

annual report **2007**
relatório & contas

Corporate Governance



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INTRODUCTION

The modification of the Commercial Companies Code, and the application of Decree-Law 76-A/2006 of 29 March, brought about a profound change in the rules with respect to Corporate Governance in Portugal, particularly in reforming supervision of companies through separation of supervisory functions and accounts review, thus reinforcing the independence and technical competence of members of supervisory bodies. Consequently, last year a revision of the By-Laws was discussed at the General Annual Shareholders Meeting, contemplating the changes imposed by that law in this important matter.

Thus, the Company adopted the so-called "Anglo-Saxon" model of governance, with its corporate entities being called: the General Shareholders Meeting, the Board of Directors, the Audit Committee and the Chartered Accountant, as a coherent evolution of the previous monist model.

In order to modernise the By-Laws and to adhere to the most advanced practices in the realm of corporate governance, an effort was made to adjust the related issues accordingly, such as: regulating votes by correspondence, the possibility of holding meetings of the Board of Directors using telematic means, as well as establishing the number of absences from meetings (without justification accepted by the Board) which will lead to declaration of definitive absence of the Director. With regard to remuneration, the By-Laws established the maximum percentage of profits from the year that may be delivered to the directors as variable pay.

In 2008, and considering that the so-called new Corporate Governance package will enter into effect, Jerónimo Martins will continue to heed the respective recommendations, always seeking to follow the criteria that is interesting to the shareholder and to the market, adjusting its practices, if necessary, in order to provide more rigour and transparency.

Therefore, to date the Company has already adopted (or projects that it will adopt this year) the measures that will allow it to comply with the recommendations contained in the new Corporate Governance Code.

Since these recommended rules, as devised for 2008, will only take effect in 2009, this report complies with CMVM Regulation No. 7/2001, according to the instructions given by the Comissão do Mercado de Valores Mobiliários (CMVM) itself [Securities and Exchange Commission].

1. Statement of Compliance

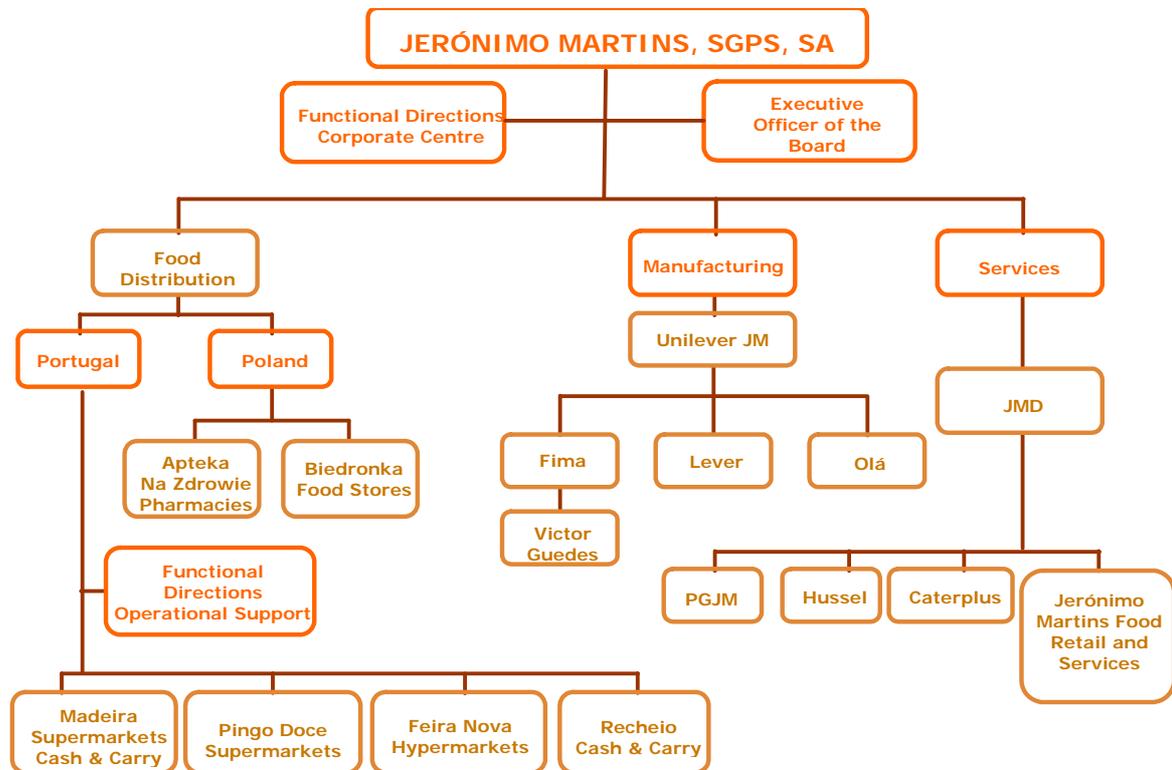
The Company fully complies with the recommendations of the Portuguese Securities and Exchange Commission on the Governance of Listed Companies. The Company accepts, however, that in the light of the document in question, it might be thought that there has not been a complete response to the recommendation concerning the individual breakdown of remuneration paid to the Members of the Board of Directors.

In this respect, the Company maintains the view that there are other options for verifying the internal distribution of remuneration and assessing the relationship between the performance of each Company sector and the level of remuneration of the Members of the Board of Directors who are responsible for supervising these sectors, considering that it is attained with indication of global remuneration of Executive Directors on one side, and Non-Executives on the other.

In addition, the Board of Directors believes that the internal and external sensitivity that such a disclosure could cause in no way contributes towards improving the performance of its members. Therefore, the Recommendation has been adopted as far as remunerations in collective terms are concerned, and by differentiating the amounts paid to Executive Members (with reference to both the fixed and variable parts) and Non-Executive Members.

On the other hand, as occurred last year, the recommendation with regard to the appreciation, by the General Shareholders Meeting, of a statement on the remuneration policy of the Board of Directors was adopted, as it is the Company's understanding that the purpose of this recommendation is fully adhered to by the fact of the Annual Report submitted for Shareholder approval contains the information relevant to remuneration paid in the previous year, as well as the main guidelines defined in relation to the matter in question, which will be tracked by the Remuneration Committee. As it is admitted that another interpretation of this recommendation is possible, and that the CMVM has not recognized the Company's position merit, in 2008 it will opt to autonomously submit that statement to the Shareholders.

2. DISCLOSURE OF INFORMATION



2.1. Organizational Structure and Distribution of Responsibilities

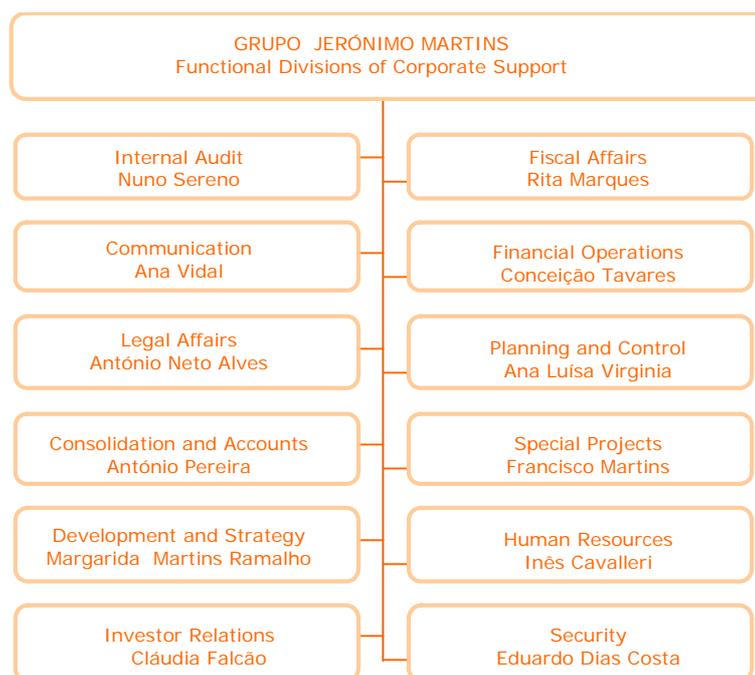
Jerónimo Martins SGPS, S.A. is the Holding Company of the Group and as such, responsible for the main guidelines of the various businesses, as well for ensuring consistency between the established objectives and the available resources. The Holding is made up of a group of Functional Divisions which provide both support to the Corporate Centre and services to the Functional and Operating Divisions of the Group's Companies.

In operational terms, Jerónimo Martins is organised into three business areas: (i) Food Distribution, (ii) Manufacturing and (iii) Marketing, Representations and Restaurant Services. The first area is organised into Geographical Areas and Operating Divisions.

2.1.1. Holding Company Functional Divisions

The Holding Company is responsible for: (i) defining and implementing the development strategy of the Group's portfolio; (ii) strategic planning and control of the various businesses and its consistency with global objectives; (iii) defining and controlling financial policies and (iv) defining human resources policy, with direct responsibility for implementing the Management Development Policy.

The Functional Divisions of the Holding Company are organised in the following way:



Internal Audit – Assesses the quality and efficiency of systems (both operational and non-operational) of internal control and risk control established by the Board of Directors, ensuring compliance with the Group's Manual of Procedures. The Division also guarantees full compliance with the procedures laid out in the Operations Manual of each business unit and ensures compliance with the legislation and regulations applicable to the respective operations.

The activities carried out by this Functional Division can be found in detail later in this chapter.

Communication – Proposes and implements strategies for external and internal communication. Included in its scope are the areas that provide media advice for the Holding Company and its subsidiaries, internal communications, patronage, communication in the area of Social Responsibility, as well as brand management and managing the institutional image of Jerónimo Martins.

2007 was marked by the development of innovative communication solutions, which were recognised by the market. Thus, the digital format of the 2006 Accounts Report obtained the award "Best Accounts Report for the Non-Financial Sector" for the second time (Investor Relations and Governance Awards, 2007). Jerónimo Martins' Internet site, through its audio functionality on online content (in Portuguese and English) ensures complete accessibility to the vision-impaired.

In media relations, in addition to daily clarifications and numerous press releases, there were five events with Media and members of the Group's Board of Directors. Of these events, the opening of the 1000th Biedronka store is noteworthy. This event resulted in significant representation by different media sources visiting Poland, Biedronka's stores and its distribution centre.

In the Internal Communications area, investments were made in profound reformation of the My JM Portal, in order to ensure an increasingly efficient and complete communication channel.

Legal Affairs – Responsible for supervising the Group's corporate affairs and for ensuring strict compliance by all its Companies with legal obligations. Legal Affairs also assists the Board of Directors in preparing and negotiating contracts in which Jerónimo Martins is a party, and it heads the development and implementation of strategies for the protection of the Group's interests in the case of legal disputes, and the management of external counselling.

In 2007, the Division focused its activity on overseeing compliance with company obligations, particularly in tracking the Group's reorganisation and expansion activities, particularly acquisition of Plus companies in Portugal and Poland to the Tenglemann Group, as well as other smaller-scale acquisitions.

Consolidation and Accounting – Prepares consolidated financial information in order to comply with legal obligations and supports the Board of Directors, by implementing and monitoring the policies and the accounting principles adopted by the Board and common to all the Companies of the Group. The Division also verifies compliance with obligations stated in the By-Laws.

In 2007, activity was centred on supervising conformance with the accounting standards adopted by the Group, supporting the Companies in the accounting assessment of all non-recurring transactions, as well as in the restructuring and expansion activities of the Group.

Development and Strategy – Guarantees continuous assessment of the markets, identification of the risks, opportunities and major contingencies of the Group's activity in the short-, medium- and long-term, and critical analysis of development plans for the different business areas. It contributes with perspectives on strategic debates that lead to growth projects, both in the current portfolio and in new business areas, and to optimisation initiatives in order to create value. It also ensures mechanisms to define priorities deriving from the strategic debate, and the common and general understanding of the main challenges that face the Organisation, leading to clear and objective communication.

In 2007, the Department concentrated its efforts on performing studies, considering consolidation of the debate on the foundations of the strategic plan. In this way, it was able to evaluate the Group's competitive position, showing the businesses' competitive advantages, the areas of potential growth, and differentiation and possible contingencies. In turn, financial analysis, based on historical three-year projections, allowed showing the degree of agreement with the Group's medium- and long-term objectives.

A strategic evaluation system was also presented, with trends that would allow a simple reading of the sector and the markets in connection with the projects being developed by the Group. Within this scope, the study of new business opportunities continued to be a central theme of the strategic debate, thus the Department contributed with specific studies for the vast group of initiatives that the Group has been developing in this area.

Investor Relations - This Division is the interface with all investors - institutional and private, national and foreign - as well as the analysts who formulate opinions and recommendations regarding Jerónimo Martins' share price.

Besides guaranteeing the availability - through institutional channels, in particular the website of the CMVM (Securities Exchange Commission) - of all information that may influence the share price, the Division is responsible for providing general information and clarification regarding the different Business Areas.

The activities carried out by this Functional Division can be found in detail later in this chapter.

Fiscal Affairs – Provides all the Group's Companies with assistance in fiscal matters, ensuring compliance with the current legislation as well as optimising the business unit's management activities from a fiscal viewpoint. The Division also manages the Group's tax disputes and its relations with external consultants and Tax Authorities.

In the course of its work in 2007, the Fiscal Affairs Department provided assistance to the Company's acquisition and restructuring operations.

Furthermore, special work was carried out with regard to the different taxes in order to unify the policies adopted by the Group's different Companies.

Finally, over the course of the year, the Fiscal Department collaborated in filing several procedures to better defend the interests of the Group with the Tax Authorities.

Financial Operations – This Division includes two distinct areas: Risk Management and Treasury Management. The activity of the Risk Management area is dealt with in detail later in this chapter.

Treasury Management is responsible for managing relations with the financial institutions that have or intend to have business dealings with Jerónimo Martins, establishing the criteria that these entities must fulfil.

The Treasury is also in charge of planning the most suitable financial sources according to need for all the Companies of the Group. The type of funding, corresponding terms, cost and back-up documentation must comply with the criteria established by Management. Likewise, the Treasury is responsible for conducting business with financial institutions, optimising factors so that the best possible conditions may be obtained at all times.

A large part of the treasury activities of Jerónimo Martins are centralised in the Holding Company, which is a structure that provides services to the rest of the Companies of the Group. The National Distribution Companies are completely centralised while the Polish Distribution and Representation and Restaurant areas still work independently in relation to processing payments to third parties. It is also Treasury's responsibility to elaborate and comply with the treasury budget that is based on the activity plans of the Group's Companies.

In compliance with the activities described above, namely in relation to maturity dates of the Group's debt and investments, Jerónimo Martins SGPS paid back two bond loans in advance, in the amount of 25 million euros each, and on the same date it issued two new bond loans in the amount of 70 million euros, thus increasing the

maturity of the debt profile. The subsidiary JMR-Gestão de Empresas de Retalho SGPS, S.A. exercised the call option on the bond loan issued in June 2003, repaying the amount of 115 million euros. It then issued a new bond loan in the amount of 200 million euros, which also sought to restructure the short-term debt.

In addition to increasing the maturity profile of the debt, this restructuring also resulted in reducing the average cost of the debt.

Planning and Control – Responsible for defining and implementing processes, policies and procedures in the planning and control area (plans, budgets and investments), and coordinating and supporting M&A activities of companies or businesses, and company restructuring operations.

In 2007, the process of reorganising the assets of Grupo Jerónimo Martins was initiated, with a view to simplifying management and maximising operating efficiency of the different business areas. Support was thus provided to various projects under way, including centralisation of the Group's brand management in one business area, and analysing different scenarios for the Group's real estate assets.

It also coordinated the acquisition of Plus companies in Portugal and Poland from Grupo Tengelmann, and it will accompany the integration process until it is concluded, which is projected to be until the end of the first quarter in 2008.

It also coordinated and supported other, smaller-scale acquisitions by different business areas in the Group, in Portugal and Poland, some of which have been concluded.

Some adjustments were made to the Planning process in conjunction with the Departments of Strategy and Development, and Consolidation and Accounting, in order to simplify and expedite it without losing efficiency.

Finally, in relation to investments and considering the Group's current phase of organic expansion, numerous proposals were analysed, which will be discussed in its own chapter in the Management Report.

Special Projects– In collaboration with the various Operating Divisions of Food Distribution in Portugal, the Division's main objectives are: (i) to identify, prioritise and optimise existing processes within the Companies; (ii) to recognise new opportunities that may add value for customers; (iii) increase business profitability; (iv) increase productivity and improve competition in the markets in which they are present; and (v) to strengthen innovation processes, promote responsibility in those involved and integrate businesses and new information technologies.

The activities carried out by this Functional Division are detailed in the chapter Consolidated Management Report.

Human Resources – Ensures the definition and implementation of global Human Resources strategies and policies to be applied to the entire Group, in particular to its managers. It is therefore responsible for drawing up Human Resources strategies, policies, standards and procedures, particularly in the areas of recruitment, training, performance management, career management, remuneration and benefits. The

Division is also responsible for coordinating new projects and for compliance with good Human Resources practices.

The activities carried out by this Functional Division in 2007, can be found detailed in the chapter on Social Responsibility.

Security – Defines and controls procedures aimed at preserving the security of personnel and assets within the Group and monitors any matters involving the police or legal authorities, when required. The Department is also responsible for supporting security system audits and risk prevention. The activities carried out by this Functional Division are detailed in this chapter in the section on the Risk Control System.

2.1.2 Operating Divisions

The organizational structure of the Jerónimo Martins Group is aimed mainly at ensuring specialisation in the Group's various businesses by creating geographical areas and Operating Divisions that guarantee the required proximity to the different markets.

As mentioned, the Food Distribution business is divided into Geographical Areas and currently has four Operating Divisions in Portugal - Pingo Doce (supermarkets), Feira Nova (hypermarkets), Recheio (cash & carry) and Madeira (supermarkets and cash & carries) - and an Operating Division in Poland, which includes Biedronka food stores and "Apteka Na zdrowie" pharmacies in partnership with the Portuguese National Association of Pharmacies.

Manufacturing operates through a partnership between Unilever, the company Unilever Jerónimo Martins, Lda., which runs food, personal care and home care, and ice-creams businesses.

Within the Group's portfolio there is also a business area dedicated to Marketing, Representations and Restaurant Services, which includes: (i) Jerónimo Martins Distribuição, which represents important, widely consumed food products and premium and mass market cosmetic brands under international brands in Portugal and that include Caterplus, a specialist in the trade and distribution of specific products for Food Service; (ii) Hussel, a retail chain specialised in chocolates and confectionary; and (iii) Jerónimo Martins Restauração e Serviços, with the chain of Jeronymo coffee shops, Ben & Jerry's and Olá ice cream stores and Subway stores.

2.1.3. Functional Operational Support Divisions

The Functional Divisions at the operating level ensure that Group synergies are maximised through the sharing of resources and functions across the main markets, in order to optimise the efficiency of the Organisation and the sharing of relevant skills and know-how.

The Operating Functions of Support Divisions are: Sourcing, Logistics, Quality and Environmental Control, Financial and Information Systems. These Divisions are responsible for providing services to the various distribution operating divisions in Portugal, in accordance with the guidelines given by the Group's Holding Company. They are also responsible for ensuring standard of policies and internal procedures.

2.1.4 Matters Committed to the Members of the Executive Committee

While their functions are carried out collectively, each Member of the Executive Committee holds supervisory responsibilities in certain specific areas, as follows:

Luís Palha da Silva (President): Development and Strategy, Financial Area, Reporting and Operational Control, Investor Relations, Legal Affairs, Fiscal Affairs, Human Resources and Communication.

Pedro Soares dos Santos: Food Distribution Operations, including Sourcing, Logistics, Quality Control, Human Resources, Security and Information Systems.

José Soares dos Santos: Manufacturing Operations, Marketing Services, Representations and Restaurants.

2.2. Specific Committees

2.2.1 Audit Committee

From alteration of the By-Laws approved in the Annual General Shareholders Meeting of 2007, that the Audit Committee is in effect, which is a result of changes to the Code of Commercial Companies imposed by Decree-Law 76-A/2006 of 29 March. Thus, as voted on in the mentioned General Shareholders Meeting, and arising from the Board of Directors, the Audit Committee is responsible for supervising Company management and assessing corporate structure and governance. In addition to the responsibilities conferred by law, the Audit Committee, in performing its activities, is particularly responsible for the following: assessing the Company's governance structure, monitoring the process of preparing and releasing financial information, the efficacy of internal control systems, internal audit and risk management, as well as approving activity plans within the scope of risk management and tracking its execution, especially evaluating the recommendations resulting from audit activities and reviewing the procedures put into place.

The Audit Committee, which has three Non-Executive Managers as members, including: Mr. Hans Eggerstedt (President), Mr. António Borges and Mr. Rui Patrício, all of whom are independent according to legal criteria, met four times during 2007, paying particular attention to the internal control and risk management systems.

2.2.2 Ethics Committee

The Ethics Committee of the Jerónimo Martins Group is currently comprised of Ana Vidal (Director of Communications) presiding, Mr. Hugo Cunha (Director of Human Resources of Recheio), Mr. António Neto Alves (Director of the Company's Legal Department), Professor Leslaw Kanski (Director of the Legal Department of Jerónimo Martins Dystrybucja), and by Ms. Ewa Micinska (Director of Labour Relations of Jerónimo Martins Dystrybucja). Reporting to the Chairman of the Board of Directors of the Company, its mission is to provide independent supervision of the disclosure of, and compliance with, the Code of Conduct of the Group in all its Companies.

In performing its duties, the Ethics Committee: (i) establishes channels of communication with the targets of the Group's Code of Conduct and gathers information sent for this purpose; (ii) administers a suitable internal control system for compliance with the Code of Conduct and assesses the recommendations arising from

these controls; (iii) evaluates questions that, also in compliance with this Code of Conduct, may be submitted to it by the Board of Directors of Jerónimo Martins and by the Audit Committee, and impartially analyses any questions raised by employees, customers or business partners through the system to communicate alleged irregularities; and, finally (iv) submits to the Company's Board of Directors any measures it considers appropriate for adoption in this area, including the review of internal procedures, as well as proposals for changing the Code of Conduct.

During 2007, the Ethics Committee met twelve times and examined various questions submitted to it by the Executive Committee, the Group's employees or by third parties. In the year in question, special attention was given to the bottom-up communication system, which ensures that all employees at all levels can communicate possible irregularities, seeking to strengthen efficiency in the two countries where the Group operates.

2.2.3 The Internal Control Committee

The Internal Control Committee, appointed by the Board of Directors and reporting to the Audit Committee, is specifically responsible for assessing the quality and reliability of the internal control system and the process of preparing financial statements, as well as assessing the quality of the monitoring process in effect at the Companies of Jerónimo Martins, seeking to ensure compliance with the laws and regulations to which they are subjected. In performing its tasks of assessing the quality of the monitoring process being used in the Companies of the Group, the Internal Control Committee must obtain regular information on the legal and fiscal contingencies that affect the Group's Companies.

The Internal Control Committee meets monthly and is comprised of a President (Mr. David Duarte) and three members (Mr. José Gomes Miguel, Mr. Nuno Sereno and Mr. Henrique Santos), none of whom are Company Board Members.

In 2007, the Internal Control Committee met ten times to carry out its activities of supervision and assessment of risks and critical processes and to review the reports prepared by the Internal Audit Department. When a representative of the External Audit team is invited to attend these meetings, the Committee is also informed of the conclusions of the external audit work that takes place during the year.

2.3. Risk Control System

2.3.1 Risk Management

The Company, and in particular its Board of Directors, dedicate a great deal of attention to the risks affecting their business. Business continuity is critically dependent on the elimination or control of risks that may materially affect its assets (people, information, equipment, facilities), thereby jeopardising the strategic objectives they have set. The Group's Risk Management Policy formalises this concern.

Because of the size and geographical dispersion of Jerónimo Martins' activities, the success of risk management depends on the participation of all employees, who should assume it as an integral part of their jobs, particularly through the identification and reporting of risks associated with their area. All activities must be carried out with an understanding of what risk is and an awareness of the potential impact of unexpected events on the Company and its reputation.

Risk Management Objectives

Within the Group, Risk Management aims to meet the following objectives:

- To promote the identification, evaluation, handling and monitoring of risks, in accordance with a methodology common to the whole Group;
- To regularly assess the strengths and weaknesses of key value drivers;
- To develop and implement programmes to cover and prevent risk;
- To integrate Risk Management into business planning;
- To promote the awareness of the workforce with regard to risks and the positive and negative effects of all processes that influence operations and that are sources of value creation;
- To improve the decision-making and priority-setting processes, through the structured understanding of the business processes of the Group, their volatility, opportunities and threats.

The Risk Management Process (RMP)

In the first place, risk evaluation seeks to distinguish what is irrelevant from what is material. This requires active management and involves consideration of sources of risk, probability of occurrence, and the consequences of their manifestation within the context of the control environment. Controls may encompass both the likelihood of occurrence of an event and the extent of its consequences.

The RMP is cyclical in nature, and includes (i) identification and evaluation of risks; (ii) definition of management strategies; (iii) implementation of control processes; and (iv) monitoring of the process.

The RMP of the Group complies with the Federation of European Risk Management Associations (FERMA) standards, which is seen as a model of good practice.

The objectives defined during the strategic and operational planning process are the departure point of the RMP. At this time internal and external factors that may compromise fulfilment of the established goals are being identified and assessed.

This approach is based on the concept of Economic Value Added (EVA). It begins with the analysis of the key value drivers of both the operating profit and the cost of capital, in an attempt to identify the factors of uncertainty that may negatively influence the generation of value.

In this manner, a systematised, interconnected perspective of the risks inherent to processes, functions and organisational Divisions is developed.

2.3.2. Organization of Risk Control

The risk areas where management must be assumed by specific departments are as follows:

Quality, Food Safety and Environment

Management of this risk area, which in Distribution in Portugal is coordinated by the Quality and Environment Division, works in prevention, monitoring and training,

minimising food risks (with an impact on the consumers' health) and progressively reducing the associated environmental impacts of the Group's products and services.

The following are important management tools in this risk area:

- Performing periodic simulations that recreate a crisis scenario and allow assessment of how adequate existing procedures are;
- Audits to select, assess and track suppliers' proposals for improvements;
- Regular internal audits aimed at assessing compliance with good practices (environmental, hygiene and labour) and compliance with the requirements of systems (HACCP Food Safety System/Environmental Management System, Quality Management System), and monitoring a product throughout the entire logistics chain;
- Implementation of analytical control plans, both internal – store operations – involving work surfaces, product handling/transformation in the stores and the water used, and external – suppliers – such as the periodic control that private brand products are subject to, or research of the phytopharmaceutical residue in fruit and vegetables;
- Training for current staff and subcontractors to ensure good practices with regard to the environment, labour, production, exposure and hygiene;
- Undertaking innovative projects for the Group's activities (for example, promoting technologies that rely on renewable energy sources), seeking to prevent pollution and to reduce costs;
- Periodically review existing HACCP Food Safety Systems, adapting them to the new business areas that emerged in 2007, such as the Restaurants and Central Kitchens of Pingo Doce.

The activities developed by the Quality and Environmental Division in 2007, are detailed in the chapter on Social Responsibility.

Contingency Plan for the Bird Flu Pandemic

The World Health Organisation (WHO) has warned that bird flu (H5N1 virus) has a high likelihood of becoming the next pandemic. Previous pandemics had a huge impact on people's lives and on the economy on a global scale.

Currently in Phase 3 (WHO), transmission between humans has already occurred in more than one geographical region. However, the virus has still not acquired the capacity for effective transmission; therefore the WHO has not yet decreed progress to the next phase.

In addition to being a public health problem, a pandemic flu constitutes a social and economic risk with a huge impact on the supply chain, caused by breakdowns in areas of the economy as important as production and distribution of fuel, energy, water and food products.

In order to minimise the impact of a possible pandemic, it is considered necessary to prepare and implement contingency plans aimed at reducing the propagation of the disease, as well as finding ways to keep business activities running.

Hence, the Company has an operational contingency plan that establishes which management activities and procedures must be carried out to minimise the impact of a pandemic on the Organisation and guarantee business continuity.

In 2007, a process of divulging the contingency operating plan to employees working in the Group's companies was developed.

Hygiene and Safety at Work (HSW)

In this area the continuous action has focussed on the gradual implementation of a safety culture, with consequent improvement in working conditions and accident reduction. As such, safety and hygiene in the workplace audits were carried out, especially focussing on professional risk factors, and physical, chemical and biological hazards were assessed.

The prevention of possible emergency situations was also made a priority in the action programme for this area, and there are several Internal Emergency Plans, including one for the head office.

In the Food Distribution area in Portugal, the Director of HSW heads coordination of the risk management process. In Poland, this responsibility is decentralised among the implementation regions of the Biedronka operation. As for the Manufacturing, this risk area is managed centrally, covering all the Companies involved.

Security of People and Property

The Security Department is responsible for ensuring that conditions exist to guarantee the physical integrity of people and facilities, intervening in cases of theft and robbery, as well as fraud and other illegal and/or violent activities perpetrated in the facilities or against the Group's employees.

Among the responsibilities of the Security Department are: (i) definition and control of procedures in terms of prevention, and safety of the Group's personnel and property, including supervision of the performance and strategies of the security/surveillance firms hired; (ii) follow up, when deemed necessary, of events involving the police or judicial authorities; and (iii) providing support to security system and risk prevention audits.

The Security Department is one of the Functional Divisions that comprise Holding Company of the Group and it reports directly to a member of the Executive Committee. In the course of its operations, the Division is in close contact with the Operations, Legal Affairs, Internal Audit and Risk Management Divisions.

Facilities and Equipment

The Companies Technical Teams, in strict collaboration with the respective Operations Departments have responsibility for: (i) guaranteeing the definition and execution of programmes for regular maintenance of facilities, in order to meet operational needs, and (ii) managing the process that aims to ensure the lowest level of negative impacts of equipment maintenance and repair on operations.

In this area of risk Technical Managers are also involved in supervising the status of electrical equipment, the management of the means of protection and detection of fires as well as the storage of flammable material.

Financial Risks

Risk Factors

Jerónimo Martins 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.

Risk management focuses on the unpredictability of the financial markets, and seeks to minimise its adverse effects on the Company's financial performance.

For certain types of exposure, risks are hedged with financial derivative instruments.

Financial risk management is carried out by the Financial Operating Division, under policies approved by the Executive Committee. The Risk Management Department is responsible for identifying, assessing and hedging financial risks following the guidelines defined by Management.

a) Market Risk

a.1.) Foreign Exchange Risk

The main source of exposure to foreign exchange risk comes from Jerónimo Martins' operations in Poland. Managing this risk is governed by principles defined by the Executive Committee. The Group's Strategic Scorecard includes a target hedge of 100% of the net investment in Poland.

At December 31st, 2007, and ignoring the existing hedging transactions, the impact on the net investment of a 10% adverse variation in the EUR/PLN exchange rate would be – keeping everything else constant – negative 28 million euros (2006: negative 17 million euros). Including the effect of the existing hedging transactions, the impact would be negative 18 million euros (2006: negative 8 million euros). These impacts would be reflected in the consolidated equity. Jerónimo Martins' sensitivity to this risk increased during 2007, due to the increased value of the net investment in Poland.

The other source of relevant exposure to exchange rate risk comes from debt issued in US dollars in 2004, with the following characteristics:

Financing	Amount	Maturity
Private Placement #1	\$84,000,000.00	23-Jun-11
Private Placement #2	\$96,000,000.00	23-Jun-14

This risk is completely hedged through two cross currency swaps negotiated at the same time the debt was issued, which match precisely the terms of the debt issued:

Financing	Amount	Counter-amount	Maturity
Swap #1	\$84,000,000.00	70,469,798.66 €	23-Jun-11
Swap #2	\$96,000,000.00	80,536,912.75 €	23-Jun-14

Thus, net exposure to exchange rate risk resulting from these transactions is null, and there were no changes from 2006 to 2007.

In addition to these exposures, within the scope of the commercial activities of its subsidiaries, Jerónimo Martins acquires merchandise that is denominated in foreign currency, mainly US dollars. In general, these transactions involve low amounts, and are very short dated. Managing the exchange rate risk from these transactions is analysed case by case, and there is no fixed rule that is applied on all occasions.

Management of the operating Companies' exchange rate risk is centralised in the Holding Company's Financial Operations Division. Whenever possible, Jerónimo Martins seeks to manage exposure through natural hedges, namely through borrowings denominated in local currency. When this is not possible, more or less structured operations at zero cost are contracted, such as: swaps, forwards or options.

The Group's exposure to foreign exchange risk in recognised financial instruments included and not included in the balance sheet at December 31st, 2007, was as follows:

(€'000)				
As at December 31 st , 2007	Euro	Zloty	Dollar	Total
Assets				
Cash and cash equivalents	98,772	169,867	0	268,639
Available-for-sale financial investments	10,289	0	0	10,289
Debtors and deferred costs	115,846	28,381	0	144,227
Derivative financial instruments	1,193	0	0	1,193
Total financial assets	226,100	198,248	0	424,348
Liabilities				
Borrowings	499,313	166,949	125,894	792,156
Derivative financial instruments	7,965	17,862	25,113	50,940
Creditors and accrued costs	707,775	534,268	0	1,242,043
Total financial liabilities	1,215,053	719,079	151,007	2,085,139
Net financial position in the balance sheet	-988,953	-520,831	-151,007	-1,660,791
As at December 31st, 2006				
Total financial assets	233,387	120,535	0	353,922
Total financial liabilities	1,122,894	405,362	151,007	1,679,263
Net financial position in the balance sheet	-889,507	-284,827	-151,007	-1,325,341

a.2.) Price Risk

Because of its investment in Banco Comercial Português, Jerónimo Martins is exposed to equity price risk. At December 31st, 2007, a negative 10% variation in the trading price of BCP shares would have a negative effect of 438,000 euros. On December 31st, 2006, a variation of the same magnitude would have a negative impact of 2,956 thousand euros. The significant reduction in sensitivity to this risk is due to the sale of 9 million shares of BCP during 2007.

a.3.) Cash Flow and Fair Value Interest Rate Risk

Since Jerónimo Martins has no significant interest-bearing assets on its balance sheet, its main exposure to interest rate risk is through its liabilities. All financial liabilities are directly or indirectly indexed to a reference interest rate which exposes Jerónimo Martins to cash flow risk. Given a portion of this risk hedged through fixed interest rate swaps, Jerónimo Martins is also exposed to fair value risk.

Exposure to interest rate risk is monitored dynamically. In addition to evaluating future cash flows based on forward rates, sensitivity tests to variations in interest rate levels are performed. Jerónimo Martins is basically exposed to the interest rate curve of the euro and the zloty, but it uses derivative instruments to diversify this exposure and thus reduce the risk. For the purpose of sensitivity analyses, the benefits of diversification are ignored, assuming a perfect correlation between the interest rate curves. This analysis is for illustrative purposes only, as in practice, market rates rarely change separately. The sensitivity analysis is based on the following assumptions:

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

For each analysis, whatever the currency, the same changes to exchange rate curves are used. The analyses are carried out for the net debt, i.e., deposits and short-term investments with financial institutions and derivative financial instruments are deducted. Simulations are carried out 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 December 31st, 2007, and ignoring the impact of the interest rate derivatives, a 50b.p. shift in the yield curves would have a negative impact, keeping everything else constant, of 3 million euros. Including the impact of the interest rate derivatives, the net impact would be positive in the amount of 3 million euros of which 2 million euros are related to interest rate derivatives associated with the exchange rate swap on EUR/PLN. These impacts would be reflected on the consolidated net earnings.

These simulations are run a minimum of one time per quarter, but they are reviewed whenever there are relevant changes, such as: Debt issuance, repayment or restructuring; significant variations in reference rates and/or in the slope of the interest rate curve.

Interest rate risk is managed through operations involving more or less structured financial derivatives, contracted at zero cost.

b) Credit Risk

Credit risk is centrally managed. The main sources of credit risk are: i) bank deposits, short-term investments and derivatives contracted with financial institutions; and ii) clients.

The financial institutions that Jerónimo Martins chooses to do business with are selected based on the ratings they receive from independent rating agencies. The minimum acceptable rating is "A".

In relation to clients, risk is mainly related to Recheio's Cash&Carry and Manufacturing and Services businesses, since the other businesses operate based on cash sales or with bank cards (debit and credit). It is managed based on experience and individual knowledge of the client, as well as through credit insurance and 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 the deposits, short-term investments and derivate financial instruments with positive fair value, as at December 31st, 2007 and 2006:

(€'000)

Financial Institutions		
	31 Dec 2007	31 Dec 2006
Rating	Balance	Balance
A-1	112,019	81,689
A-1+	84,524	16,941
F2	68,963	76,667

The ratings shown correspond to the notations given by Standard and Poor's ("A-1" and "A-1+"). When these are not available, Fitch's notations are used ("F2").

The following table shows an analysis of the credit quality of the amounts receivable from customers without non-payment or impairment.

(€'000)

Credit quality of the financial assets		
	31 Dec 2007	31 Dec 2006
	Balance	Balance
New customer balances (less than 6 months)	788	675
Balances of customer without a history of non-payment	76,786	90,722
Balances of customer with a history of non-payment	12,575	12,484
Balances of other debtors with the provision of guarantees	1,180	401
Balances of other debtors without the provision of guarantees	56,963	49,216
	148,292	153,498

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

(€'000)

Concentration of the credit risk from the financial assets				
	31 Dec 2007		31 Dec 2006	
	No.	Balance	No.	Balance
Customers with a balance above 1,000,000 euros	19	31,151	22	29,210
Customers with a balance between 250,000 and 1,000,000 euros	110	15,009	105	15,320
Customers with a balance below 250,000 euros	7,153	34,333	7,484	38,314
Other Debtors with a balance above 250,000 euros	59	28,446	24	13,001
Other Debtors with a balance below 250,000 euros	1,983	39,353	2,288	57,653
	9,324	148,292	9,923	153,498

During the reporting period, no credit limits were exceeded and it is not expecting to sustain losses from defaults by these counterparties.

The maximum exposure to credit risk at December 31st 2007 and 2006 is the financial assets accounting value.

c) 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 Jerónimo Martins' activities, but also ensuring some flexibility to be able to absorb shocks unrelated to Company activities.

To manage this risk, Jerónimo Martins uses, for example, credit derivatives in order to manage the impact of widening credit spreads that are the result of impacts beyond the control of Jerónimo Martins.

Treasury needs are managed based on short-term planning (executed on a daily basis) which derives from the annual plans which are reviewed at least twice a 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 Jerónimo Martins contracts are settled at net value.

(€'000)

Exposure to liquidity risk			
2007	Less than 1 year	1 to 5 years	+ 5 years
Borrowings			
Financial Leasing	27,903	58,467	490
Loans	97,794	680,789	89,432
Derivative Financial Instruments	1,518	5,476	1,236
Creditors	1,148,179	0	0
Operational Lease Liabilities	86,134	251,988	209,615
2006			
Borrowings			
Financial Leasing	16,883	32,250	931
Loans	71,976	469,564	95,451
Derivative Financial Instruments	206	1,629	752
Creditors	922,850	0	0
Operational Lease Liabilities	65,956	184,839	133,121

Capital Risk Management

Jerónimo Martins seeks to keep its Capital structure at appropriate levels such that it not only ensures its ability to continue as a going concern and its development, but it also provides adequate returns to its Shareholders, and it optimises the cost of capital.

Capital adequacy is monitored based on the gearing ratio, calculated according to the following formula: Net Debt / Shareholders Funds. The Executive Committee established as a target a gearing ratio between 60-120%, consistent with an *investment grade* rating.

The gearing ratios at December 31st, 2006 and 2007, were the following:

(€'000)	2007	2006
Capital Invested	1,443,471	1,273,499
Net Debt	579,266	506,218
Shareholders' Funds	864,205	767,281
Gearing	67.0%	66.0%

Information Security

The mission of the Information Security Department consists of setting up and maintaining an information security management system that ensures confidentiality, integrity and availability of the critical business information and recovery of the systems in the event of interruption in the operations.

The Information Security Officer (ISO) acts under the guidance of the Information Security Policy (ISP), which defines the usage and maintenance rules for the information assets of Jerónimo Martins.

In 2007, development was continued of the information systems recovery plan (*Disaster Recovery*), through implementation of recovery environments for alternative

systems and the definition of recovery strategies in light of identified disaster scenarios.

An audit was performed on the communications network, and a global audit was performed on the information security system, including testing the vulnerabilities of the most critical systems, approving renovation of Front Office systems, Communications and radio frequency. As a result of these audits, standards and procedures were introduced that seek to strengthen the information security environment, namely:

- Procedures to manage users and Internet access;
- Procedures for acquisition and use of computers;
- Policy for remote access via VPN;
- Policy for software licensing and use;
- Procedures to protect against virus and malignant programmes;
- Procedures to safeguard information on computers;
- Policy to filter e-mail content and Internet access.

In 2008, systems recovery procedures as defined in the current Business Continuity Plan will be finalised, and other projects are planned to minimise the risks to information safety, namely:

- Implementation of a plan to manage system and network vulnerability;
- Evaluation of the security of the SAP Retail system;
- Review of the information security rules for third parties;
- Optimisation of the user management process;
- Training on good information security practices.

Legal Compliance

Compliance with legal obligations is ensured by the Legal Departments at the Group's Companies. At the Holding level, the Legal Department guarantees the coordination and implementation of strategies aimed at protecting the Group's interests in case of legal dispute, and it also provides outside counsel.

In order to ensure the fulfilment of tax obligations and also to mitigate risk due to inadequate checks and balances, the Fiscal Department of the Holding Company advises all the Group's Companies, and also manages their tax proceedings.

Process Risks

The model used in the management of Process Risks includes Operating Risks, Human Resources, Information Systems and Risks to Information for Decision-Making. Given the critical nature of some of the risks considered in each of these areas, their management is shared by different functional areas of the Group's Companies.

The Operating Risks category, which includes the risk management model, takes into account those risks related to sourcing, supply chain, transport, stock losses, obsolescence, disruption, level of service of suppliers and distribution centres to stores, customer satisfaction, maintaining prices, cash collection, investments, asset safety, efficiency in the use of resources, business interruption and fraud. Among the risks related to Human Resources are risks associated with payroll, authorization levels and

ethical behaviour. Risks to Information for Decision-Making include accounting and financial report risks.

The Information Systems Risk category includes system access risks, communications, and infrastructure and disaster recovery. Also included in this category are risk related to Information Security, which has been monitored since 2005 by the Information Security Department.

2.3.3. Communication, Reporting and Monitoring of the Risk Management Process

Risk Management process monitoring involves the Board of Directors of the Company, the Operating Divisions, the Functional Divisions of the Operation, the Audit Committee and members of Risk Management and Internal Audit.

Specifically, the Board of Directors, as the body responsible for the strategy of Jerónimo Martins, has the following objectives and responsibilities:

- To establish the most significant risks affecting the Group;
- To ensure that the Group possesses appropriate levels of knowledge of the risks affecting operations, and how to manage them;
- To ensure the widespread dissemination of the Group's Risk Strategy at all hierarchical levels;
- To ensure that the Group is able to minimise the probability and impact of risks to the business;
- To ensure that the Group can react to crisis situations;
- To ensure that the Risk Management process is adequate and it strictly monitors those risks that have the highest probability of occurrence or impact on the Group's activities.

Those responsible for critical processes of the business, along with members of the Risk Management Department, develop and implement the risk control mechanisms. The Internal Audit of the Group, in turn, evaluates the efficiency of these mechanisms.

Evaluation of the Internal Control System

Annually, the Internal Control Committee approves the Internal Audit Department activity plan, which defines the nature of the audits to be carried out, for evaluating the quality of the control processes that aim to achieve the Internal Control System objectives, particularly those that ensure the efficiency of operations, the integrity of financial and operating reports and respect for laws and regulations.

To this end, process and conformance audits were performed, as well as financial audits and information systems audits whose associated risks presented a higher probability of occurrence and/or potential impact on operations.

This approach helps make the process of internal auditing of the Group more efficient and contributes to increasing the awareness of those responsible for the prompt implementation of scheduled recommendations.

The results of these consultations and the evaluation of operating risks are made available by the Internal Audit Department to the Audit Committee, to the Internal

Control Committee and to the Executive Members of the Group's Board via a quarterly Audit Letter.

In 2007, the Internal Audit Department evaluated to what extent the Internal Control System of the Companies of Jerónimo Martins in Portugal and Poland mitigate the effect of identified risks. This evaluation of the control processes allowed the updating of a database of risks that affect or that may affect the Group's Companies.

In accordance with the activities plan, and also in light of the updating of the Operating Risk models and critical business processes applicable to each Company in the Group, audits were performed on processes related to the risk of stock damage and obsolescence, maintaining sales prices, cash collection, logistical operations, transport, investments, safeguarding assets and control of accounts payable.

In the area of information systems, projects to upgrade systems that are critical to the Group's operations were tracked, and evaluation audits were carried out on the risk of system access, while at the same time the conclusions reached the previous year regarding the general controls for information systems were updated.

2.4. Share Price Performance

During 2007, the main Portuguese Stock Market index - PSI-20 - increased 16.3%, which was the fifth consecutive double-digit appreciation and the fourth-largest among the main European markets.

Despite the strong rise in the national index, during 2007 the stock markets were influenced by some unstable factors, such as the crisis in the high-risk credit market – the subprime market – which especially affected the markets during the third quarter of the year. Other factors affected market evolution in certain ways during the year, such as: the end of unsuccessful takeover bids (Sonaecom/Sonae bid for Portugal Telecom and BCP bid for BPI), the strong appreciation of the euro against the dollar, and the rise in underlying interest rates in some of the world's main economies, and the continuing rise in the price of oil.

On the other hand, growth reported in companies' results, increased dividends and improved outlook for future results, combined with dynamic Mergers and Acquisitions in Europe and the United States, allowed the markets to maintain interesting growth rates.

Specifically, the Portuguese stock market was marked by rises, some of them significant, examples of which are the cases of Soares da Costa and Galp. Also deserving mention is the good performance of Jerónimo Martins shares, which rose more than 58% over the previous year. On the other hand, nine companies listed on the PSI-20 had a negative year.

The PSI-20 index reached its maximum level in the middle of July, with an appreciation of more than 22%, and reaching its seven-year maximum of more than 13,700 points. During 2007, the subprime crisis penalised the European indices more than the American exchanges, negatively affecting the Lisbon market by 14% under its maximum.

The year in Portugal is also marked by the listing of two companies: Martifer and REN.

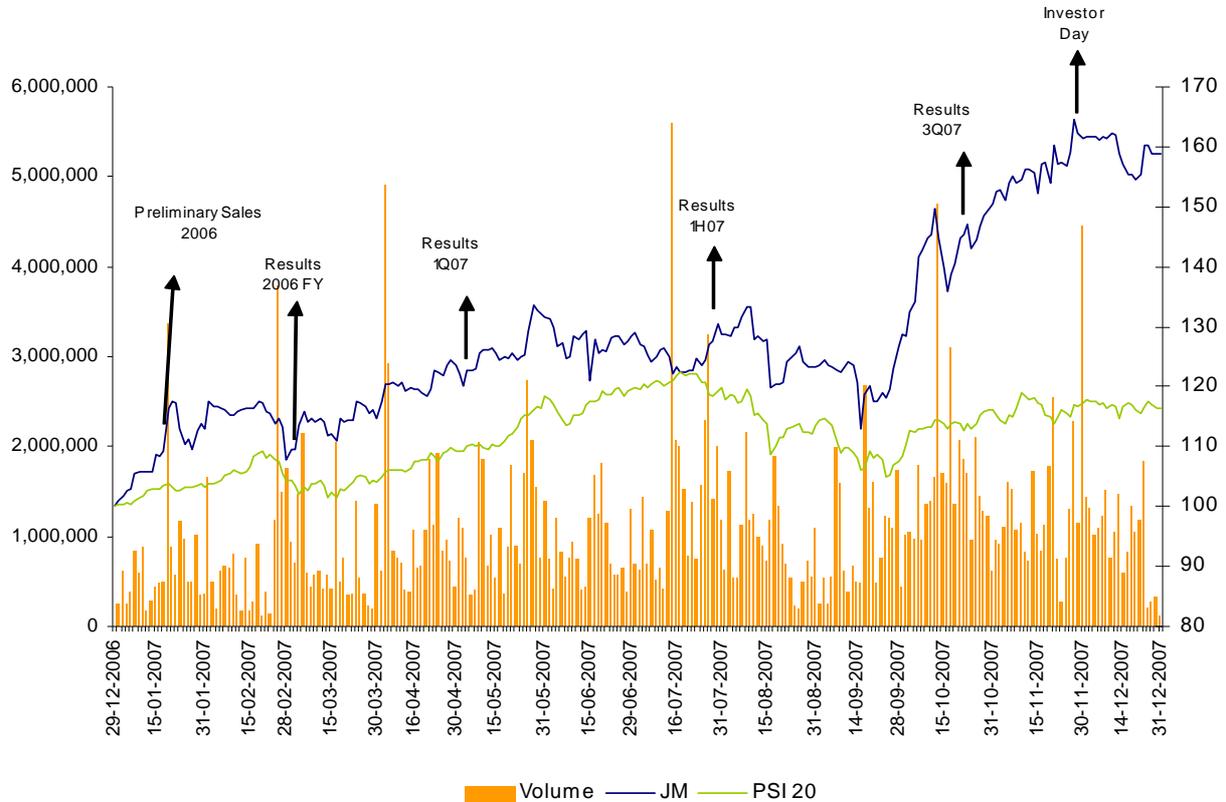
2.4.1 Performance of Jerónimo Martins Shares

JM shares description			
<i>Jerónimo Martins, SGPS, S.A.</i>			
Shares Trade: Euronext Lisboa			
Stock market admission: November 1989			
Euronext Codes:			
Description	Type	ISIN Codes	Symbol
J. Martins - Out/03	Bonds	PTJMTEOE0008	JMTEOE
Jerónimo Martins- SGPS	Shares	PTJMTOAE0001	JMT
Codes:			
Reuters RIC		JMT.LS	
Bloomberg		JMAR.PL	
Shares			
Share Capital:		629,293,220	Euro
Shares nominal value:		1.00	Euro
Number of shares:		629,293,220	

Since the first months of 2007, Jerónimo Martins' shares have maintained growth, in line with the appreciation of the PSI-20 Index. The lowest point of the year was on 2 January (3.4 euros), and the highest on 28 November (5.59 euros).

The biggest rises in share value coincided with release of the 2006 full year results at the end of February, with the stock split at the end of May, and with the Investor's Day event in Poznan, Poland, in the last week of November.

In terms of liquidity, it is important to note the accentuated return of investors to the Portuguese market, with all the liquidity records being surpassed. Jerónimo Martins' shares during the year registered an average daily trading volume of 1,080,000 shares, nearly 46% higher than trading volume in 2006, which also shows investor interest in the Group.


JM SHARES DESCRIPTION

	2007	2006	2005	2004	2003
Share Capital	629,293,220	629,293,220	629,293,220	629,293,220	479,293,220
Number of ordinary shares	629,293,220	125,858,644	125,858,644	125,858,644	95,858,644
Own Shares	859,000	171,800	171,800	171,800	171,800
EPS (Eur)	0.21	0.92	0.88	0.83	0.61
Cash Flow per share (Eur)	0.43	2.05	1.96	2.23	2.33
Dividend per share (Eur)	0.44	0.42	0.36	0.00	0.00
Stock market Performance *					
High (Eur)	5.59	3.52	2.57	2.00	1.93
Low (Eur)	3.43	2.55	1.97	1.54	1.05
Average (Closing) (Eur)	4.37	2.85	2.35	1.76	1.28
Closing (End of year) (Eur)	5.40	3.40	2.54	1.94	1.85
Market Capitalisation (31/12) (Eur's 000,000)	3,398	2,140	1,598	1,221	1,003
Transactions					
Volume (1.000 shares) *	275,512	189,430	173,135	144,815	101,045
Annual Growth					
PSI 20	16.3%	29.9%	13.4%	12.2%	16.0%
Jerónimo Martins	58.8%	33.9%	30.9%	5.0%	49.6%

* data for the years 2003 to 2006 was adjusted by the stock split of May 2007

2.4.2 Publication of Results

Throughout the year, the Investor Relations Office published the Group's quarterly results, and it released all relevant information on performance of the Group's business areas, in order to keep analysts and investors informed as to the development of Jerónimo Martins' operational and financial activities.

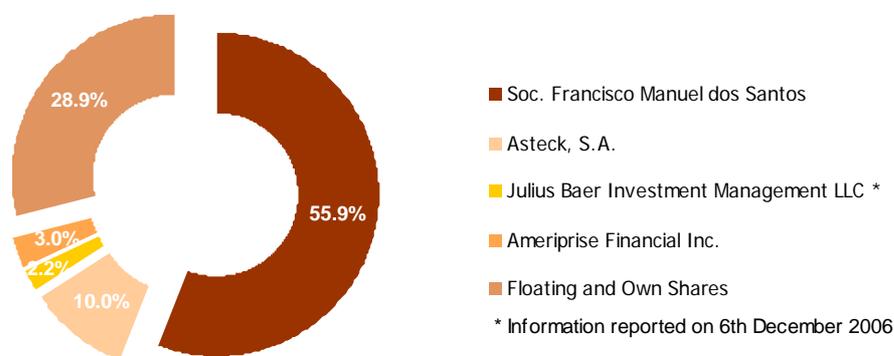
In addition to the documents published, all financial analysts and investors who contacted the Investor Relations Office were provided with information.

The financial statements were released to the market on the following dates:

16 January	Trading Statement 2006
1 March	FY 2006 Results
3 May	First Quarter 2006 Results
26 July	First Half 2006 Results
25 October	Third Quarter 2006 Results

2.4.3. Shareholder Structure

Shareholder Structure



The Companies whose voting rights under the terms of Article 20, No. 1 of the Securities and Exchange Code, are attributable to Ameriprise Financial Inc, and are identified in the note that refers the List of Qualified Shares on December 31st, 2007, included in the Consolidated Management Report Annex. Other qualified shareholders are Sociedade Francisco Manuel dos Santos, SGPS, S.A., Julius Baer Investment Management LLC and Asteck, S.A..

All shares are ordinary and there are no restrictions concerning their tradability.

2.4.4 Plan to Acquire Own Shares

In 2007 there were no movements to purchase own shares, and the Company maintained 859,000 own shares in its portfolio (corresponding to 171,800 shares

before the stock split in May 2007), acquired in 1999 at the average price of 7.06 euros per share (price adjusted by the stock split) and representing 0.14% of the Company's capital.

2.5. Dividend Distribution Policy

The Board of Directors of the Company maintained a policy of dividend distribution based on the following rules:

- The value of the dividend distributed should be between 40% and 50% of ordinary consolidated net earnings;
- If, as a result of the application of 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 relation to fiscal year 2004, the gross dividend paid to Shareholders was 0.36 euros per share, in comparison to 2005, which was 0.42 euros per share, and to 2006, which was 0.44 euros per share (corresponding to 0.088 euros adjusted by the stock-split), always according to the abovementioned directives.

In view of the net results of fiscal year 2007, and the established policy, the Board of Directors will propose, at the General Shareholders Meeting, the distribution of a gross dividend of 0.096 euros per share, excluding the 859,000 owned shares in the portfolio.

This proposal represents an increase of 9.1% over the dividend paid in the prior year, corresponding to a dividend yield of 2.2% on the average share price in 2007, which was 4.37 euros.

2.6. Stock Options Plan

The Company does not have any plan in force to attribute shares or options to acquire shares. Although the adoption of such type of plan may be studied, the Board of Directors believes that it has established instruments that allow a fair and effective system of management by objectives, based on analysis of indicators of profitability, business growth and generation of value for the Shareholders.

2.7. Business between the Company and Members of the Board, Holders of Qualified Stakes and Companies in a Parent-Subsidiary or Group Relationship

During 2007, no significant business or operations were carried out, in economic terms, between the Company and members of its Management or Supervisory Bodies, or holders of Qualified Stakes. Regarding the companies in a Parent-Subsidiary or Group relationship, the business carried out with the Company was done so in the normal operation of its business and under arms-length conditions.

2.8. Investor Relations Department

The Investor Relations Office of Jerónimo Martins is the interface with all investors - institutional and private, national and foreign - as well as the analysts who formulate opinions and recommendations regarding share price.

Aimed at transmitting an up-to-date and clear vision of the strategies of the different Areas of the Group's Business to the market, in terms of operating performance and perspectives, every year the Office draws up a Financial Market Communication Plan.

This Plan, incorporated into Jerónimo Martins' global communication strategy, includes a series of events organised with a view to providing information about the various businesses of the Group, their strategies and future projections and, at the same time, accompanying the development of the year's business activity, and answering any questions.

During the year the Department put on events that allowed the financial markets to have contact with the Group's management team. The following events were highlights:

- Meetings with financial analysts and investors;
- Answering questions sent by e-mail to the Department;
- Telephone calls;
- Publication of announcements to the market through CMVM (Securities and Exchange Commission) extranet, at the Jerónimo Martins and Euronext Lisbon sites and mass mailings set to all the Company's investors and financial analysts whose contacts are included in a database created and updated by the Office;
- Presentations to the financial community: Presentation of results, roadshows, General Shareholders Meeting and conferences.

Within the scope of information sent to the market, in 2007 the following communications were published:

Privileged Information

December 21, 2007	Presentation on acquisition of Plus operations in Portugal and Poland
December 21, 2007	Acquisition of Plus operations in Portugal and Poland
December 18, 2007	Financial Calendar Plan for 2008
December 10, 2007	Clarification of newspaper article
November 30, 2007	Investor's Day 2007 Presentation
October 25, 2007	Release - 3rd Quarter 07 Results
October 4, 2007	Report by DSPIT
October 1, 2007	Clarification of newspaper article
September 5, 2007	Information on stake in BCP
July 26, 2007	Update on Financial Calendar Plan for 2007
July 26, 2007	Release - 1st Half 07 Results
June 11, 2007	Release - Cooperation with Martifer
May 3, 2007	Release - 1st Quarter 07 Results
March 1, 2007	Release - FY 2006 Results
January 16, 2007	Release - Preliminary Sales 2006

Financial Information

November 22, 2007	3rd Quarter 07 Consolidated Results
September 19, 2007	Individual Accounts 1st Half 07 Results
September 19, 2007	1st Half 07 Consolidated Results
May 18, 2007	1st Quarter 07 Consolidated Results
April 20, 2007	FY 2006 Results

Corporate Governance

April 20, 2007	FY 2006 Corporate Governance Report
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Board Members and Functions

May 3, 2007	Election of the Corporate Bodies for the three year period 2007-09
March 30, 2007	Election of the Executive Committee for the three year period 2007-09

Changes, Conversion, Reconstitution and Extinction of Securities

May 9, 2007	Stock Split
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Dividends, Interests, Redemptions and Exercise of Other Rights

August 28, 2007	Bond Issues Redemption
March 30, 2007	Dividends Payment 2006

Notice of Meetings

February 25, 2007	Notice of General Meeting 2007
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Qualifying Holdings and Shareholders Agreements

August 6, 2007	Threadneedle Qualified Shareholding
July 17, 2007	Zenith Qualified Shareholders Reduction
July 17, 2007	Strand Ventures Qualified Shareholders Reduction
February 26, 2007	Heerema Qualified Shareholding
February 23, 2007	Zenith Qualified Shareholders Reduction
February 23, 2007	Strand Ventures Qualified Shareholders Reduction
February 23, 2007	Multiplus Qualified Shareholders Reduction
February 23, 2007	Fitron Qualified Shareholders Reduction

Annual Summary of Information Disclosed

March 9, 2007	Annual Summary of Information Disclosed on 2006
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The Office may be contacted through the Market Relations representative and the Investor Relations Office Manager, Mrs. Cláudia Falcão – and at the e-mail address investor.relations@jeronimo-martins.pt.

The communications issued regularly by the Office are available in full on the institutional site of Jerónimo Martins, at www.jeronimomartins.com, in order to make information available for all those interested. The site provides not only the mandatory information, as stipulated in Article 4 of CMVM Regulation No. 1/2007, but also general information about the Group and its Companies, in addition to other information considered relevant, namely:

- Announcements to the market regarding material information;
- The Group's annual, semester and quarterly results;
- Economic and financial indicators and statistical data, updated once or twice a year according to the Company or Business Area;
- Annual Reports of the Group's Companies with listed securities;
- The Group's most recent presentation to the financial community;
- Information about share performance on the stock market;
- The annual calendar of Company events, released at the beginning of every year, including, among others, General Shareholders Meetings, the disclosure of annual, half-year and, if applicable, quarterly results;
- Information regarding the General Shareholders Meeting;
- Information about Corporate Governance;
- Code of Conduct of Jerónimo Martins;
- Company By-Laws;
- Current Internal Regulations;
- Customer Ombudsman.

The site also has a contact/information request form, which allows rapid interaction, via e-mail, with the Company and inclusion on information mailing list.

The main contact information for the Investor Relations Office is as follows:

Address: Rua Actor António Silva, n° 7, 14° floor, 1600-404, Lisbon, Portugal

Telephone: +351 21 752 61 05

Fax: +351 21 752 61 65

E-mail: investor.relations@jeronimo-martins.pt

It is also the responsibility of the Office to coordinate preparation of the Annual Report, which is well known as a fundamental document for communicating with financial markets. Through it, the Office strives for transparency and comprehensiveness of information published in relation to the various Business Areas of Jerónimo Martins, seeking to clearly, completely and consistently transmit the progress of the different activities during the year.

The effort of the entire Jerónimo Martins team in preparation of this document resulted in the Group receiving the award for Best Annual Report for the second time, in the category of Non-Financial Companies, awarded at the *Investor Relations Awards '07* ceremony organised by Deloitte, in partnership with the newspapers *Semanário Económico* and *Diário Económico*.

2.9. Remuneration Committee

The General Shareholders Meeting in 2007 elected a Remuneration Committee, which is comprised of the following shareholders: Mr. António Sousa Gomes, Mr. José Queirós Lopes Raimundo and Mr. Arlindo do Amaral, none of whom is a Member of the Board of the Company, nor has any spouse or relative in such circumstances. This Committee, in accordance with legal requirements, determines the earnings of the Members of the Board of Directors. During 2007, the Remuneration Committee met once.

2.10. Yearly Amount paid to External Auditor

In 2007, total remuneration paid to the External Auditor over the year was 936,690 euros, not including expenses related to travel and other costs supported directly by the Group's Companies.

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

- Legal accounts audit services: 70%;
- Other services (not legal accounts audits or external audits): 30%.

The services not included in the legal account certification, a total of 276,786 euros, relate to access to a fiscal database, support for internal reorganisation processes and business acquisitions, technical advice on a project to convert accounting standards, and certification of subsidiary accounts as a part of commercial transactions with third parties. All these services are marginal to the work of the auditors and are carried out by employees who do not participate in any auditing work for the Group.

3. EXERCISE OF SHAREHOLDER VOTING AND REPRESENTATION RIGHTS

3.1. Statutory Rules on Exercising Voting Rights

The right to vote by representation and the way in which this right is exercised are fully ensured in accordance with the law and the Company's By-Laws, under the terms set down in the respective notices convening General Meetings. Moreover, the Company is actively committed to promoting the Shareholders' exercise of voting rights, namely through votes submitted by mail.

The Company provides appropriate information to enable the represented Shareholders to give voting instructions, in particular by providing them with the proposals to be submitted at the General Shareholders Meeting within the legally established time limits. Since 2003, the preparatory information for the General Meetings has also been made available on the Group's corporate website.

A Member of the Company's Board of Directors or another Shareholder may also represent Shareholders at the General Meeting. In the case of an individual, the person appointed for this purpose may be a spouse, a relative in ascending or descending line, or, in the case of a Company, a person appointed for that purpose. The instruments of Shareholder representation must be addressed to the Chairman of the General Meeting, indicating the representative's name, address and the date of the meeting, and they must be delivered by the start of the proceedings.

3.1.1 Voting by Post

The Company has established the right to vote by mail in accordance with the form provided in the latest convening notices. This form aims to make voting easy and secure. Since 2004, the Company has provided Shareholders with ballot papers to facilitate this procedure.

3.1.2. Electronic Voting

The Company accepts that the use of new technologies promotes the exercise of voting rights, especially in the case of electronic voting, and it instituted this mechanism in 2006.

3.2. Required Deadline for Depositing or Blocking Shares

In accordance with the Company's By-Laws, shareholders with voting rights may participate in the General Shareholders Meeting provided that their shares are registered under their name in a securities account, or deposited in the Company's safes or those of a credit institution, at least five working days prior to the meeting. In the latter case, there must be proof of this deposit by means of a letter issued by the respective credit institution, which must also reach the Company within the same period of five business days. Presence at the General Shareholders Meeting is not conditioned on holding a minimum number of shares.

3.3. Deadline for Receiving Postal Votes

As the Company's By-Laws fail to provide an indication in this matter, the Company has established a deadline of 48 hours prior to the General Shareholders Meeting to receive postal votes, thus complying with and, to a certain extent, exceeding the recommendation of the Securities and Exchange Commission in this respect.

3.4. Number of Shares Corresponding to One Vote

In accordance with the Company's By-Laws, changed in 2007, each share corresponds to one vote.

4. COMPANY RULES

4.1. Code of Conduct and Internal Regulations

The Company complies with current legislation and the rules of behaviour appropriate to its activity, adopting codes of conduct and internal regulations whenever the issues involved call for them.

Jerónimo Martins has always acted upon principles of absolute respect for the rules of good conduct in managing conflicts of interest, incompatibilities and confidentiality and in ensuring that Members of the Board of Directors and Managers do not use insider information. To this end the Company has a regularly updated list of people who may have access to insider information.

Although the existing instruments and practices have proved adequate in regulating these matters, it was decided that a code should be drawn up for the existing rules concerning the aforementioned issues, as well as others that are specifically related to the activities of the Group's companies. The aim of this code is to formalise commitments that require a high standard of conduct from everyone within the Group and provide a tool for optimising management.

Thus, and in addition to the current Code of Conduct, there are currently in force Regulations for the Board of Directors, the Executive Committee, the Audit Committee, the Ethics Committee and the Internal Control Committee, regulating the competence and functioning of the mentioned bodies, as well as a Company Share Transactions Regulations applicable to Board Members and Senior Management of the Group.

These Codes and Regulations can be consulted on the Group's website at www.jeronimomartins.com, or requested from the Investor Relations Office.

4.2. Internal Procedures for Risk Control in Company Activity

This issue is dealt with earlier within this chapter.

4.3. Measures Likely to Interfere with Public Tender Offers

No special rights or restraints on the exercise of voting rights are provided for in the Company's By-Laws. The Board of Directors has no knowledge of shareholders' agreements. There are no agreements between the Company and the members of the Board of Directors or the employees, which imply compensation following a Takeover Bid. As it leads a group that includes various partnerships with national and international groups, it may be possibly understood that certain arrangements in the joint venture contracts celebrated within this scope may include change of control arrangements. However, the Board of Directors believes that disclosing this would be against the Company and its shareholders' interests.

5. BOARD OF DIRECTORS

5.1. Description of the Board of Directors

Since its election at the General Shareholders Meeting on March 30th, 2007, the Board of Directors of the Company has consisted of nine Members, three of whom are Executive Directors – Mr. Luís Palha da Silva, Mr. Pedro Soares dos Santos and Mr. José Soares dos Santos – and six are Non-Executive Directors - Mr. Elísio Alexandre Soares dos Santos (Chairman of the Board), Prof. António Borges, Mr. Rui Patrício, Mr. Hans Eggerstedt, Mr. Artur Santos Silva and Mr. Nicolaas Pronk. The number of Company shares that are held by officers are indicated in the point concerning the Consolidated Management Report Annex.

However, in accordance with the principles by which the Company is run, all Board Members are accountable to all Shareholders equally, the independence of the Board of Directors in relation to them is further reinforced by the existence of Independent Board Members.

In accordance with the laws, the Directors who are considered to be Independent Directors are António Borges, Rui Patrício, Artur Santos Silva and Hans Eggerstedt.

The Members of the Board of Directors also hold positions in other companies, namely:

Elísio Alexandre Soares dos Santos

Member of the Supervisory Board of Banco Comercial Português, S.A.
Director of Sindcom – Sociedade de Investimento na Indústria e Comércio, SGPS, S.A.
Director of Sociedade Francisco Manuel dos Santos, SGPS, S.A.

Luís Palha da Silva

Director of Jerónimo Martins Serviços, S.A.*
Director of JMR - Gestão de Empresas de Retalho, SGPS, S.A.*
Director of Lidosol II - Distribuição de Produtos Alimentares, S.A.*
Director of Funchalgest - Sociedade Gestora de Participações Sociais, S.A.*
Director of Lidinvest - Gestão de Imóveis, S.A.*
Director of João Gomes Camacho, S.A.*
Manager of Desimo - Desenvolvimento e Gestão Imobiliária, Lda.*
Manager of EVA - Sociedade de Investimentos Mobiliários e Imobiliários, Lda.*
Manager of Friedman - Sociedade de Investimentos Mobiliários e Imobiliários, Lda.*
Manager of Hermes - Sociedade de Investimentos Mobiliários e Imobiliários, Lda.*
Manager of Idole - Utilidades, Equipamentos e Investimentos Imobiliários, Lda.*
Manager of PSQ - Sociedade de Investimentos Mobiliários e Imobiliários, Lda.*
Director of Fima - Produtos Alimentares, S.A.*
Director of Victor Guedes – Indústria e Comércio, S.A.*
Director of Indústrias Lever Portuguesa, S.A.*
Director of Olá - Produção de Gelados e Outros Produtos Alimentares, S.A.*
Manager of Unilever Jerónimo Martins, Lda.*

Pedro Soares dos Santos

Director of Jerónimo Martins Serviços, S.A.*
Director of Imocash - Imobiliário de Distribuição, S.A.*
Director of Recheio Cash & Carry, S.A.*
Director of Recheio, SGPS, S.A.*
Director of Sindcom – Sociedade de Investimento na Indústria e Comércio, SGPS, S.A.
Director of Lidosol II - Distribuição de Produtos Alimentares, S.A.*
Director of Funchalgest - Sociedade Gestora de Participações Sociais, S.A.*
Director of Lidinvest - Gestão de Imóveis, S.A.*
Director of Larantigo - Sociedade de Construções, S.A.*

Director of João Gomes Camacho, S.A.*
Director of JMR - Gestão de Empresas de Retalho, SGPS, S.A.*
Director of Feira Nova - Hipermercados, S.A.*
Director of Comespa - Gestão de Espaços Comerciais, S.A.*
Director of Gestiretalho - Gestão e Consultoria para a Distribuição a Retalho, S.A.*
Director of Supertur - Imobiliária, Comércio e Turismo, S.A.*
Director of Imoretalho - Gestão de Imóveis, S.A.*
Director of Cunha & Branco - Distribuição Alimentar, S.A.*
Director of Dantas & Vale, S.A.*
Director of Pingo Doce - Distribuição Alimentar, S.A.*
Director of Casal de S. Pedro - Administração de Bens, S.A.*
Director of Masterchef, S.A.*
Director of Escola de Formação Jerónimo Martins Serviços, S.A.*
Manager of Idole - Utilidades, Equipamentos e Investimentos Imobiliários, Lda.*
Manager of Friedman - Sociedade de Investimentos Mobiliários e Imobiliários, Lda.*
Manager of Hermes - Sociedade de Investimentos Mobiliários e Imobiliários, Lda.*
Manager of Servicompra - Consultores de Aprovisionamento, Lda.*
Manager of Simões e Freitas, Lda.*

José Soares dos Santos

Director of Fima - Produtos Alimentares, S.A.*
Director of Victor Guedes – Indústria e Comércio, S.A.*
Director of Indústrias Lever Portuguesa, S.A.*
Director of Olá - Produção de Gelados e Outros Produtos Alimentares, S.A.
Director of Sindcom – Sociedade de Investimento na Indústria e Comércio, SGPS, S.A.
Director of Sociedade Francisco Manuel dos Santos, SGPS, S.A.
Manager of Unilever Jerónimo Martins, Lda.
Manager of Transportadora Central do Infante, Lda.

António Borges

Chairman of the Supervisory Board of Banco Santander de Negócios Portugal
Member of the Board of Directors of Heidrick & Struggles (USA)
Member of the Board of Directors of CNP Assurances (France)
Member of the Board of Directors of SCOR (France)
Member of the Board of Directors of Caixa Seguros (Brazil)

Rui Patrício

Member of the Board of Directors of Monteiro Aranha, S.A. (Brazil)
Member of the Board of Directors of Monteiro Aranha Participações, S.A. (Brazil)
Member of the Board of Directors of Owens-Illinois do Brasil
Member of the Board of Directors of Klabin, S.A. (Brazil)
Member of the Board of Directors of Espírito Santo International Holding
Member of the Board of Directors of Vivo Participações (Brazil)
Chairman of Sociedade de Electricidade Industrial Portuguesa S.A.

Hans Eggerstedt

Member of the Supervisory Board of Unilever Deutschland GmbH (Germany)
Non-Executive Director of Colt Telecom Group, Plc. (United Kingdom)
Member of the Advisory Board of Amsterdam Institute of Finance (The Netherlands)

Artur Santos Silva

Chairman of the Board of Directors of Banco BPI, S.A.
Chairman of the Board of Directors of Banco Português de Investimento, S.A.
Member of the Board of Directors of the Calouste Gulbenkian Foundation
Member of the Board of Directors of Sindcom – Sociedade de Investimento na Indústria e Comércio, SGPS, S.A.
President of the Direction of Cotec Portugal - Business Association for Innovation

Nicolaas Pronk

Member of the Board of Directors of Heerema Holding Construction, Inc.
Member of the Board of Directors of Heerema Offshore Construction Group, Inc.
Member of the Board of Directors of Heerema Fabrication Group, Inc.
Member of the Board of Directors of Heavy Transport Group, Inc.
Member of the Board of Directors of Heerema Engineering & Project Services, Inc.
Member of the Board of Directors of 360 Family Equity S.A.
Member of the Board of Directors of RegEnergys, Inc.
Member of the Board of Directors of RegEnergys Investment I, Inc.
Member of the Board of Directors of RegEnergys Investment II, Inc.
Member of the Board of Directors of RegEnergys Investment III, Inc.
Member of the Board of Directors of Heerema Infrastructure, Inc.
Member of the Board of Directors of RegEnergys Investment I Ltd.
Member of the Board of Directors of RegEnergys Investment II Ltd.
Member of the Board of Directors of RegEnergys Investment III Ltd.
Member of the Board of Directors of RegEnergys Investment IV Ltd.
Member of the Board of Directors of Heerema Holding Services (Antilles) N.V.
Member of the Board of Directors of Antillian Holding Company, N.V.
Member of the Board of Directors of Heerema Bouw - & Infrastructure N.V.
Member of the Board of Directors of Aquamondo Insurance N.V.
Member of the Board of Directors of HMC Holding Denmark ApS
Member of the Board of Directors of Heavy Transport Holding Denmark ApS
Member of the Board of Directors of HEPS US, Inc.
Member of the Board of Directors of Heerema EPS1, LLC
Member of the Board of Directors of Heerema EPS2, LLC
Member of the Board of Directors of Aquamondo Insurance Company Ltd.
Member of the Board of Directors of RegEnergys (Bermuda) Ltd.
Member of the Board of Directors of Heerema Fabrication Finance (Luxembourg) S.A.
Member of the Board of Directors of Heavy Transport Finance (Luxembourg) S.A.
Member of the Board of Directors of Heerema Transport Finance (Luxembourg) S.A.
Member of the Board of Directors of Heerema Marine Contractors Finance (Luxembourg) S.A.
Member of the Board of Directors of Heerema Group Services S.A.
Member of the Board of Directors of Asteck S.A.
Member of the Board of Directors of Heerema Engineering and Project Services (Luxembourg) S.A.
Member of the Board of Directors of 360 Family Equity S.A.

The current Chairman of the Board of Directors, Elísio Alexandre Soares dos Santos, began his professional career in 1957, when he joined Unilever. From 1964 to 1967, he acted as Marketing Director for Unilever Brasil. In 1968, he joined the Board of Directors of Jerónimo Martins as a Deputy Director, a post he combined with that of Jerónimo Martin's representative in the joint venture with Unilever. He has been President of the Group since February 1996 and his current mandate expires in 2009.

Luís Palha da Silva, President of the Executive Committee, has a degree in Company Management from Universidade Católica Portuguesa and another in Economics from Instituto Superior de Economia e Gestão. He was an Assistant at Universidade Católica between 1985 and 1992. From 1987 on, he assumed Director's functions at various companies, including Covina, SEFIS, EGF, CELBI, SOGEFI and IPE. He was Secretary of State for Trade, between 1992 and 1995, and Director of Cimpor between 1998 and 2001. He has been an Executive Director of the Company since June 29th, 2001, and President of the Executive Committee since 2004. His current mandate expires in 2009.

Executive Director 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 Brazil. In 2001, he also

became responsible for the Operations area for Food Distribution in Portugal. He has been Executive Director of Jerónimo Martins SGPS, S.A. since March 31st, 1995. His current mandate expires in 2009.

Executive Director José Soares dos Santos, who holds a Biology Degree from Universidade Clássica de Lisboa, joined Svea Lab AB in Sweden, in 1985, prior to going to work for Uri Colwort 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 Executive Director of Jerónimo Martins SGPS, S.A. between March 31st, 1995, and June 29th, 2001, and was reappointed on April 15th, 2004. His present mandate expires in 2009.

António Borges, who has a degree in Economics from Universidade Técnica de Lisboa and a PhD in Economics from Stanford University, attended INSEAD in 1980. In 1990 he was nominated Vice-Governor of the Banco de Portugal, and in 1995 he was named Dean of INSEAD. He was also a Lecturer at Universidade Católica and Stanford University, and a Consultant for the Treasury Department of the United States of America, the OCDE and the Portuguese Government. He has held various administrative posts, including at Citibank Portugal, Petrogal, Vista Alegre, Paribas and Sonae. He has been Vice-President of Goldman Sachs since 2000. He has been a Non-Executive Director of the Company since June 29th, 2001, and his current mandate expires in 2009.

Hans Eggerstedt has 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 for the Board of Directors of Unilever N.V and Unilever PLC in 1985, a position he held until 1999. He has been Non-Executive Director of Jerónimo Martins SGPS, S.A. since June 29th, 2001, and his current mandate expires in 2009.

Rui Patrício has a Law degree from the Law School of Universidade de Lisboa, where he was an Assistant from 1958 to 1963. In 1970 he was named Sub-Secretary of State for Foreign Development. He was Vice President of the Monteiro Aranha Group between 1976 and 1991, at which point he took up administrative functions at various Brazilian companies, among which were Monteiro Aranha, Masa-Alsthom, Hochtief, Ericsson, Telesp Celular, and Axa Seguros. He was also a Consultant for Grupo Espírito Santo. He has been a Non-Executive Director of the Company since June 29th, 2001, and his current mandate expires in 2009.

Artur Santos Silva holds a degree in law from Universidade de Coimbra. He was Director of Banco Português do Atlântico from 1968 to 1975, and Treasury Secretary of State between 1975 and 1976. From 1977 to 1978, he was Vice Governor of the Banco de Portugal. He has been President of Grupo BPI since 1981, member of the Board of Directors of the Calouste Gulbenkian Foundation since 2002, member of the Consulting Committee of Portuguese Technologic Plan, member of the Consulting Committee of the CMVM, and Non-Executive Director of the Company since April 15th, 2004. His current mandate expires in 2009.

Nicolaas Pronk is Dutch, and has a Masters 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

divestitures, defining Corporate Governance and implementation of EVA. Since 1999, he has been the Financial Director for the Heerema Group, including the areas of Finance, Treasury, Corporate Governance, Insurance and Taxation, reporting to the respective President. He is currently acting in his first mandate as Non-Executive Director of the Company, which expires in 2009.

5.2. Executive Committee

The main role of the Company's Executive Committee is to assist the Board of Directors in its management functions. As a delegate body of the Board of Directors, and in accordance with its regulations, the Executive Committee is responsible for the following functions:

- Monitoring implementation by the Group's Companies of the strategic guidelines and policies outlined by the Board of Directors;
- Financial and accounting control of the Group and its Companies;
- Top-level coordination of the operational activities under the responsibility of the Group's various Companies, whether or not integrated into business areas;
- Supervision of new businesses during their launch phase and while the respective Companies are not integrated into a business area;
- Implementation of the Human Resources management policy outlined for the entire Group's executive staff.

The Executive Committee meets at the Company's Head Office, or at any other location. The Chairman is responsible for convening and running the meetings, setting the respective date, time and agenda. In 2007, the Executive Committee met thirty-one times.

5.3. Structure and Role of the Board of Directors

According to the By-Laws, the Board of Directors is comprised of a minimum of seven and a maximum of eleven members. At present, the Board of Directors consists of nine Members, of which three are Executives and six are Non-Executives.

Since the Board of Directors has Independent Members and Non-Executive Members, it is endowed with a range of skills that enriches management of the Company, reflecting a desire and an interest to bring together a wide range of technical skills, contact networks and connections with national and international entities, which optimises the Group's management from the standpoint of creating value for Shareholders.

The selection of this model represents yet another step to ensure adequate defence of the interests of all Shareholders. For this same purpose, since election of the Board of Directors for the preceding three-year period, there has been an increase in the number of Independent Members, at present totalling four of the nine Members. Furthermore, the practices of Corporate Governance have been reinforced and the Chairman of the Board of Directors (under the responsibility of Mr. Elísio Alexandre Soares dos Santos) has been separated from the Chairman of the Executive Committee (under the responsibility of Mr. Luís Palha da Silva).

The Board of Directors meets at least four times a year and another Member, by means of a letter addressed to the Chairman, may represent any Member at the Board meetings.

Unless otherwise provided, decisions are carried by majority vote of the directors present or represented and of those who vote by post. In the event of a tie, the Chairman has the casting vote.

The duties of the Board of Directors are described in article 13 of the Company's Articles of Association. The matters referred to in article 407, paragraph 4 of the Commercial Companies Code are denied to the Executive Committee. Any capital increase is subject to prior deliberation by shareholders.

As set down in specific regulations, the Board of Directors has delegated several duties to the Executive Committee, such as management of corporate business within the ambit of the day-to-day running of the Company. This includes approving expansion plans, representing the Company and financial management of the Group, among others.

However, the Board of Directors has effective control over the Company's affairs, always seeking to be duly informed and ensuring supervision of Company management. For this purpose, it meets at regular intervals, and in 2007 seven meetings were held.

To this end, the Board of Directors has at its disposal the minutes of the Executive Committee meetings, in which the matters discussed and the decisions taken are recorded. At each Board meeting, the Executive Committee reports on Company activity since the last meeting, and is ready to provide any further clarification that the Non-Executive Members may require.

5.4. Remuneration Policy of Board of Directors

Using its competences, the Remuneration Committee established the remuneration parameters of the Executive Committee based on a fixed component and a variable one, with the aim of making it more competitive in market terms. It will also serve as a motivating element for high individual and collective performance, allowing aggressive targets for rapid growth to be established and achieved and an adequate remuneration of its shareholders.

The variable component is approved annually by the Remuneration Committee who will take into account the extent to which the Executive Committee has brought about business evolution (EVA) and increased share price over the previous year. The Remuneration Committee, under these guiding principles, defines the rules for the attribution of performance bonuses to Executive Directors, accordingly to a proposal submitted by the Chairman of the Board of Directors, bearing in mind how far personal and Company objectives have been met.

There is no type of agreement or defined policy in place for the possible compensation of Company Directors in the case of breaking or terminating contracts, and such a situation has never, in fact, arisen.

5.5. Remuneration of the Members of the Board

The remuneration paid to the Members of the Board in 2007 was 2,703,862.12 euros, with the Executive Directors paid 1,833,604.92 euros (1,324,728.12 euros in relation to the fixed portion, and 508,876.80 euros in relation to the variable portion). Non-Executive Directors received 870,257.20 euros (as fixed remuneration).

The criteria for attributing the variable part of the remuneration to the members of the Board were referred to above. In concrete terms, the Remuneration Committee decided to award the above amounts, based on results obtained, the share performance, the work carried out this year, the success of developed projects bearing in mind previously defined targets, and the criteria applied to the attribution of variable payments to the Company's Senior Management.

No plan is in place to attribute shares, or options to purchase shares to the Directors. In the same way, no remuneration was paid as profit sharing, nor was any compensation paid to former directors, executive or otherwise, related to the cessation of his duties, and there is no outstanding debt in the Company in this respect. The Group's Directors did not receive any other amount from any Company in a parent/subsidiary or Group related to the Company.

As for the complementary pension or retirement regimes, under the terms of the Regulations in force, Directors have the right to a Complementary Pension, at retirement age, cumulatively, when they: (i) are over 60 years old, (ii) exercise executive functions, and (iii) perform the role of a Director for more than ten years.

At the Annual General Meeting in 2005, a retirement pension plan was approved. It is a fixed-contribution Pension Plan, with a pre-determined contribution amount, with the value of benefits depending on earnings received. The Remuneration Committee defines the contribution rate of the Company and the initial contribution.

Participants in the Plan are the Executive Directors of the Company, and those who opted for the current Pension Plan will forego eligibility for the Retirement Complement Plan, expressly and irretrievably renouncing it.

The retirement date is defined as either the actual day or the first day of the month following the natural age of retirement as established by the General Social Security Regime (currently 65 years old). A Participant will be considered to be in a state of total and permanent invalidity if the Portuguese Social Security Authorities acknowledge this.

Pensionable salary is the gross monthly base salary multiplied by 14 and divided by 12. At the end of the calendar year, a variable amount made up of all variable payments received is added to this monthly amount. The annual amount of the variable payments in question is a maximum of 20% of the gross base monthly salary, based on the final month of the year, multiplied by 14.

5.6. Communications Policy for Alleged Irregularities Occurring within the Company (Whistleblower Procedure)

Since 2004, the Ethics Committee of Jerónimo Martins has implemented a system of bottom-up communication that ensures that every employee at every level has the opportunity to access those communication channels to contact recognised addressees regarding possible irregularities occurring within the Group, as well as to make any other comments or suggestions, particularly with respect to compliance with the procedural manuals in force, especially the Code of Ethics.

This measure clarifies guidelines on questions as diverse as compliance with current legislation, respect for the principles of non-discrimination and equal opportunities, environmental concerns, business transparency and the integrity of relations with suppliers, customers and official entities, among other matters.

The Ethics Committee forwarded a message to all Employees of the Group to the effect that, if necessary, they could communicate with the Committee via: (i) letter, or (ii) 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 relevant situation.

Whichever communication channel is used, anonymity is assured for anyone who requires it.