	-	25,678	25,678
Total liabilities	818	-	-	102,321	103,139	29,272	132,411

3. Operating costs

Costs of services rendered

The costs of services rendered correspond to the costs incurred by JMH in rendering technical and specialised services to its subsidiaries. In this sense, the costs incurred in each one of JMH departments are charged to the Companies in the percentage that each one has in the referred services rendering.

Administrative costs

The administrative costs shown in the income statement include, among others, the percentage of the costs incurred by each of the departments 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

Other operational costs and losses include, among others, the costs incurred with studies of other markets, as well as donations and sponsorships granted according with the Group's Social Responsibility policies.

3.1 Operational costs by nature

	2014	2013
Supplies and services	10,338	10,162
Rents	1,064	821
Staff costs	9,083	9,029
Depreciations and amortizations	377	268
(Gains) losses with tangible and intangible assets	-	70
Other operational (profit) loss	175	(618)
	21,037	19,732

4. Employees

4.1 Staff costs

	2014	2013
Wages and salaries	5,761	6,165
Social security	1,302	811
Employee benefits (see note 4.2)	1,004	1,143
Other staff costs	1,162	1,824
	9,229	9,943

Other staff costs include labour accident insurance, social responsibility costs, training costs and indemnities, among others. The number of employees at the end of 2014 was 96 (2013 was 87). The average number of employees during the year was 94 (82 in 2013).

In 2014, the difference between the total staff costs stated in note 3.1, and the total amount of note 4.1, in the amount of EUR 146 thousand, refers to exceptional operating costs associated with the change in the actuarial assumptions (EUR 90 thousand) and exceptional operating costs related with restructuring plans (EUR 56 thousand). In 2013, the same difference, in the amount of EUR 914 thousand, referred to exceptional operating costs associated with the change in the actuarial assumptions (EUR 73 thousand) and exceptional operating costs related with restructuring plans (EUR 841 thousand).

4.1 Employees benefit

Post-employment benefits (retirement)

Defined contribution plans

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

The contributions are based on a percentage of the fixed and variable remuneration of the employees included in the plan, which is defined in the respective Regulation and only changes according to the seniority of the beneficiaries.

JMH encourages the employees to participate in their own pension scheme. Therefore, the funds are open to employee private contributions, with no guaranties given by JMH over those contributions.

JMH contributions to defined contribution plans are recognised as expenses at the time they are due.

Defined benefit plans

Defined benefit plans are pension plans where JMH guarantees a certain benefit to the employees included in the plan at the time such employees retire, with the respective responsibilities assured directly by JMH.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the immediate rents method, taking into account that the plans include only retired employees. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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

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

In the presence of plan amendments in defined benefit plans, past-service costs are immediately considered due and are recognised immediately in the income statement.

Other benefits

Seniority awards

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

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

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

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

Amounts of employee benefits in the balance sheet:

	2014	2013
Retirement benefits - defined benefit plan	-	-
Retirement benefits - defined benefit plan paid for by the group	18,691	17,480
Seniority awards	634	498
Total	19,325	17,978

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

	Income statement		Other comprehensive income	
	2014	2013	2014	2013
Retirement benefits - defined contribution plan	270	358	-	-
Retirement benefits - defined benefit plan paid for by the Group	586	702	2,067	1,309
Seniority awards	148	83	-	-
Total	1,004	1,143	2,067	1,309

A brief description of the changes in each plan is detailed below:

	Defined contribution plans for active employees		Defined benefit plans for former employees		Other long term benefits granted to employees	
	2014	2013	2014	2013	2014	2013
Balance at 1 January	-	-	17,480	16,318	498	503
Interest costs	-	-	586	702	40	(11)
Current service cost	270	358	-	-	18	21
Actuarial (gains)/losses						
Changes in demographic assumptions	-	-	-	-	-	-
Changes in financial assumptions	-	-	2,168	1,342	75	27
Changes in experience	-	-	(101)	(33)	15	46
Contributions or retirement pensions paid	(270)	(358)	(1,442)	(849)	(12)	(88)
Balance at 31 December	-	-	18,691	17,480	634	498

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

	2014	2013
Mortality table	TV 88/90	TV 88/90
Discount rate	2.0%	3.5%
Pension and salaries growth rate	2.5%	2.5%

The mortality assumptions used are those most commonly adopted in Portugal, and are based on actuarial advice in accordance with published statistics and experience in each country.

Expected future payments

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

	2015	2016	2017	2018	2019
Retirement benefits - defined benefit plan paid for by the Group	1,349	1,298	1,245	1,191	1,134
Seniority awards	88	33	81	20	59
Total	1,437	1,331	1,326	1,211	1,193

5. Net financial costs

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

	2014	2013
Interest expense	(2,734)	(5,440)
Interest received	114	150
Other financial costs and gains	(284)	(613)
Net financial costs	(2,904)	(5,903)

Interest expenses includes the interest related with loans measured at amortised cost as well as interest on cash flow hedge derivatives (note 26). Other financial costs include, namely, stamp tax and issuance costs related to non-current debt recognised in the income statement for the loan's term.

6. Operating leases

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

The costs recognised in the income statement as operating leases are as follows:

	2014	2013
Buildings – Third parties	6	72
Buildings – Group	496	217
Vehicles – Third parties	521	487
IT equipment – Third parties	34	39
	1,057	815

Apart from the costs above, there were occasional rentals throughout the year that amounted EUR 7 thousand (2013: EUR 6 thousand).

Vehicle and IT equipment lease contracts entered into by JMH are treated as operating leases. These contracts do not include renewal or purchase option at termination date, or any amount relating to contingent rents. All contracts may be cancelled by means of prior notice and do not provide any type of restrictions concerning dividends or debt.

The minimum lease payments related with vehicles and IT equipment lease are as follows:

	2014	2013
Payments in less than 1 year	514	396
Payments between 1 and 5 years	574	479
Total future payments	1,088	875

All the contracts may be cancelled upon the payment of a penalty. At the end of 2014, the liabilities arising from penalty clauses were EUR 71 thousand (2013: EUR 77 thousand).

7. Taxes

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

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

Deferred tax is calculated in accordance with the balance sheet liability method on temporary differences between the carrying amount of assets and liabilities and the respective tax base.

The measurement of deferred tax assets and liabilities should reflect the tax consequences that would follow from the manner in which the Company 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.

7.1 Income tax

	2014	2013
Current tax		
Current tax of the year	(1,112)	(295)
Adjustment to prior year estimation	17	-
	(1,095)	(295)
Deferred tax		
Temporary differences originated or reversed in the year	449	(874)
Change in Income Tax Rate	(423)	(369)
Change to the recoverable amount of tax losses and temporary differences from previous years	-	322
	26	(921)
Total income tax	(1,069)	(1,216)

7.2 Reconciliation of effective tax rate

	2014	2013
Profit/loss before taxes	318,292	244,077
Income tax 24.5% rate (2013: 26.5%)	(77,982)	(64,680)
Tax effect from:		
Non-taxable or non-recoverable results	77,956	63,994
Non-deductible expenses	(336)	(322)
Change in Income Tax Rate	(423)	(369)
Change to the recoverable amount of tax losses and temporary differences from previous years	-	322
Adjustment to prior year estimation	17	-
Results subject to special taxation	(301)	(161)
Income tax for the year	(1,069)	(1,216)
Effective tax rate	0.34%	0.50%

In 2014 the Corporate Income Tax rate (CIT) applied to companies operating in Portugal was 23% (in 2013 it was 25%). For companies with a positive tax result, there is a surcharge of 1.5% regarding municipal tax, and an additional state tax that varies between 3%, 5% and 7%, for taxable profits higher than EUR 1,500 thousand, EUR 7,500 thousand and EUR 35.000 thousand respectively (in 2013 the state tax varied between 3% and 5% for taxable profits higher than EUR 1.500 thousand and EUR 7.500 thousand, respectively).

For 2015 the CIT rate will be reduced to 21%, and no changes will occur in the state tax ladders.

JMH's effective tax rate is significantly influenced by the fiscal effect of the dividend income received from subsidiaries. This income is not subject to taxation according with the current tax legislation, as they have already been considered for Income Tax purposes in the companies which generated them.

7.3 Deferred tax assets and liabilities

Deferred taxes are presented in the balance sheet as follows:

	2014	2013
Deferred tax assets	5,795	5,240
Deferred tax liabilities	(1,077)	(1,708)
	4,718	3,532

	01/01/2014	Impact on results	Impact on equity	31/12/2014
Deferred tax assets				
Revaluation of available for sale financial assets	-	(68)	871	803
Employee benefits	4,404	(490)	434	4,348
Fair value in derivative financial instruments	145	-	(145)	-
Provisions and adjustments above tax limits	691	(47)	-	644
	5,240	(605)	1,160	5,795
Deferred tax liabilities				
Revaluation of assets	(194)	16	-	(178)
Other temporary differences	(1,514)	615	-	(899)
	(1,708)	631	-	(1,077)
Net change in deferred tax	3,532	26	1,160	4,718
	01/01/2013	Impact on results	Impact on equity	31/12/2013
Deferred tax assets				
Employee benefits	4,457	(369)	316	4,404
Fair value in derivative financial instruments	758	-	(613)	145
Provisions and adjustments above tax limits	997	(306)	-	691
	6,212	(675)	(297)	5,240
Deferred tax liabilities				
Revaluation of assets	(223)	29	-	(194)
Other temporary differences	(1,239)	(275)	-	(1,514)
	(1,462)	(246)	-	(1,708)
Net change in deferred tax	4,750	(921)	(297)	3,532

7.4 Receivable or payable income tax

Income tax reflected on the balance sheet is as follows:

	2014	2013
Income tax receivable	1,298	489
Income tax payable	-	-
	1,298	489

Since January 1st 2014, JMH has integrated a group of companies taxed according with the Special Group Taxation Regime (RETGS), as the dominant company of the group. In addition to JMH, the taxation group is currently composed of the following companies:

- Recheio, SGPS, S.A.
- Recheio Cash & Carry S.A.
- Imocash – Imobiliário de Distribuição, S.A.
- Larantigo – Sociedade de Construções, S.A.
- Masterchef, S.A.
- Caterplus – Comercialização e Distribuição de Produtos de Consumo, Lda.
- Jerónimo Martins – Serviços, S.A.
- Desimo – Desenvolvimento e Gestão Imobiliária, Lda.
- Servicompra, SGPS, Lda.
- Jerónimo Martins – Distribuição de Produtos de Consumo, Lda.
- Jerónimo Martins – Restauração e Serviços, S.A.

8. Gains (losses) in subsidiaries

	2014	2013
Dividends received	315,500	242,261
Interest from loans granted	8,018	7,879
Interest from loans obtained	(9)	-
Disposal of subsidiaries	-	98
	323,509	250,238

9. Gains (losses) in other investments

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.

	2014	2013
Rents from investment property	193	188
Income from short-term investments	-	3
	193	191

10. Exceptional operating profits (losses)

The exceptional operating profits or losses (non-recurrent items) that by their nature or materiality distort JMH financial performance, as well as its 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 the Management.

	2014	2013
Impact of actuarial assumptions changes	(90)	(73)
Costs related with restructuring plans	(56)	(841)
	(146)	(914)

11. Tangible assets

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

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

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

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

Depreciation

Depreciation is calculated by the straight-line method, on a 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:

	%
Buildings and other constructions	10
Tools	25
Transport equipment	25
Office equipment	10-25
Other tangible 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, as it is JMH intention to use the assets until the end of their economic life.

11.1 Changes occurred during the year

Gross assets

	01/01/2014 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2014 Closing balance
Buildings and other constructions	211	4	-	-	215
Transport equipment	93	74	(25)	-	142
Tools and utensils	2	-	-	-	2
Office equipment	2,131	34	-	-	2,165
Other tangible assets	389	-	-	-	389
	2,826	112	(25)	-	2,913

Accumulated depreciation and impairment

	01/01/2014 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2014 Closing balance
Buildings and other constructions	44	21	-	-	65
Transport equipment	78	11	(21)	-	68
Tools and utensils	2	-	-	-	2
Office equipment	1,900	76	-	-	1,976
Other tangible assets	326	-	-	-	326
	2,350	108	(21)	-	2,437
Net book value	476				476

11.2 Changes occurred in the previous year

Gross assets

	01/01/2013 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2013 Closing balance
Buildings and other constructions	440	30	-	(259)	211
Transport equipment	79	14	-	-	93
Tools and utensils	2	-	-	-	2
Office equipment	2,029	102	-	-	2,131
Other tangible assets	389	-	-	-	389
	2,939	146	-	(259)	2,826

Accumulated depreciation and impairment

	01/01/2013 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2013 Closing balance
Buildings and other constructions	208	25	-	(189)	44
Transport equipment	69	9	-	-	78
Tools and utensils	2	-	-	-	2
Office equipment	1,841	59	-	-	1,900
Other tangible assets	326	-	-	-	326
	2,446	93	-	(189)	2,350
Net book value	493				476

11.3 Equipment under financial lease

At the end of 2014 and 2013 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 development expenses and include expenses incurred with the implementation of information system platforms.

Intangible assets are stated at acquisition cost net of accumulated amortisation and impairment losses.

Research and development expenditure

Research expenditure incurred in the search for new technical or scientific knowledge or alternative solutions are recognised in the income statement as incurred.

Development expenditure is recognised as an intangible asset when the technical feasibility of the product or process being developed can be demonstrated and JMH has the intention and capacity to complete its development and start trading or using it.

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

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

Amortisations

Amortisations are recognised in the income statement on a linear basis over the estimated useful life of the intangible assets, except if that life is considered indefinite.

Amortisation of the intangible assets is calculated by the straight-line method, on a duodecimal basis on acquisition cost. The most important annual amortisation rates, in percentage, are as follows:

	%
Development expenditure	20-33.33
Computer software	33.33

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

12.1 Changes occurred during the year

Gross assets

	01/01/2014 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2014 Closing balance
Development expenses	941	210	-	(44)	1,195
Intangible assets in progress	44	49	-	44	49
	985	259	-	-	1,244

Accumulated amortisation and impairment

	01/01/2014 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2014 Closing balance
Development expenses	560	269	-	-	829
	560	269	-	-	829
Net book value	425				415

12.2 Changes occurred in the previous year

Gross assets

	01/01/2013 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2013 Closing balance
Development expenses	821	120	-	-	941
Intangible assets in progress	-	44	-	-	44
	821	164	-	-	985

Accumulated amortisation and impairment

	01/01/2013 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2013 Closing balance
Development expenses	385	175	-	-	560
	385	175	-	-	560
Net book value	436				425

13. Investment property

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 a proper comparison and the variables of size, location, existing infrastructure, state of conservation and other variables that may be relevant in some way are considered.

In addition, and particularly in cases in which comparison with transactions that have occurred is difficult, 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, since it is related with assets owned for appreciation.

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

JMH owns a property, which was partially rented to a Group company generating profits in the amount of EUR 193 thousand (2013: EUR 188 thousand). This property is valued at its market value, according to an independent valuation, and is recorded at EUR 2,470 thousand (2013: EUR 2,470 thousand).

In 2014, JMH incurred in expenses regarding this property in the amount of EUR 6 thousand (2013: EUR 4 thousand), recognised in results in other operating costs.

14. Investments

14.1 Investments in subsidiaries

	2014	2013
Net value at 1 January	667,928	667,958
Increases	18	-
Decreases	-	(30)
Net value at 31 December	667,946	667,928

The increase registered in 2014 refers to the incorporation of the subsidiary Origins – Agro Business Investments B.V.

The net amount in investments in subsidiaries reflects the deduction of EUR 121,026 thousand regarding impairment losses (note 24).

15. Loans

15.1 Loans to subsidiaries

Non-current loans	2014	2013
Net value at 1 January	590,542	554,817
Increases	110	35,725
Decreases	(28,252)	-
Net value at 31 December	562,400	590,542

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	2014	2013
Net value at 1 January	54,885	56,770
Increases	3,165	2,760
Decreases	(14,950)	(4,645)
Net value at 31 December	43,100	54,885

Current loans are liable to interest rates at normal market levels.

16. Available-for-sale financial assets

	2014	2013
BCP shares	3,936	3,705
Fair value adjustment (note 25)	(3,568)	(3,366)
	368	339

As at 31 December 2014, all BCP shares in the company's portfolio were 5.598 million (2013: 2.036 million shares) were marked to market (level 1 of fair value hierarchy) according to the price on Euronext Lisbon at 31 December 2014 of Euro 0.0657 per share (2013: Euro 0.1664 per share). The changes in the fair value of these assets of negative EUR 202 thousand were recognised directly in equity (2013: positive EUR 186 thousand).

17. Trade debtors, accrued income and deferred costs

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

	2014	2013
Non current		
Other debtors	19,367	-
	19,367	-
Current		
Subsidiaries and joint-ventures	7,249	808
Receivables from suppliers	24	7
Staff	-	3
Other debtors	851	42
Other taxes receivable:		
Corporate income tax from previous years	2,518	2,012
VAT receivable	17	4
Accrued income	4,452	4,577
Deferred costs	249	391
	15,360	7,844

JMH has EUR 19,367 thousand of remunerated deposits in financial institutions, with limited availability according to specific conditions. These deposits are being used as a collateral guarantee for financial loans.

Amounts recognised in subsidiaries and joint-ventures refers mainly to invoices issued to Group companies relating to various services provided, in the amount of EUR 1,774 thousand (2013: EUR 647 thousand), as well as the allocation of Corporate Income Tax (CIT) between JMH Group companies, which is taxed by the Special Group Taxation Regime (RETGS), in the amount of EUR 5,317 thousand.

Accrued income refers mainly to EUR 4,198 thousand (2013: EUR 4,291 thousand) regarding the rendering of technical and administrative services to subsidiaries and EUR 160 thousand (2013: EUR 188 thousand) of interest receivable.

Deferred costs includes EUR 13 thousand (2013: EUR 176 thousand) of prepaid expenses with bonds and commercial paper, and EUR 236 thousand (2013: EUR 215 thousand) of other costs relating to future periods, paid in 2014 or when not paid, already charged by the competent entities.

18. Cash and cash equivalents

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

	2014	2013
Bank deposits	251	306
Short-term investments	49,150	13,890
Cash and cash equivalents	12	9
	49,413	14,205

19. Cash generated from operations

	2014	2013
Net results	317,223	242,861
Adjustments for:		
Income tax	1,069	1,216
Depreciation and amortization	377	268
Net financial costs	2,904	5,903
(Gains) losses on subsidiaries	(323,509)	(250,238)
(Gains) losses on other investments	(193)	(191)
(Gains) losses on disposal of tangible assets	-	(70)
	(2,129)	(111)
Changes in working capital:		
Trade debtors, accrued income and deferred costs	(1,857)	723
Trade creditors, accrued costs and deferred income	(850)	(116)
Provisions and employee benefits	(673)	(1,095)
	(5,509)	(599)

20. Capital and reserves

Share capital

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

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

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

Payable and receivable dividends

Payable dividends are recognised as a liability in JMH financial statements in the period in which they are approved by the Shareholders for distribution.

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

20.1 Share capital and share premium account

The authorised share capital is represented by 629,293,220 ordinary shares (2013: 629,293,220), each with a nominal value of one euro.

The owners of ordinary shares have the right to receive dividends in accordance with the deliberations of the Shareholders 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 2014, no changes occurred in the amount of EUR 22,452 thousand showed in share premium in 2013.

20.2 Own shares

As at 31 December 2014, the company held 859,000 own shares (2013: 859,000).

20.3 Other reserves

	<i>Cash flow hedging</i>	<i>Available-for-sale financial assets</i>	Total
Balance as at 1 January 2013	(2,103)	(1,437)	(3,540)
Change in fair value of cash flow hedging instruments:			
- Gross value	2,268	-	2,268
- Deferred tax	(613)	-	(613)
Change in fair value of available-for-sale financial assets	-	186	186
Balance as at 1 January 2014	(448)	(1,251)	(1,699)
Change in fair value of cash flow hedging instruments:			
- Gross value	593	-	593
- Deferred tax	(145)	-	(145)
Change in fair value of available-for-sale financial assets			
- Gross value	-	1,048	1,048
- Deferred tax	-	46	46
Balance as at 31 December 2014	-	(157)	(157)

These reserves cannot be distributed to the Shareholders.

20.4 Retained earnings

At 31st December 2014 the total amount of retained earnings was EUR 691,939 thousand (2013: EUR 568,446 thousand), resulting from profit generated in the financial year and previous years.

Of this amount, EUR 299,953 thousand (2013: EUR 285,724 thousand) are not able to be distributed, as provided in articles 32, 218, 295, 296 and 324 of the Commercial Companies Code.

20.5 Dividends

According with the decision made at the April 10th 2014 Shareholders Meeting, the amount of EUR 191,672 thousand was distributed to JMH Shareholders in May 2014. In 2013, the dividends paid amounted to EUR 185,388 thousand.

In accordance with the dividend distribution policy described in point 7 included in the Consolidated Management Report chapter, which is an integral part of the consolidated annual report, the Board of Directors proposes to the shareholders the distribution of the amount 153,966,383.90 euros, which corresponds to a dividend per share of EUR 0.245 (excluding own shares in the portfolio).

21. Earnings per share

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

21.1 Basic and diluted earnings per share

	2014	2013
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)	317,223	242,861
Basic and diluted earnings per share – euros	0.505	0.386

22. Borrowings

Borrowings are initially recognised at fair value less the transaction costs that were incurred and are subsequently measured at the amortised cost. Any difference between the issued value (net of transaction costs

incurred) and the nominal value is recognised in the results during the period of the borrowings, in accordance with the effective interest rate method.

Borrowings are classified as current liabilities, unless JMH has the unconditional right to defer settlement of the liability for more than 12 months after the reporting date.

This note provides information on the terms of loan contracts and other forms of financing. For further details regarding the company's exposure to interest rates see note 26.

22.1 Current and non-current loans

	2014	2013
Non-current loans		
Bank loans – commercial paper	-	-
Non-convertible bond loans	-	-
	-	-
Current loans		
Bank loans – commercial paper	-	-
Non-convertible bond loans	-	100,000
	-	100,000

In September 2014, the bond loan issued in September 2011 in the amount of EUR 100,000 thousand was fully reimbursed.

22.2 Loan terms and maturities

	Average rate	2013	Payable in less than 1 year	Payable between 1 and 5 years
Non-convertible Bond loans JM2014	3.92%	100,000	100,000	-
		100,000	100,000	-

At December 31 2014, JMH had no financial debt in the balance sheet related with external entities.

JMH uses, with other Group companies, grouped credit lines, which means that the maximum amount approved by a financial entity can be used simultaneously by more than one company. The amount of credit lines granted to JMH which are not being used amount to EUR 38,200 thousand (2013: EUR 30,500 thousand).

22.3 Bond loans

	2014	2013
Non-convertible bond loans JM2014	-	100,000
	-	100,000

Non-convertible bonds

In September 2011 a bond loan in the amount of EUR 100,000 with variable interest (Euribor 6 months) rate was issued. It was fully reimbursed at its maturity date in September 2014.

22.4 Bank loans: Commercial paper

There are several issued bank loans in the form of a commercial paper programme, in the amount of EUR 130,000 thousand, with variable interest rate. At the end of 2014 none of these credit lines were being used.

23. Financial debt

	2014	2013
Current loans	-	100,000
Derivative financial instruments	-	818
Accruals and deferrals (financial headings only)	(20)	618
Bank deposits	(251)	(306)
Short-term investments	(49,150)	(13,890)
	(49,421)	87,240

24. Provisions and adjustments to the net realisable value

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

Restructuring provision

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

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

Provision for other risks and contingencies (Legal claims)

Provisions related with litigation against JMH are set up in accordance with risk assessments carried out by JMH, with the support and advice of its legal advisors.

2014	Opening balance	Provisions set up	Provisions used	Closing balance
Investments in subsidiaries	121,026	-	-	121,026
Available-for-sale financial assets	3,366	202	-	3,568
Total adjustments to the net realisable value	124,392	202	-	124,594
Other risks and contingencies	5,992	1,021	(975)	6,038
Total provisions	5,992	1,021	(975)	6,038

2013	Opening balance	Provisions set up	Provisions used	Closing balance
Investments in subsidiaries	121,026	-	-	121,026
Available-for-sale financial assets	3,552	-	(186)	3,366
Total adjustments to the net realisable value	124,578	-	(186)	124,392
Other risks and contingencies	6,935	-	(943)	5,992
Total provisions	6,935	-	(943)	5,992

The adjustment for available-for-sale financial assets reflects the 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 entered into over the last few years and provisions for litigation processes where there are no prospects for resolution in less than one year.

25. Trade creditors, accrued costs and deferred income

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

Suppliers and other creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

	2014	2013
Payables to subsidiaries and joint-ventures	562	137
Other trade creditors	620	980
Other non-trade creditors	6	13
Taxes payable:		
VAT payable	249	148
Income tax withheld	200	238
Social security	147	105
Municipal real estate tax	45	25
Accrued costs	2,656	4,253
Deferred income	16	16
	4,501	5,915

Accrued costs includes salaries and wages payable in the amount of EUR 2,337 thousand (2013: EUR 3,062 thousand), and EUR 319 thousand (2013: EUR 427 thousand) regarding various costs (utilities, insurance, consultants, rents, among others), relating to 2014 and not invoiced by the respective entities prior to the end of the year.

26. Derivative financial instruments

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

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

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

Hedge accounting

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

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

Interest rate risk (cash flow hedge)

Whenever expectations surrounding movements in interest rates so justify, JMH tries to anticipate any adverse impact through the use of derivatives. The selection process that each instrument is subject to, favours economic contribution more than anything else. The implications of adding any new instrument to a portfolio of derivatives are also taken into account, namely, in terms of volatility impact on earnings.

The instruments that qualify as cash flow hedging instruments are booked at fair value on the balance sheet, and to the degree that they are considered effective, changes to their fair value are recognised in other comprehensive income. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast transaction or event that is hedged takes place). However, in the case of a hedge of a forecast transaction that results in the recognition of a non-financial asset (for example: inventory), the gains or losses previously deferred in equity are transferred and included in the initial measurement of the asset.

The gain or loss relating to the ineffective portion is recognised immediately in the income statement. This way, in net terms, all costs associated to the underlying exposure are carried at the interest rate of the hedging instruments.

When a hedge instrument expires or is sold, or when the hedge ceases to meet the criteria required for hedge accounting, the changes in the fair value of the derivative, that are accumulated in other comprehensive income, are recognised in the results when the hedged operation also affects the results.

	Notional	2014				Notional	2013			
		Assets		Liabilities			Assets		Liabilities	
		Current	Non current	Current	Non current		Current	Non current	Current	Non current
Cash flow hedge derivatives										
Interest rate swap	-	-	-	-	-	100 million EUR	-	-	818	-
Total assets/liabilities hedge derivatives		-	-	-	-		-	-	818	-
Total assets/liabilities derivatives		-	-	-	-		-	-	818	-

In 2013, the values shown include interest receivable or payable related with these financial instruments that are due. The net payable amount was EUR 225 thousand.

Financial instruments that matured during the period

In the year 2014 the following interest rate swaps matured:

	Currency	Loan amount	Hedged amount	Index hedged	Rate review date	Loan and hedge maturity
JMH/2014	EUR	100,000	100,000	6-months Euribor	March	September 2014

26.1 Impacts on financial statements

	2014	2013
Fair value of the financial instruments at 1 January	(818)	(3,151)
(Receipts) / payments made	800	2,353
Change in the fair value of financial instruments that qualify as hedge accounting (other reserves)	593	2,268
Interest expenses from financial instruments that qualify as hedge accounting (P&L)	(575)	(2,288)
Fair value of the financial instruments at 31 December	-	(818)

27. Guarantees

The bank guarantees are as follows:

	2014	2013
Guarantees for the Tax Authority	12,328	3,784
Financing bank guarantees	16,473	-
Other guarantees provided	1,420	1,420
	30,221	5,204

28. 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 24):

- The Portuguese tax authorities have informed JMH to restate the dividends received, amounting to EUR 10,568 thousand, from its subsidiary in the Madeira Free Zone in 2004 and 2005, considering them as interest for tax purposes. According to the Portuguese tax authorities the said income should be

subject to Corporate Income Tax (CIT) as opposed to dividends received that are exempt. Regarding this correction the tax amount in dispute is EUR 3,065 thousand. The 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 has challenged it;

- The Portuguese Tax Authorities have claimed EUR 989 thousand from JMH in relation to the CIT for an indemnity paid by the Company due to an agreement reached in arbitration court, and which the Tax Authorities considered as dealing with a payment to an entity subject to a more favourable tax regime, and therefore not accepted for tax purposes. The Board of Directors, 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 has challenged it;
- The Portuguese Tax Authorities have informed JMH that they do not accept losses on capital gains associated with a liquidation of one Company and the sale of another, amounting to EUR 24,660 thousand, which generated a correction on the company's tax losses for 2007. The 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 have challenged it.

29. Subsidiaries and available-for-sale financial assets

The direct investments owned by JMH, at 31 December 2014, 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	101	88	(10)
Jerónimo Martins Serviços, S.A.	a)	Lisbon	100.00%	50	3,557	436	22
Eva – Soc. Investimentos Mobiliários e Imobiliários, Lda	a)	Funchal	5.60%	28	72,230	72,211	1,108
Friedman – Soc. Invest. Mobiliários e Imobiliários, Lda	a)	Funchal	100.00%	5	174	157	2
Warta – Retail & Services Investments B.V.	a)	Amsterdam	100.00%	18	465,645	465,602	295,511
Tagus – Retail & Services Investments B.V.	a)	Amsterdam	100.00%	18	679,864	679,736	10,237
Monterroio – Retail & Services Investments B.V.	a) b)	Amsterdam	100.00%	18	361,896	271,731	9,733
New World Investments B.V.	a)	Amsterdam	100.00%	18	45,049	44,792	(2,478)
Origins – Agro Business Investments B.V.	a)	Amsterdam	100.00%	18	114	106	(22)
Available-for-sale financial assets							
BCP - Banco Comercial Português, S.A.	b)	Oporto	0.01%	5,598	76,360,916	4,986,907	(217,914)

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.

30. Subsidiaries, joint-ventures and associates – interests held directly and indirectly

The companies held directly and indirectly by Jerónimo Martins, SGPS, S.A., at 31 December, 2014 are those mentioned in notes 27 and 29 of Chapter III of the Group Consolidated Annual Report.

31. Related parties

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

Transactions with related parties are always carried out at market prices.

31.1 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 JMH in 2014.

31.2 Transactions with other related parties**31.2.1 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, Internal Audit, Legal Affairs, Corporate Communications and Responsibility, Financial Control, International Expansion and Strategy, Fiscal Affairs, Financial Operations, Quality and Own Brand Development, Environment and Food Safety, Human Resources, Investor Relations, Security, Information Security, Information Technology and Risk Management. JMH is remunerated for these services, as well as management services for negotiations on behalf of the Group companies.

Income from technical and administrative services provided to subsidiaries during 2014 was EUR 16,447 thousand (2013: EUR 17,084 thousand).

31.2.2 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 centralised management is to obtain more favourable conditions for funding and applications than would be obtained if negotiated on an individual basis. This centralised management is remunerated for this service, which amounted to EUR 1,831 thousand in 2014 (2013: EUR 2,718 thousand).

This management includes also the centralised operations treasury, responsible for payments to suppliers, employees and other entities, as well as daily cash flow management. This management is also remunerated for this service, which amounted to EUR 399 thousand in 2014 (2013: EUR 395 thousand).

31.2.3 Lease of property

JMH develops its activity in premises rented from subsidiaries, which represented costs of EUR 496 thousand (2013: EUR 217 thousand).

As mentioned in note 13, JMH owns a property which is partially rented out to a Group company, and generated profits in 2014 in the amount of EUR 193 thousand (2013: EUR 188 thousand).

31.2.4 Supplementary income

JMH charges annually a joint venture company relating to a sales commission. In 2014 this amounted to EUR 140 thousand (2013: EUR 145 thousand).

31.2.5 Loans (current and non-current loans)

JMH granted loans to subsidiaries, which generated interest in the amount of EUR 5,675 thousand (2013: EUR 5,654 thousand).

31.2.6 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 2014, total costs incurred with personnel from other companies amounted to EUR 4,327 thousand (2013: EUR 4,706 thousand).

31.2.7 Open balances as at 31 December 2014

Company	Current Loans	Non-current loans	Accounts receivable	Accrued income	Deferred income	Accounts payable	Accrued costs
Group companies							
Caterplus – Com. Dist. Produtos de Consumo, Lda.	-	-	-	1	-	243	-
Comespa - Gestão de Espaços Comerciais, S.A.	-	-	-	1	-	-	-
Cunha & Branco – Distribuição Alimentar, S.A.	-	-	-	1	-	-	-
Desimo – Desenv. Gestão Imobiliária, Lda.	-	20	-	-	-	10	-
Friedman - Soc. Inv. Mobiliários e Imobiliários, Lda.	-	170	-	-	-	-	-
Hussel Ibéria – Chocolates e Confeitaria, S.A.	-	-	-	1	-	-	-
Imocash – Imobiliário de Distribuição, S.A.	-	-	127	6	-	-	-
Imoretalho – Gestão de Imóveis, S.A.	-	-	1	21	-	35	-
João Gomes Camacho, S.A.	-	-	2	2	-	-	-
Jeronimo Martins Colombia, S.A.S.	-	-	2	-	-	-	-
Jerónimo Martins – Dist. Prod. Consumo, Lda.	4,865	-	69	10	-	-	-
Jerónimo Martins Polska S.A.	-	-	3	1,648	-	-	-
Jerónimo Martins – Restauração e Serviços, S.A.	-	-	-	-	-	12	-
Jerónimo Martins Serviços, S.A.	-	500	4	-	-	45	1,086
JMR – Gestão Empresas Retalho, SGPS, S.A.	-	-	14	259	-	-	-
JMR – Prestação de Serviços para a Distribuição, S.A.	-	-	53	33	-	51	-
Larantigo - Sociedade de Construções, S.A.	-	-	2	-	-	-	-
Lidinvest - Gestão de Imóveis, S.A.	-	-	-	1	-	-	-
Lidosol II – Distrib. Produtos Alimentares, S.A.	-	-	1	4	-	98	-
Masterchef, S.A.	-	-	-	-	-	8	-
Monterroio - Industry & Services Investments B.V.	-	228,000	-	151	-	-	-
New World Investments B.V.	-	50,205	-	-	-	-	-
Origins - Agro Business Investments B.V.	-	110	-	-	-	-	-
Pingo Doce – Distribuição Alimentar, S.A.	-	-	775	1,565	-	23	-
Recheio - Cash & Carry, S.A.	-	-	5,400	312	16	2	-
Recheio, SGPS, S.A.	38,235	-	523	34	-	-	-
Tagus - Retail & Services Investments B.V.	-	115,295	2	-	-	-	-
Warta - Retail & Services Investments B.V.	-	168,100	-	-	-	-	-
Subtotal	43,100	562,400	6,974	4,050	16	527	1,086
Joint-ventures							
Fima - Produtos Alimentares, S.A.	-	-	-	-	-	25	-
Unilever Jerónimo Martins, Lda.	-	-	275	298	-	10	-
Subtotal	-	-	275	298	-	35	-
TOTAL	43,100	562,400	7,249	4,348	16	562	1,086

31.2.8 Open balances as at 31 December 2013

Company	Current loans	Non-current loans	Accounts receivable	Accrued income	Deferred income	Accounts payable	Accrued costs
Group companies							
Comespa - Gestão de Espaços Comerciais, S.A.	-	-	-	2	-	-	-
Cunha & Branco - Distribuição Alimentar, S.A.	-	-	-	1	-	-	-
Desimo - Desenv. Gestão Imobiliária, Lda.	-	20	-	-	-	-	-
Friedman - Soc. Inv. Mobiliários e Imobiliários, Lda.	-	170	-	-	-	-	-
Hussel Ibéria - Chocolates e Confeitaria, S.A.	-	-	-	2	-	-	-
Imocash - Imobiliário de Distribuição, S.A.	-	-	-	6	-	-	-
Imoretalho - Gestão de Imóveis, S.A.	-	-	-	24	-	16	-
João Gomes Camacho, S.A.	-	-	-	21	-	-	-
Jeronimo Martins Colombia, S.A.S.	-	-	2	-	-	-	-
Jerónimo Martins - Dist. Prod. Consumo, Lda.	1,700	-	9	20	-	-	-
Jerónimo Martins Drogerie i Farmacia Sp. z o.o.	-	-	75	-	-	-	-
Jerónimo Martins Polska S.A.	-	-	4	1,485	-	-	-
Jerónimo Martins - Restauração e Serviços, S.A.	-	-	1	-	-	-	-
Jerónimo Martins Serviços, S.A.	-	500	4	-	-	-	1,698
JMR - Gestão Empresas Retalho, SGPS, S.A.	-	-	-	420	-	-	-
JMR - Prestação de Serviços para a Distribuição, S.A.	-	-	55	15	-	51	-
Larantigo - Sociedade de Construções, S.A.	-	-	1	-	-	-	-
Lidinvest - Gestão de Imóveis, S.A.	-	-	-	4	-	-	-
Lidosol II - Distrib. Produtos Alimentares, S.A.	-	-	-	81	-	10	-
Monterroio - Industry & Services Investments B.V.	-	238,024	-	188	-	-	-
New World Investments B.V.	-	50,205	-	-	-	-	-
Pingo Doce - Distribuição Alimentar, S.A.	-	-	60	1,862	-	27	-
Recheio - Cash & Carry, S.A.	-	-	14	319	16	-	-
Recheio, SGPS, S.A.	53,185	-	148	-	-	-	-
Servicompra, SGPS, Lda.	-	-	-	28	-	-	-
Supertur - Imobiliária, Comércio e Turismo, S.A.	-	-	-	1	-	-	-
Tagus - Retail & Services Investments B.V.	-	125,595	-	-	-	-	-
Warta - Retail & Services Investments B.V.	-	176,028	-	-	-	-	-
Subtotal	54,885	590,542	373	4,479	16	122	1,698
Joint-ventures							
Fima - Produtos Alimentares, S.A.	-	-	-	-	-	18	-
Unilever Jerónimo Martins, Lda.	-	-	435	-	-	15	-
Subtotal	-	-	435	-	-	15	-
TOTAL	54,885	590,542	808	4,479	16	137	1,698

31.2.9 Remuneration paid to directors

	2014	2013
Salaries and cash awards	1,924	2,843
Retirement benefits	198	301
	2,122	3,144

The Board of Directors of the company consists of nine 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 4.2.

32. Information on financial risks

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 organisational assets of the Company. The Group's Risk Management Policy, which aims to stimulate and reinforce the type of behaviour necessary for success, provides the necessary guidance to the Management of the Group to manage risks and opportunities.

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 by the Board of Directors in 2012.

32.1 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 2014, a negative 10% variation in the trading price of BCP shares would have a negative effect of EUR 37 thousand in Other Reserves (at 31 December 2013 would have a negative effect of EUR 34 thousand).

32.2 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.

32.3 Credit risk

Credit risk is managed centrally. The main sources of credit risk are bank deposits, short-term investments and derivatives contracted with financial institutions.

The financial institutions that 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 bank deposits and short-term investments with positive fair value, as at 31 December 2014 and 2013:

Rating Company	Rating	2014 Balance	2013 Balance
Standard & Poor's	[A+ : AA]	13	24
Standard & Poor's	[BBB+ : A]	27,187	31
Standard & Poor's	[BB+ : BBB]	22,022	4,848
Standard & Poor's	[B+ : BB]	95	9,275
Standard & Poor's	[B]	-	6
	Not Available	84	12
	Total	49,401	14,196

The ratings shown correspond to those given by Standard and Poor's. When not available, the company uses Moody's or Fitch's notations. The maximum exposure to credit risk at 31 December 2014 and 2013 is the financial assets accounting value.

32.4 Liquidity risk

Liquidity risk is managed by maintaining an adequate level of cash or equivalents, as well as by negotiating credit facilities that not only allow the regular development of JMH activities, but also ensuring some flexibility to be able to absorb shocks unrelated to its activities.

To manage this risk, JMH uses, for example, credit derivatives in order to mitigate the impact of credit spreads increase that are the result of impacts beyond the control of JMH. Treasury needs are managed based on short-term planning (executed on a daily basis) which 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			
2014	Less than 1 year	1 to 5 years	More than 5 years
Borrowings			
Bond loans	-	-	-
Commercial paper	26	-	-
Derivative financial instruments	-	-	-
Creditors	1,188	-	-
Operational lease liabilities	514	574	-
Total	1,728	574	-
2013	Less than 1 year	1 to 5 years	More than 5 years
Borrowings			
Bond loans	103,050	-	-
Commercial paper	103	-	-
Derivative financial instruments	771	-	-
Creditors	1,130	-	-
Operational lease liabilities	396	-	-
Total	105,450	479	-

JMH has entered into some covenants in the Loan Agreements for the medium and long term debt in place. In some cases, the breach of these covenants may trigger the early redemption of the associated debt. At 31 December 2014, JMH was in full compliance with the covenants assumed in the debt loans in place.

33. Additional information requested by law

In accordance with article 66-A of the Portuguese Commercial Companies Code, we hereby inform of the following:

- In addition to all operations described in the notes above, as well as in the Management's Report, there are no other operations considered relevant which are not already contained either in the balance sheet or in these notes;
- The total remuneration paid in 2014 to the External Auditor and Statutory Auditor was EUR 122 thousand, of which EUR 95 thousand correspond to legal accounts audit services, while the remaining EUR 27 thousand relate to access to a tax legislation database and tax consulting on human resources issues;
- Note 31 of the notes to the financial statements include all the related parties' disclosures, in accordance with the International Accounting Standards.

34. Events after the balance sheet date

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

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

Lisbon, 3rd March 2015

The Certified Accountant

The Board of Directors



Audit Report for Statutory and Stock Exchange Regulatory Purposes on the Individual 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 Directors' Report and in the attached financial statements of Jerónimo Martins, SGPS, S.A., comprising the balance sheet as at December 31, 2014, (which shows total assets of Euro 1,368,408 thousand and total shareholder's equity of Euro 1,337,467 thousand, including a net profit of Euro 317,223 thousand), the statements of income by functions, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and 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.

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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, 2014, 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 5, 2015

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represented by:

José Pereira Alves, R.O.C.

Report and Opinion of the Audit Committee

Dear Shareholders,

In accordance with sub-paragraph g) of paragraph 1 of article 423-F of the Commercial Companies Code, we herewith present our report on our supervisory activity and our opinion on the Jerónimo Martins, SGPS, S.A. report and individual accounts for the year ending December 31st, 2014, 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, having had access to all the corporate documentation that it considered relevant, in order to assess compliance with its regulations and with the applicable laws.

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.

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 in respect of the firm of External Auditors the Committee discussed and considered the costs and advantages of rotating said firm, having decided to give a favorable opinion for the latter's maintenance.

The audit Committee 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.

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 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, March 5th, 2015

Hans Eggerstedt
(Chairman of the Audit Committee)

António Pedro Viana-Baptista
(Member)

Sérgio Tavares Rebelo
(Member)