# Corporate Governance Report

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1. Introduction

The revision of the Portuguese Commercial Companies Code through the entering into effect of Decree-Law 76-A/2006 of 29 March brought about a profound change in the rules regarding corporate governance in Portugal, particularly in reforming the supervision of companies by separating the supervisory functions and those for reviewing accounts, thereby aiming to reinforce the independence and technical responsibilities of the members of the supervisory bodies. Consequently, in 2007, Jerónimo Martins adopted the so-called "Anglo-Saxon" model of governance, with the following corporate bodies: the 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 update the By-Laws and to adhere to the most advanced practices in the realm of corporate governance, an effort was also made to adjust the related issues accordingly, such as: regulating votes by post, the possibility of holding Board of Directors meetings using telematic means, as well as establishing the number of absences from meetings without justification accepted by the Board. With regard to remuneration, the By-Laws established the maximum percentage of profits for the year that may be given to the Directors as variable pay.

With the entry into force of the Code of Corporate Governance, always with the interest of the shareholder and the market in mind, in 2008 Jerónimo Martins sought to adjust its activities in order to continue developing towards adopting best practices, particularly regarding the values of rigour and transparency.

The Company's Board, especially its Audit Committee, pays particular attention to matters related to Corporate Governance and believes that the Group's policy is in line with the market's best practices, and that the operation of its model of government, as recognised by countless stakeholders, is the most appropriate for their interests.

This Report is a pledge to this policy, and the Board of Directors considers that it mirrors the correct operation of the adopted model and current corporate practices.
Chapter 0
Statement of Compliance

0.1. The Company is subject to the Code of Corporate Governance defined by the Portuguese Securities and Exchange Commission (CMVM), which is published on the CMVM's website at: http://www.cmvm.pt/NR/exeres/9405C5ED-7D91-4B3A-B97E-47A04EF72B43,frameless.htm. The Company is also governed by its Code of Conduct, whose content is linked to corporate governance matters, and which may be consulted on the Company's website. All of its corporate bodies are governed by regulations, which are documented and available on the Company's website at www.jeronimomartins.pt.

0.2. The Company fully complies with the recommendations of the CMVM in the Corporate Governance Code. It is accepted, however, that there are some recommendations that were not adopted in their entirety or regarding which, it is not unquestionable as to their being fully adopted.

The following shows a breakdown of the recommendations contained in the Code of Corporate Governance of the CMVM that were adopted, not adopted and not applicable, as well as reference to the text of the Report where the compliance or justification for not adopting these recommendations may be checked.

Pursuant to the Annex to its Regulation No. 1/2007, the CMVM considers the recommendations that are not followed in their entirety as not having been adopted.
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0.3. In light of the text of the recommendations, the Company admits that it is possible to interpret the following recommendations, also referenced in the table above, as not being complied with in full.

0.3.1. **Recommendation I.4.1** states that companies should not establish a constitutive or deliberative quorum greater than that indicated in the law. However, according to Article Twenty-Six of the By-Laws, the Shareholders' Meeting may take
place at the first summoning as long as more than fifty percent of the Company's share capital is present or represented. This rule was not altered in the last revision of the By-Laws, which envisaged its adaptation to Decree-Law 76-A/2006 of 29 March, although it is true that the aforementioned recommendation was issued subsequently. In any case, the Company believes that, according to the nature of its shareholder structure, no situations will occur resulting in any practical impact from failure to adopt the recommendation, which is shown by the history of the Company's Shareholder Meetings.

It should also be noted that the second part of the recommendation is complied with in as far as no special deliberative quorum was established in the By-Laws.

0.3.2. With regard to Recommendation II.1.5.1 iii), it is important to explain that the Remuneration Committee decided that, considering his role described further on point 2.3.1.1., the Chairman of the Board of Directors, earns fixed remuneration and variable remuneration, to be established on a yearly basis as, according to the Regulation of the Board of Directors, he is equally responsible for managing the respective meetings, for monitoring the action taken on the decisions made by this body, for defining the overall strategy, and for management development. As the Company understands it, these functions compel the Chairman's performance to be remunerated in a different manner, which is why this part of the recommendation is not adhered to.

0.3.3. Regarding Recommendation II.1.5.2, it should be noted that for the last two years, a statement on the remuneration policy and the performance appraisal of the Company's managing and supervisory bodies has been submitted for approval at the Annual Shareholders' Meeting. However, the Board of Directors decided that it would not make sense to present another statement for the Company's leaders along with the mentioned statement, as the Portuguese corporate tradition never trusted these types of functions to the Shareholders' Meeting, nor does the Board see good reasons to introduce this practice via a recommendation. In the opinion of the Board of Directors, this stance is reinforced by reasons which relate to the typology of the labour contracts in question and the asymmetry of the evaluation procedures between the management bodies and the Company’s leaders. Due to their varied nature, these leaders encompass both purely corporate support personnel, as well as personnel responsible for businesses, making it impossible to find a common policy that is considered to be useful by the Shareholders' Meeting.

0.3.4. The Company does not comply or agree with the text of Recommendation II.2.5, which states that the Board of Directors must promote the rotation of the member who is financial officer, at least at the end of every two terms.

In the first place, the objective of the recommendation is not understood. This is a matter of strategic interest that should be decided upon by the Company and its Shareholders, depending on the specific circumstances of its governance model and its practical application.

The financial function is specific to each type of business, and may not be performed across companies without paying attention to the characteristics of the areas where the companies carry out their activities. Most of the time, this particular experience takes more than one term to acquire. Intending the member who is the financial officer to cease these functions after the integration period is, from the business point of view, an option that is counterproductive to the Company and its Shareholders.
It is known that Portugal is a small country with a peripheral economy and a labour market that is not very attractive in comparison with other countries in Western Europe. In addition, the system of incompatibilities and independence perceived in the Portuguese Commercial Companies Code is particularly burdensome. The combination of these factors in itself already limits the choice of members of managing and supervisory bodies. To also comply with the recommendation in question would be to prevent a company from having the freedom to be able to choose the best people for certain positions.

On the other hand, the recommendation seems to suggest that, within the Board of Directors, the member who is financial officer will be rotational, i.e. within the same universe of directors. In the specific case of the Company in which the supervisory body – the Audit Committee – comes from the Board of Directors, this solution is even more problematic due to the inherent limitations to the model itself.

The CMVM should therefore adjust this recommendation and adapt it to the type of company in question, and to the practice of domestic companies.
Chapter 1
Shareholders' Meeting

1.1. Presiding Members of the Shareholders' Meeting

The Board of the Shareholder's Meeting is chaired by Mr. João Vieira de Castro, the secretary being Mr. Tiago Ferreira de Lemos.

The current members of the Board of the Shareholders' Meeting were elected on 30 March 2007, for the current term, which terminated in 2009.

The Chairman of the Board of the Shareholder's Meeting received an annual payment of five thousand euros. For the only meeting held in 2009, the members had all the logistic resources considered necessary to properly carry out their roles, and both the preparatory work and that of the meeting itself, were exemplary.

1.2. Participation in the Shareholders' Meeting

In accordance with the Company's By-Laws, Shareholders with voting rights may participate in the 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's Head Office within the same deadline of five working days. By tradition, all the Chairmen of the Board of the Shareholders' Meeting have understood that, considering the questions that are received within the period of receipt of statements of blocking of shares, those that are received by fax or e-mail by the indicated period and confirmed by receipt of the originals until the evening before the Meeting is held, must be accepted.

There are no rules in the By-Laws regarding blocking of shares in the event of suspension of the Shareholders' Meeting. In these cases, it has been the Chairman of the Board of the Shareholders' Meeting's understanding that they should not be obligated to block shares during the entire period until the Meeting is resumed, and the regular advance notice required in the first session should be sufficient.

Each share has the right to one vote. Presence at the General Shareholders Meeting is not conditioned on holding a minimum number of shares.

According to Article Twenty-Six of the By-Laws, the Shareholders' Meeting may take place upon the first convocation, as long as more than fifty percent of the Company's capital is present or represented. There is no special rule in the By-Laws regarding deliberative quorums or systems that highlight the rights of equity content.

1.3. Postal Vote

According to paragraph 3 of Article Twenty-Five of the By-Laws, postal votes are allowed. Pursuant to the By-Laws, postal votes count for the formation of a constitutive quorum for the Shareholders' Meeting, and it is the responsibility of the Chairman of the Board of the Shareholders' Meeting or his substitute to verify their authenticity and regularity, as well as to assure confidentiality when a vote is
submitted. In the event that a Shareholder or a Shareholder's representative is present at the Shareholders' Meeting, the postal vote that was issued is considered to be revoked.

Postal votes count as negative votes in relation to deliberative proposals presented subsequent to the date on which those votes were issued.

The Company has provided a form to exercise the right to vote by post on its webpage.

As the Company's By-Laws do not state anything on this matter, the Company has established a deadline of 48 hours prior to the Shareholders' Meeting for receipt of postal votes, thus complying with and, to a certain extent, exceeding the recommendations of the CMVM in this matter.

1.4. Exercise of the Right to Vote by Electronic Means

The Company, recognising that using new technologies encourages Shareholders to exercise their right to vote, has adopted, since 2006, adequate mechanisms so that they may vote electronically in Shareholders' Meetings. Thus, Shareholders must state their intent to exercise their right to vote electronically to the Chairman of the Board of the Shareholders' Meeting, at the Company's Head Office or using the Jerónimo Martins website (www.jeronimomartins.pt). They subsequently receive a registered letter addressed to the domicile indicated on the statement of the financial intermediary with whom the securities are registered, containing the electronic address to be used to vote, and an identification code to use in the electronic mail, with which the Shareholder may exercise his right to vote.

1.5. Involvement of the Shareholders' Meeting regarding the Company's Remuneration Policy

Since 2008, a statement, prepared by the Remuneration Committee, on the remuneration policy and performance appraisal of the Company's managing and supervisory bodies has been submitted for approval at the Annual Shareholders' Meeting. This statement outlines the main characteristics of that policy – which is better explained in point 2.11 of this Report – with special focus on the relationship between the Company's interests and its performance, and the remuneration earned by the Company's officers.

1.6. Defensive Measures

No defensive measures were adopted which cause automatic or deferred serious erosion in the Company's equity in the case of change of control or modification in the composition of the Board of Directors.

No special rights or restraints on the exercise of voting rights are provided for in the Company's By-Laws. The Company and its Board of Directors particularly value the principles of free transferability of shares and assessment by Shareholders of the performance of members of the Board of Directors.
1.7. Significant Agreements to which the Company is a Party and that Take Effect, are Altered, or Cease in the Case of Change in Control of the Company

Since it leads a group that includes various partnerships with national and international groups, it is understood that certain arrangements in the joint venture contracts entered into within this scope may include arrangements for changing the Company's control, although not of automatic nature. The Board of Directors has understood that, as their interpretation is not completely unequivocal, in particular because they deal with somewhat dated instruments, if released they would not allow the Shareholders to be better informed about their real impacts, and even so, that release would be harmful to the interests of the Company and its Shareholders.

1.8. Agreements between the Company and Officers and Members of the Board of Directors

There are no agreements between the Company and officers of the managing bodies, directors or employees that foresee indemnity payments in the event of resignation, dismissal without just cause, or termination of the labour relationship as a consequence of change in the Company’s control.
Chapter 2
Managing and Supervisory Bodies of the Company

2.1. Identification and Composition of the Corporate Bodies

The Board of Directors is comprised of Mr. Elísio Alexandre Soares dos Santos (Chairman), Mr. Rui Manuel de Medeiros d’Espiney Patrício, Prof. António Mendo Castel-Branco Borges, Mr. Hans Eggerstedt, Mr. Artur Santos Silva, Mr. Nicolaas Pronk, Prof. Marcel Corstjens, Mr. Luís Maria Viana Palha da Silva, Mr. Pedro Manuel de Castro Soares dos Santos and Mr. José Manuel da Silveira e Castro Soares dos Santos.

The Audit Committee is comprised of Mr. Rui Manuel de Medeiros d’Espiney Patrício, Prof. António Mendo Castel-Branco Borges, and Mr. Hans Eggerstedt, who chairs it.

The Company Secretary is Mr. Henrique Soares dos Santos.

The Chartered Accountant is the Company PricewaterhouseCoopers & Associados, SROC, Lda., represented by Mr. Jorge Manuel Santos Costa, ROC and the alternative is Mr. José Manuel Henriques Bernardo.

2.2. Other Committees Formed with Responsibility in Company Management or Supervision

2.2.1. Executive Committee

The Company's Executive Committee is comprised of Mr. Luís Maria Viana Palha da Silva, (President), Mr. Pedro Manuel de Castro Soares dos Santos and Mr. José Manuel da Silveira e Castro Soares dos Santos, and notwithstanding the special executive responsibilities entrusted to the Chairman of the Board of Directors, its main objective is to support the Board of Directors in carrying out its management functions. As a corporate body delegated by 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 executives of all the Companies.

To carry out the listed functions, the Board of Directors delegated the following responsibilities to the Executive Committee:

- To manage businesses and carry out operations related to the Company purpose included in the scope of its current management, as an equity management company;
To represent the Company, in court and outside of court, to propose and contest any lawsuits, settle and withdraw from lawsuits, and bind the Company in arbitration; for that purpose it may appoint one or more representatives;

Contract loans in the domestic or foreign financial markets, and accept the supervision of building societies up to 50 million euros;

Make decisions regarding the Company providing technical and financial support, providing loans to companies in which it holds shares, quotas or social shares, in whole or in part;

Decide on the transfer of real estate, as well as shares, portions, quotas and obligations;

Decide on the acquisition of any goods or real estate, and in general on making any investments projected in the Annual Plan;

After consulting the Chairman of the Board of Directors, designate the people to propose to the Companies' Shareholders' Meetings, to fill positions in the respective corporate bodies, indicating those who will be responsible for performing executive functions;

To propose annually to the Board of Directors the financial goals to be met by the Company and by the Companies in the Group in the following accounting year, for that purpose consulting with the Chairman of the Board of Directors;

To evaluate Jerónimo Martins' monthly consolidated accounts and those of each of its Companies;

To approve the human resources policies to be followed by the Group, after consultation with the Chairman of the Board of Directors;

To approve the expansion plans regarding the activities of each business area, as well as the Companies in the Group that are not included in business areas;

To approve any investments projected in approved plans, with acquisitions of fixed assets up to 10 million euros;

To approve any disinvestments projected in approved plans, with sales of fixed assets up to 10 million euros;

In conjunction with the Audit Committee, to negotiate and contract the provision of external auditing services;

To approve the organic structure of the Group's Companies.

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.

2.2.2. Audit Committee

The Audit Committee, which has three Non-Executive Directors as Members - Mr. Hans Eggerstedt (President), Prof. António Borges and Mr. Rui Patrício, all of whom are independent according to legal criteria, paid particular attention in 2009 to matters of Corporate Governance, financial risk management, and to the analysis and control of the execution of the correction measures proposed by Internal Audit.

The President of the Audit Committee, Mr. Hans Eggerstedt, is recognised internationally as one of the best managers of his generation, having worked, over the course of his long career, in positions of great responsibility in various countries. His solid academic training and professional experience in areas of management and control ensure a special ability to act as the president of the Company's supervisory body.
Since the alteration of the By-Laws, approved in the 2007 Annual Shareholders' Meeting, the Audit Committee is a statutory body, 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 Shareholders' Meeting, and arising from the Board of Directors, the Audit Committee is responsible for supervising Company management and assessing corporate structure and governance.

It should be noted that this function, established in its Internal Regulation, has been actively performed by the Audit Committee, which has sought at every turn to assess the status of Corporate Governance, proposing adjustments when necessary, and exerting particular effort on adopted structures and practices, both in terms of principles and from a practical point of view.

The vast experience of the members of the Committee in corporate positions, as well as their special technical merit in this particular matter, have created particular added value for the Company, and have strongly contributed towards this matter becoming a central point in the Company's life.

In addition to the responsibilities conferred by law, the Audit Committee, in performing its activities, is particularly responsible for the following: i) assessing the process of preparing and releasing financial information, the effectiveness of internal control systems, internal audit and risk management; ii) regularly evaluating external audits; and iii) approving activity plans within the scope of risk management and monitoring their execution, particularly evaluating the recommendations resulting from internal and external audit activities (being the first body to receive the respective reports), and reviewing the procedures put into place.

In relation to performing these functions, it is should be noted that, in accordance with the respective Regulation, the choice of an external auditor, as proposed by the Executive Committee, was the responsibility of the Audit Committee, which submitted to that body the results of the tender that it conducted in 2009 and that involved all the most highly credentialed international firms offering this type of service, which responded to strict specifications. Once again, considering the proposals presented, the Audit Committee decided on the firm that it thought most appropriate for the interests of Jerónimo Martins, verifying and evaluating the activities of the external auditor in each accounting year, ensuring that the Company provided it with the best conditions to perform its services, and that quality and transparent information is presented in a timely manner. The Annual Report includes a description of the supervisory activities performed by the Audit Committee, which is available on the Company's web page.

2.2.3. Ethics Committee

The Ethics Committee of Jerónimo Martins is currently comprised of Ms. Ana Vidal (Director of Communications) presiding, Ms. Inês Carvalho (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 Jeronimo 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 all the Companies in the Group.
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) manages 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.

The Ethics Committee met twelve times during 2009 and examined various questions submitted to it by the Executive Committee, the Group’s employees and third parties. This year, the Committee’s activity across all the Group’s companies and geographic regions was given special attention.

2.2.4. 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 being used in Jerónimo Martins' Companies, with a view to assuring compliance with the laws and regulations to which they are subject. In performing its tasks of assessing the quality of the monitoring process being used in the Companies, the Internal Control Committee must obtain regular information on the legal and fiscal contingencies that affect the Companies.

The Internal Control Committee meets monthly and is comprised of a President (Mr. David Duarte) and three members (Mr. José Gomes Miguel, Ms. Catarina Oliveira and Mr. Henrique Santos), none of whom are Board Members of any company within the Group.

In 2009, the Internal Control Committee continued its activities of supervision and assessment of risks and critical processes, reviewing the reports prepared by the Internal Audit Department. As a representative of the External Audit team is invited to attend these meetings, the Committee is also informed of the conclusions of the external audit work that takes place during the year.
2.3. Structure and Operation of the Board of Directors and Distribution of Responsibilities

According to the By-Laws, the Board of Directors is comprised of a minimum of seven and a maximum of eleven members. Currently, the Board of Directors consists of ten members, of which three are members of the Executive Committee.

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

Organisational Structure

Business Structure

2.3.1. The Board of Directors
The selection of this model represents yet another step towards ensuring 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 who, since the entrance of Professor Marcel Corstjens, total five of the ten members. Also concerning the reinforcement of Corporate Governance practices, the Chairmanship of the Board of Directors (the responsibility of Mr. Elísio Alexandre Soares dos Santos) is still separated from the Chairmanship of the Executive Committee (the responsibility of Mr. Luis 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 a majority vote of the members present or represented, and of those who vote by post. In the event of a tie, the Chairman has the casting vote.

The duties of the Board of Directors are described in Article 13 of the Company's Articles of Association. The Executive Committee does not discuss the matters referred to in Article 407, Paragraph 4 of the Portuguese Commercial Companies Code.

It also states that it is the responsibility of the Chairman of the Board of Directors and of the Non-Executive Members of the Board of Directors to evaluate the performance of the members that comprise the Executive Committee and the other existing committees. They meet at least once per year in ad-hoc meetings specifically dedicated to this matter, without the presence of the Executive Members, and in which the performance of the Executive Committee and its influence on Jerónimo Martins' businesses is heavily debated, assessing the impact of its activity and adherence to the medium- and long-term interests of the Company. The same procedure is used to analyse the performance of the various committees that exist within Jerónimo Martins.

The annual management report includes a description of the activities performed by Non-Executive Members.

As set down in specific regulations, the Board of Directors has delegated several duties to the Executive Committee, including management of corporate business within the scope of the day-to-day running of the Company, including representing the Company and financial management of the Group, among others.

Nevertheless, pursuant to the terms of its Internal Regulation, the Board of Directors, and in particular its Chairman, retains authority over strategic matters of Company management, in particular those regarding the corporate structure, and to those that, due to their importance and special nature, may significantly impact their activity, exercising effective control on directing corporate life, always seeking to be duly informed and assuring supervision of Company management.

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. The President of the Executive Committee also sends the summonses and the minutes of the respective meetings to the Chairman of the Board of Directors and to the President of the Audit Committee via the Company Secretary. Additionally, 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. During 2009, all information requested by the Non-Executive Members was complete and provided in a timely manner by the Executive Committee.

2.3.1.1. Chairman of the Board of Directors

The role of Chairman of the Board of Directors is carried out by Mr. Alexandre Soares dos Santos. Despite not having a permanent participation in the meetings of the Executive Committee, the Chairman of the Board of Directors, in compliance with the Board of Directors’ Regulations and apart from the role of institutional representation of the Corporate Bodies, has a special responsibility for managing the respective meetings, for monitoring the action taken on the decisions made by this body, for defining the overall strategy and for management development.

2.3.2. Responsibilities of 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, Tax Matters, Human Resources and Communications.

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

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

2.3.3. Organisational Structure and Distribution of Responsibilities

Jerónimo Martins SGPS, S.A. is the Holding Company of the Group, and as such is responsible for the main guidelines of the various businesses, as well as for ensuring consistency between the established objectives and the available resources. The Holding Company’s services include 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, Services, Representations and Restaurant Services. The first area is organised into Geographical Areas and Operating Divisions.

2.3.3.1. Holding Company Functional Divisions

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

**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, which reports directly to the Chairman of the Board of Directors, are described in detail further on in this chapter.

**Communication** – Proposes and implements the communication strategy of the areas under its influence, seeking to provide rigorous, clear and complete information on Jerónimo Martins, its current performance and its future perspectives. It is responsible for managing Jerónimo Martins’ Brand and Institutional Image.

Included in its scope of responsibility are the Media Relations for the Company and its subsidiaries, Institutional Communication Instruments, Patronage and Communication in matters of Sustainability.

In 2009, all the institutional communication instruments were updated, to provide better information to the Group’s stakeholders. These updates met with the approval of the respective target audiences, as can be seen from the performance indicators used. Jerónimo Martins’ official website recorded a monthly average of over 42 thousand visitors, with a 43% increase in the number of pages visited. Throughout 2009, the internal portal “My.JM”, recorded a 39% growth in the number of visits, recording an average monthly number accesses of over 51 thousand.

In Media Relations, in addition to daily clarifications, interviews with business managers, and preparation of various press releases, 15 events were held with direct contact between the Mass Media and members of the Board of Directors, providing opportunities to receive information and clarification directly from the Group’s top management.
With regard to Sustainability, there was close co-operation between various national and international entities, by replying to questionnaires covering the areas of Ethics, Human Resources, Environment, Quality and Food Safety, and Patronage. Apart from often providing clarification on different matters, Jerónimo Martins participated in five major studies, one of which was specifically on the Environment.

**Legal Affairs** – Responsible for supervising the Group's corporate affairs and for ensuring strict compliance by all its Companies with legal obligations. Legal Affairs assists the Board of Directors in preparing and negotiating contracts to 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 management of external counsel.

In 2009, the Department focused on monitoring the evolution of the corporate rules and recommendations in the Group’s various reorganization operations, including the merger of Feira Nova into Pingo Doce and the internal training regarding the prevention of legal disputes.

**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 that are common to all the Companies of the Group. The Division also verifies compliance with obligations stated in the By-Laws.

In 2009, activity was centred on supervising conformance with the accounting standards adopted by the Group, supporting the Companies in the accounting assessment of all one-off transactions, as well as in Jerónimo Martins' restructuring and expansion activities.

**Strategy and Planning** – Co-ordinates and supports the process for creating and maintaining the Group’s Strategic Plans and their respective budgets. Along with this, it has a control function, by monitoring the performance of the Group’s different Business Units, noting any possible gaps in relation to the Plans, in order to ensure corrective measures are applied, that guarantee that the Group's strategic objectives are reached. In addition, it supports the acquisition or disposal of Companies or Businesses, as well as the corporate restructuring processes.

During 2009, within the specific economic context which affected the geographic regions in which the Group operates, this Department intensified its Planning and Control processes and made them flexible. This way, the Market macro-economic trends and consequent contingencies, were permanently incorporated when assessing and monitoring the different Jerónimo Martins’ Business Units and their respective performance projections. Special resources were allocated to the control of cash flow generation and of Investment Plans.

Activities that continued to be central to the Department of Strategy and Planning were support to multi-functional teams, focused on identifying new growth opportunities for the Group, as well as the assessment of alternative geographical markets and M&A opportunities.

**Investor Relations** - This Division is the interface with all the investors – shareholders or not, institutional and private, national and foreign - as well as the analysts who formulate opinions and recommendations regarding Jerónimo Martins’ share price.
It is also the responsibility of the Investor Relations Department to co-ordinate all matters related to the Securities and Exchange Commission.

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

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

Within the scope of its activity, in 2009, the Fiscal Affairs Department provided assistance in the corporate restructuring operations, namely for the mergers between Pingo Doce and Feira Nova, and between Recheio Cash & Carry and SCGR - Comércio Por Grosso e a Retalho.

In addition, special work was carried out, in particular regarding State and other Public Entities’ Extra-contractual Civil Liability, as well as regarding Value Added Tax rates on the products sold in the stores of the various banners, in order to unify the policies adopted by the various Jerónimo Martins Companies.

Also noteworthy, is the work carried out by the Fiscal Affairs Department in preparing for applications for various tax benefits within the scope of the Corporate R&D Tax Benefits System (SIFIDE).

**Financial Operations** – This Division includes two distinct areas: Risk Management and Treasury Management. The activity of the Risk Management area is discussed 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 to be met in that relationship.

Treasury planning has the role of selecting the most suitable financial sources according to individual need, for all of Jerónimo Martins’ Companies. The type of funding, corresponding terms, cost and back-up documentation must comply with the criteria established by the Board. Likewise, the Treasury is responsible for conducting business with financial institutions, optimising factors so that the best possible conditions may be obtained at all times.

A large part of the treasury activities of the Jerónimo Martins Group is 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.

**Human Resources** – In a "Business for People, made by People", this area ensures initiatives across the Group that are indispensable for completely solidifying the mission of Jerónimo Martins. The strategic objectives of the Human Resources area are wide and ambitious, on the one side making the Jerónimo Martins brand desirable, and on the other side making it possible to retain excellent employees in the various Companies.
The Human Resources Department of Jerónimo Martins works in an integrated manner, pursuant to the global policies and strategies defined for the entire Organisation, guaranteeing compliance with the various procedures in this area, namely at the level of Recruitment, Training, Development and Administrative Support areas.

Security – This area defines and controls procedures in terms of protecting the security of Jerónimo Martins' people and assets, intervening whenever there are thefts and robberies, fraud and other illegal and/or violent activities perpetrated in the facilities or against employees.

The activities carried out by this Functional Division in 2009 are detailed in this chapter in the section on the Risk Control System.

2.3.3.2. Operational Divisions

The organisational structure of Jerónimo Martins is aimed mainly at ensuring specialisation in the Group's various businesses by creating geographical areas and Operational Divisions, thus guaranteeing the required proximity to the different markets.

As mentioned, the Food Distribution business is divided into Geographical Areas, and there are currently three Operational Divisions in Portugal: Retail in Portugal - Pingo Doce (supermarkets) and Feira Nova (hypermarchets) banners - Recheio (cash & carries) and Madeira (supermarkets and cash & carries), and an Operational Division in Poland that includes the Biedronka food stores and the "Apteka Na Zdrowie" pharmacies.

Manufacturing operates in partnership with Unilever, in the company Unilever Jerónimo Martins, Lda., which conducts the businesses of the food, personal care and home care products and ice-creams and in the company Gallo Worldwide, Lda., which produces and sells olive oil and cooking oils.

Within the Group's portfolio there is also a business area dedicated to Marketing, Services, 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, including Caterplus, a specialist in the trade and distribution of specific products for Food Service; ii) Hussel, a retail chain specialised in chocolates and confectionary; iii) Jerónimo Martins Restauração e Serviços, with the chain of Jeronymo coffee shops, Olá and Ben & Jerry's ice cream stores and Chili's restaurants; and iv) Puig Portugal, dedicated to selling perfumes, in partnership with the Puig Group.

2.3.3.3. Operational Support Functional 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 Operational Support Functional Divisions are: Sourcing, Logistics, Quality and Environmental Control, Financial and Information Technologies. These Functional Divisions are responsible for providing services to the various distribution Operational Divisions in Portugal, in accordance with the guidelines provided by the Group’s Holding
Company. They are also responsible for ensuring policy standards and internal procedures.

2.4. Risk Management and Internal Control Systems

2.4.1 Risk Management

The Company, and in particular, its Board of Directors, dedicates a great deal of attention to the risks affecting the businesses and their objectives. Success in this area depends on the ability to identify, understand and handle exposure to events, which, whether or not under the direct control of the management team, may materially affect the physical, financial and/or organizational assets of the Company. This concern is materialized in the Group’s Risk Management Policy, which aims to stimulate and reinforce the type of behaviour necessary for that success.

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

2.4.1.1 Risk Management Objectives

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

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

2.4.1.2. The Risk Management Process

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 Risk Management Process (RMP) is cyclical in nature, considering: i) risk identification and evaluation; ii) definition of management strategies; iii) implementation of control processes; and iv) process monitoring.

The RMP of the Group complies with standards of the Federation of European Risk Management Associations (FERMA), which are seen as a model of best practices.
The objectives defined during the strategic and operational planning process are the departure point of the RMP. At this time, internal and external factors that may compromise fulfillment 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.

2.4.1.3. Organisation of Risk Management

Risk management is organized around three categories:

- Strategic Risks;
- Financial Risks;
- Process Risks.

In the first category, attention is focused on the uncertainty which affects the viability of the business model and strategy. The other categories encompass the uncertainty affecting the implementation of the business model and strategy. The operating risks category also includes uncertainty regarding the relevance and quality of the information used for decision-making.

**Strategic Risks**

Strategic risk management involves monitoring factors such as social, political and macro-economic trends; the evolution of consumers’ preferences; the businesses’ life cycle; the dynamics of the markets (financial, employment, natural and energetic resources); the competition’s activity; technological innovation; availability of resources; and legal and regulatory changes.

The management team uses this information to understand if the analysis of the identified needs is still up to date and if it is viable to develop a unique value proposition, which adequately meets those needs. That information is also used to know if there is a large enough market of customers who are willing and able to pay the price offered and to see if the Company has enough exclusive, lasting and sustainable competitive advantages to obtain a return that is commensurate with the risks involved.

In this way, the management team tries to identify any opportunities and threats in the industries and sectors in which it operates, namely in terms of potential profitability and growth, but also in terms of both the strategic alignment and appropriateness of its business model in light of current and future market conditions.

These issues are assessed at the Executive Board meetings and discussed during various internal forums throughout the year.
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.

The management of this risk category is focused on the unpredictable nature of the financial markets and tries to minimize its adverse effects on the Company’s financial performance.

On this level, certain types of exposure are managed using derivative financial instruments.

Activity in this area is carried out by the Financial Operations Department, under the supervision of the Executive Committee. The Risk Management Department is responsible for identifying, assessing and hedging financial risks, by following the guidelines defined by the Board.

a) Market Risk

a.1.) Foreign Exchange Risk

The main source of exposure to foreign exchange risk comes from Jerónimo Martins’ operations in Poland. Management of this risk is driven by the principles defined by the Board of Directors, who in April 2009, approved the Financial Risk Management Policy, which includes foreign exchange risks both from investments in subsidiaries and from current commercial operations.

At 31 December 2009, and excluding contracted hedge operations, the negative impact on net investment of an adverse variation in the Euro/Zloty exchange rate in the order of 10%, keeping everything else constant, would be -42 million euros (compared with –34 million euros in 2008). Incorporating the effect of contracted hedge operations, the impact would be –29 million euros (compared with –25 million euros in 2008). These impacts would be reflected in the Equity. Jerónimo Martins' sensitivity to this risk increased during 2009, due to the higher value of the net investment in Poland.

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

<table>
<thead>
<tr>
<th>Financing</th>
<th>Amount</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Placement #1</td>
<td>$84.000.000,00</td>
<td>23-06-2011</td>
</tr>
<tr>
<td>Private Placement #2</td>
<td>$96.000.000,00</td>
<td>23-06-2014</td>
</tr>
</tbody>
</table>

Two cross currency swaps were contracted to hedge this risk, exactly replicating the terms of the financing:

<table>
<thead>
<tr>
<th>Financing</th>
<th>Amount</th>
<th>Counter-amount</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swap #1</td>
<td>$84.000.000,00</td>
<td>70.469.798,66 €</td>
<td>23-06-2011</td>
</tr>
<tr>
<td>Swap #2</td>
<td>$96.000.000,00</td>
<td>80.536.912,75 €</td>
<td>23-06-2014</td>
</tr>
</tbody>
</table>
Thus, net exposure to the Euro/US Dollar exchange rate resulting from these transactions is null, and there were no changes from 2008 to 2009.

In addition to this exposure, within the scope of the commercial activities of its subsidiaries, the Company acquires merchandise that is denominated in foreign currency, mainly zloty and US dollars. As a general rule, these transactions involve low amounts, and are very short dated.

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

The following table summarizes the Group's exposure to foreign exchange risk as at 31 December 2009, being presented the Group's financial instruments at their book value, categorized by currency:

<table>
<thead>
<tr>
<th></th>
<th>Euro</th>
<th>Zloty</th>
<th>Dollar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>77,105</td>
<td>146,396</td>
<td>-</td>
<td>223,501</td>
</tr>
<tr>
<td>Available-for-sale financial investments</td>
<td>7,528</td>
<td>-</td>
<td>-</td>
<td>7,528</td>
</tr>
<tr>
<td>Debtors and deferred costs</td>
<td>118,157</td>
<td>61,111</td>
<td>-</td>
<td>179,268</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>-</td>
<td>1,851</td>
<td>15</td>
<td>1,866</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>202,790</td>
<td>209,358</td>
<td>15</td>
<td>412,163</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>609,188</td>
<td>137,540</td>
<td>134,128</td>
<td>880,856</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>13,258</td>
<td>3,084</td>
<td>16,879</td>
<td>33,221</td>
</tr>
<tr>
<td>Creditors and accrued costs</td>
<td>827,276</td>
<td>748,434</td>
<td>-</td>
<td>1,575,710</td>
</tr>
<tr>
<td>Total financial liabilities</td>
<td>1,449,722</td>
<td>889,058</td>
<td>151,007</td>
<td>2,489,787</td>
</tr>
<tr>
<td><strong>Net financial position in the balance sheet</strong></td>
<td>(1,246,932)</td>
<td>(679,700)</td>
<td>(150,992)</td>
<td>(2,077,624)</td>
</tr>
<tr>
<td><strong>As at December 31st, 2008</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total financial assets</td>
<td>254,134</td>
<td>144,958</td>
<td>-</td>
<td>399,092</td>
</tr>
<tr>
<td>Total financial liabilities</td>
<td>1,588,442</td>
<td>826,510</td>
<td>151,007</td>
<td>2,565,959</td>
</tr>
<tr>
<td><strong>Net financial position in the balance sheet</strong></td>
<td>(1,334,308)</td>
<td>(681,552)</td>
<td>(151,007)</td>
<td>(2,166,867)</td>
</tr>
</tbody>
</table>

a.2.) Price Risk

Because of its investment in Banco Comercial Português, the Company is exposed to the risk of share price fluctuation. At 31 December 2009, a negative 10% variation in the trading price of BCP shares would have a negative effect of 165 thousand euros. At 31 December 2008, a similar variation would have a negative effect of 159 thousand euros.

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

All financial liabilities are directly or indirectly indexed to a reference interest rate, which exposes Jerónimo Martins to cash flow risk. A portion of this risk is hedged through interest rate swaps, which exposes Jerónimo Martins to fair value risk.
Exposure to interest rate risk is analysed dynamically. In addition to evaluating future contingencies, based on forward rates, sensitivity tests to variations in interest rate levels are performed. The Company is essentially exposed to the Euro and the Zloty interest rate curves. The sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect interest gains and losses on variable financial instruments;
- Changes in market interest rates only affect gains and losses in interest on financial instruments with fixed interest rates if these are recognised at fair value;
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities;
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated by discounting future cash flows from current net values, using the market rates at the 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 performed based on net debt values and the fair value of derivative financial instruments as of the reference dates and the respective change in the interest rate curves.

Based on the simulations performed on 31 December 2009 and ignoring the effect of interest rate derivatives, a climb of 50 basis points in the interest rate, with everything else remaining constant, would have a negative impact of 3.3 million euros. Incorporating the effect of interest rate derivatives, the net impact would be a positive 5.8 million euros, of which 7.6 million are related to interest rate derivatives associated with medium- and long-term debt, and 1.5 million are related to interest rate derivatives associated with Euro/US Dollar exchange rate swaps. These effects would be reflected in other reserves in equity.

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

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

b) Credit Risk

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

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

With regard to customers, risk is mainly related to Recheio Cash & Carry and Manufacturing and Services businesses, since the other businesses operate based on cash sales or with bankcards (debit and credit). This risk is managed based on experience and individual customer knowledge, as well as through credit insurance
and by imposing credit limits, which are monitored on a monthly basis and reviewed annually by Internal Audit.

The following table shows a summary of the quality of credit deposits, short-term investments and derivate financial instruments with positive fair value, as at 31 December 2008 and 2009:

<table>
<thead>
<tr>
<th>Financial Institutions</th>
<th>Standard &amp; Poor’s</th>
<th>Standard &amp; Poor’s</th>
<th>Standard &amp; Poor’s</th>
<th>Moody’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating</td>
<td>AAA</td>
<td>[AA- : AA+]</td>
<td>[A- : A+]</td>
<td>Baa2</td>
</tr>
<tr>
<td>Balance</td>
<td>47,354</td>
<td>43,738</td>
<td>133,429</td>
<td>23,981</td>
</tr>
<tr>
<td>Rating</td>
<td>Not available</td>
<td></td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Balance</td>
<td>1,164</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The ratings shown correspond to the ratings given by Standard & Poor’s. When these are not available Moody’s or Fitch ratings are used instead.

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

<table>
<thead>
<tr>
<th>Credit quality of the financial assets</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance</td>
<td>4,524</td>
<td>2,168</td>
</tr>
<tr>
<td>New customer balances (less than six months)</td>
<td>73,863</td>
<td>79,214</td>
</tr>
<tr>
<td>Balances of customers without a history of non-payment</td>
<td>13,618</td>
<td>14,850</td>
</tr>
<tr>
<td>Balances of customers with a history of non-payment</td>
<td>641</td>
<td>16,522</td>
</tr>
<tr>
<td>Balances of other debtors with the provision of guarantees</td>
<td>75,804</td>
<td>48,641</td>
</tr>
<tr>
<td>Balances of other debtors without the provision of guarantees</td>
<td>168,450</td>
<td>161,395</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Concentration of the credit risk from the financial assets</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers with a balance above 1,000,000 euros</td>
<td>38,443</td>
<td>38,389</td>
</tr>
<tr>
<td>Customers with a balance between 250,000 and 1,000,000 euros</td>
<td>15,203</td>
<td>15,911</td>
</tr>
<tr>
<td>Customers with a balance below 250,000 euros</td>
<td>38,948</td>
<td>40,451</td>
</tr>
<tr>
<td>Other Debtors with a balance above 250,000 euros</td>
<td>49,483</td>
<td>31,179</td>
</tr>
<tr>
<td>Other Debtors with a balance below 250,000 euros</td>
<td>26,373</td>
<td>35,465</td>
</tr>
<tr>
<td>Total</td>
<td>11,150</td>
<td>161,395</td>
</tr>
</tbody>
</table>

The maximum exposure to credit risk ignoring the fair value of guarantees received as at 31 December 2008 and 2009 is the respective amount of the balance of financial assets.
c) Liquidity Risk

Liquidity risk is managed by maintaining an adequate level of cash or cash equivalents, as well as by negotiating credit limits that not only allow the regular development of Jerónimo Martins' activities, but that also ensure some flexibility to be able to absorb shocks unrelated to Company activities.

To manage this risk, the Company uses, for example, credit derivatives in order to minimise 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) resulting from the annual plans, which are reviewed at least twice a year and take under consideration the compliance with eventual covenants included in loans.

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 flows. In addition, it should be noted that all the derivative financial instruments that Jerónimo Martins contracts are settled at net value.

<table>
<thead>
<tr>
<th>Exposure to liquidity risk</th>
<th>2009</th>
<th>Less than 1 year</th>
<th>1 to 5 years</th>
<th>+ 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Leasing</td>
<td>37,541</td>
<td>51,468</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>117,911</td>
<td>805,015</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Derivative Financial Instruments</td>
<td>13,774</td>
<td>2,473</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Creditors</td>
<td>1,450,198</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Operational Lease Liabilities</td>
<td>154,899</td>
<td>500,539</td>
<td>546,900</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exposure to liquidity risk</th>
<th>2008</th>
<th>Less than 1 year</th>
<th>1 to 5 years</th>
<th>+ 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Leasing</td>
<td>38,173</td>
<td>71,157</td>
<td>1,826</td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>331,116</td>
<td>704,981</td>
<td>85,241</td>
<td></td>
</tr>
<tr>
<td>Derivative Financial Instruments</td>
<td>1,718</td>
<td>10,230</td>
<td>507</td>
<td></td>
</tr>
<tr>
<td>Creditors</td>
<td>1,399,507</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Operational Lease Liabilities</td>
<td>132,608</td>
<td>415,600</td>
<td>506,002</td>
<td></td>
</tr>
</tbody>
</table>

The following table shows non-discounted contractual cash flows regarding gross settled derivatives:

<table>
<thead>
<tr>
<th>Derivative Financial Instruments gross settled</th>
<th>2009</th>
<th>Less than 1 year</th>
<th>1 to 5 years</th>
<th>+ 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative Financial Instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outflows</td>
<td>-</td>
<td>(151,007)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Inflows</td>
<td>-</td>
<td>134,127</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>(16,880)</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>
Capital Risk Management

Jerónimo Martins seeks to keep its capital structure at appropriate levels so that it not only ensures the continuity and development of its activity, but also to provide adequate returns to its Shareholders and to optimise the cost of capital.

The capital structure balance is monitored based on the financial leverage ratio (Gearing), calculated according to the following formula: Net Debt / Shareholder Funds. The Executive Committee established a Gearing ratio between 70-80% as a target for 2009, consistent with an investment grade rating.

The Gearing ratios at 31 December 2009 and 2008, were the following:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Invested</td>
<td>1,757,696</td>
<td>1,776,975</td>
</tr>
<tr>
<td>Net Debt</td>
<td>692,000</td>
<td>845,850</td>
</tr>
<tr>
<td>Shareholder´s Funds</td>
<td>1,065,695</td>
<td>931,125</td>
</tr>
<tr>
<td>Gearing</td>
<td>64.9%</td>
<td>90.88%</td>
</tr>
</tbody>
</table>

Process Risks

The model used in managing Process Risks includes Operating Risks, Human Resources, Information Technologies and 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 Companies.

The operational risks class covers risks related to sourcing, supply chain, stock management, fund management, investments, efficiency in the use of resources, business interruption and fraud. Quality and Food Safety Management, Security of People and Property, and Facilities and Equipment also come under this category. Due to their specific needs, these areas are the responsibility of their respective Department.

The following areas are the responsibility of the Quality and Food Safety Department of the different Companies: i) prevention, through selection, assessment, and follow-up audits on suppliers; ii) monitoring, by following the product throughout the whole logistics circuit, to analyse compliance with best practice and certification requirements; and iii) training, by carrying out periodic simulations and awareness initiatives.

In the different Companies, the department that manage environmental matters, have the following responsibilities: i) minimizing the environmental impacts of the activities, products and services; ii) monitoring the establishments to assess their compliance with best practices and legal and certification requirements; iii) training employees to adopt environmental best practices; and iv) co-operating with internal department and external entities, with a view to obtaining process eco-efficiency.

The Security Department is responsible for ensuring that conditions exist to guarantee the physical integrity of people and facilities, intervening against theft and robbery, as well as fraud and other illegal and/or violent activities perpetrated in the facilities or against the Group’s employees. In 2009 its tasks were based on defining and controlling procedures for preventing the security and protection of the property, and
also on providing support to the audits carried out on the security and risk prevention systems.

It is the Technical Departments’ responsibility, in co-operation with the respective Operational Departments, to define and carry out the regular maintenance plans on the facilities. Of note within its area of activity are supervising the status of electrical equipment, managing means of protection and detecting fires, as well as storing flammable material.

Within the class of risk related to Human Resources are risks associated with payroll, authorisation levels and ethical behaviour. Health and Safety in the Workplace also come under this area.

In the Food Distribution area in Portugal, coordinating the management process of this risk area is the responsibility of the Director of the Environment and Occupational Safety. In Poland, this responsibility is decentralised among the various regions of the Biedronka operation. Regarding Manufacturing, the risk area in Health and Safety in the Workplace is centrally managed, covering all the Companies involved. Risk management in this area involves defining and publicising working standards and instructions, carrying out employee awareness initiatives and training, performing audits on the stores, preparing risk assessments of all the establishments, and performing emergency simulations.

The risks associated to Information Technologies are analysed considering the different components: planning and organization of information technologies, development of information technologies, operations management, information security and continuity. The component of Information Security is the responsibility of the Information Security Officer (ISO), which consists of implementing and maintaining an information security management system that ensures confidentiality, integrity and availability of critical business information, and recovery of the systems in the event of interruption in the operations.

In the risks for Decision-Making accounting and financial reporting risks are considered. Also included in this area is compliance with legislation, which is ensured by the Legal Departments of the Companies. With regard to the Holding Company, the Legal Department guarantees the coordination and implementation of strategies aimed at protecting the interests of Jerónimo Martins in legal disputes, and it also provides outside counsel.

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

**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 Entity responsible for the strategy of Jerónimo Martins, has the following set of objectives and responsibilities:

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

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

**Evaluation of the Internal Control System**

The Internal Control Committee annually approves the Internal Audit Department’s activity plan, which defined the nature of the audits to be performed, in order to evaluate the quality of the control processes. These processes are directed at fulfilling the Internal Control System’s objectives, namely those for ensuring the efficiency of the operations, the reliability of the financial and operational reports, and compliance with laws and regulations.

To this end, process and conformance audits were performed, as well as financial audits and information technology audits whose associated risks presented a higher probability of occurrence and/or potential impact on operations. This approach helps make the internal auditing process 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 Committee via a quarterly Audit Letter.

In 2009, 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 a database of risks that affect or that may affect the Group’s Companies to be updated.

In accordance with the Activity Plan, and also in light of updating 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 management, cash collection, investments and safeguarding assets. In the area of Human Resources, audits were carried out on risks associated to salary processing. For risks to information for decision-making, a series of accounting audits were performed, to gauge the compliance with accountancy principles.

In the area of Information Technologies, apart from monitoring the activities carried out by the Information Security Department, the evaluations of general controls within the different Companies were updated, with specific audits on the SAP and WPMS operating systems.
2.5. Powers of the Board of Directors, namely in Relation to Deliberations on Capital Increases

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

2.6. Code of Conduct and Internal Regulations

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

Jerónimo Martins has always acted upon principles of absolute respect for the rules of good conduct in managing conflicts of interest, incompatibilities, confidentiality, and ensuring that Members of the Board of Directors and Group Managers do not use 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 Jerónimo Martins' Companies. The aim of this code is to formalise commitments that require a high standard of conduct from everyone within the Group and provide a tool for optimising management.

Thus, and in addition to the Code of Conduct, there are currently in effect, Regulations for the Board of Directors, the Executive Committee, the Audit Committee, the Ethics Committee and the Internal Control Committee, which regulate the responsibilities and functioning of the mentioned bodies, as well as Company Share Transactions Regulations applicable to Jerónimo Martins' Board Members and Senior Management.

These Codes and Regulations may be consulted on the Company's website or requested from the Investor Relations Office. In addition to the above-mentioned documents and applicable legal provisions with which the Company complies, there are no other internal regulations regarding incompatibilities and the maximum number of corporate positions that may be accumulated.

2.7. Rules Regarding Designation and Substitution of Members of the Board of Directors and the Supervisory Board

The first article of the Regulations of the Company's Board of Directors foresees that this body has a composition that will be deliberated in the Shareholders' Meeting pursuant to the terms indicated in number 1 of Article Twelve of the Articles of Association, and it will be presided over by the respective President, chosen during the Shareholders' Meeting.

Number 3 of Article Eight of the same Regulations foresees that in the case of death, resignation or impediment, whether temporary or definitive, of any of its Members, the Board of Directors will agree on a substitute, and if appointment of the substitute does not occur within sixty days from the absence of that Member, the Audit Committee will be responsible for the appointment.
According to Article One of the respective Regulations, and Article Nineteen of the Articles of Association, the Audit Committee is comprised of three Members of the Board of Directors, one of whom will be its President. The Members of the Audit Committee are appointed simultaneously with the Members of the Board of Directors, and the lists proposed for the latter body must list the Members that are intended to form the Audit Committee, and these Members cannot be part of the Company’s Executive Committee.

There is no specific regulatory prevision regarding the appointment and replacement of Members of the Audit Committee, thus what is set forth in law is applied.

**2.8. Number of Meetings of the Board of Directors and Supervisory Board, and Other Committees**

During 2009, the Board of Directors met five times, the Executive Committee met 29 times, of which nine were also attended by the Chairman and the Audit Committee held five meetings. In addition, the Ethics Committee met 12 times, and the Internal Control Committee held 11 meetings. The respective minutes of these meetings were drafted.

**2.9. Description and Identification of the Board of Directors**

The Board of Directors consists of ten members, of which three are part of the Executive Committee – Mr. Luís Palha da Silva, Mr. Pedro Soares dos Santos and Mr. José Soares dos Santos – the remaining seven being - Mr. Elísio Alexandre Soares dos Santos (Chairman of the Board), Prof. António Borges, Mr. Rui Patrício, Mr. Hans Eggerstedt, Mr. Artur Santos Silva, Mr. Nicolaas Pronk and Prof. Marcel Corstjens.

Of the Non-Executive Directors, three of them – Prof. António Borges, Mr. Rui Patrício, Mr. Hans Eggerstedt – comprise the Audit Committee, complying with the rules of incompatibility indicated in Paragraph 1 of Article 414-A of the Code of Commercial Companies, with the exception of that provided for in sub-paragraph b).

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

Pursuant to the independence criteria indicated in Paragraph 5 of Article 414 of the Code of Commercial Companies, the Independent Members are Prof. António Borges, Mr. Rui Patrício, Mr. Artur Santos Silva, Mr. Hans Eggerstedt and Prof. Marcel Corstjens.

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 Chief Executive Officer, a post he combined with that of Representative of Jerónimo Martins’ in the joint venture with Unilever. He has been the Group’s Chairman since 1996.

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 29 June 2001, and President of the Executive Committee since 2004.

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 assumed responsibility for the Operations area for Food Distribution in Portugal. He has been Executive Director of Jerónimo Martins SGPS, S.A. since 31 March 1995.

Executive Director José Soares dos Santos, who holds a Degree in Biology from Universidade Clássica de Lisboa, joined Svea Lab AB in Sweden, in 1985, prior to going to work for Url 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 31 March 1995, and 29 June 2001, and was reappointed on 15 April 2004.

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 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 OECD and the Portuguese Government. He has held various administrative posts, including at Citibank Portugal, Petrogal, Vista Alegre, Paribas and SONAE. He was a Vice President at Goldman Sachs from 2000 to 2008. He has been a Non-Executive Director of the Company since 29 June 2001.

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 to 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 29 June 2001.

Rui Patrício has a Law degree from the Law School of Universidade de Lisboa, where he was an Assistant from 1958 to 1963. In 1965 he was named Sub-Secretary of State for Foreign Development. He was the Minister of Foreign Affairs from 1970 to 1974. He was Vice President of the Monteiro Aranha Group between 1976 and 1991, at which point he assumed administrative functions at several Brazilian companies, including 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 29 June 2001.

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

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 disinvestments and defining Corporate Governance. 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 carried out his first mandate as a Non-Executive Director of the Company.

Marcel Corstjens is Belgian and has a PhD in Business Administration, with a major in Marketing from the University of Berkeley. Between 1978 and 1981 he was Assistant Professor at INSEAD in Fontainebleau, where he returned as Professor in 1985 and has been a Full Professor of Marketing since 1999. Since 1994, he has also been a Visiting Professor at Stanford University, in the U.S.A. Since 1978, he has been published numerous articles and books on Retailing and Marketing. He carried out his first mandate as a Non-Executive Director of the Company.

All the above referred Board Members ended their current terms in 2009 but they maintain their functions until the next Shareholders’ Meeting.

The number of Company shares that are held by officers are indicated in the point concerning the Annex to the Consolidated Management Report.

2.10. Functions that the Members of the Board of Directors Perform in Other Companies

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

Elísio Alexandre Soares dos Santos
Chairman of the Board of Curators of Fundação Francisco Manuel dos Santos
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.*

* Companies that are part of Jerónimo Martins Group.
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. *
Manager of Gallo Worldwide, Lda. *
Vice-President of Sporting Clube de Portugal.

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 Comespa – Gestão de Espaços Comerciais, S.A.*
Director of JMR – Prestação de Serviços para a Distribuição, S.A.*
Director of Supertur – Imobiliária, Comércio e Turismo, S.A.*
Director of Imoretalho – Gestão de Imóveis, S.A.*
Director of Cunha & Branco – Distribuição Alimentar, S.A.*
Director of Pingo Doce – Distribuição Alimentar, S.A*
Director of Casal de S. Pedro – Administração de Bens, S.A.*
Director of Masterchef, S.A. *
Director of Escola de Formação Jerónimo Martins Serviços, S.A.*
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.*

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 SFMS – Imobiliária, Sociedade Unipessoal, Lda.
Manager of Unilever Jerónimo Martins, Lda.*
Manager of Transportadora Central do Infante, Lda.
Manager of Gallo Worldwide, 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)

* Companies that are part of Jerónimo Martins Group.
Rui Patrício
Member of the Board of Directors of Monteiro Aranha, S.A. (Brazil)
Member of the Board of Directors of Klablin, S.A. (Brazil)
Member of the Board of Directors of Espírito Santo International Holding
Member of the Board of Directors of Vivo Participações (Brazil)

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)
Member of the Supervisory Board of Jeronimo Martins Dustrybucja *

Artur Santos Silva
Chairman of the Board of Directors of Banco BPI, 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.
Member of the Board of Directors of Partex Oil and Gas (Holding Company)

Nicolaas Pronk
Member of the Board of Directors of Heerema Holding Company, Inc.
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 International Group Services S.A.
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 Heavy Transport Group, Inc. – Geneva Branch Office
Member of the Board of Directors of Heerema Engineering & Project Services, Inc.
Member of the Board of Directors of RegEnersys, Inc. – Geneva Branch Office
Member of the Board of Directors of RegEnersys Investment I, Inc.
Member of the Board of Directors of RegEnersys Investment II, Inc.
Member of the Board of Directors of RegEnersys Investment III, Inc.
Member of the Board of Directors of RegEnersys Investment I Ltd.
Member of the Board of Directors of RegEnersys Investment II Ltd.
Member of the Board of Directors of RegEnersys Investment III Ltd.
Member of the Board of Directors of RegEnersys Investment IV Ltd.
Member of the Board of Directors of RegEnersys Investment V 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 Heavy Transport Holding Denmark ApS
Member of the Board of Directors of Aquamondo Insurance Company Ltd.
Member of the Board of Directors of RegEnersys (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. r. L.

* Companies that are part of Jerónimo Martins Group.
Marcel Corstjens
Does not hold any post in other companies.

2.11. Board of Directors Remuneration Policy

According to its responsibilities, the Remuneration Committee established the remuneration parameters of the Executive Committee based on a fixed component and a variable component, seeking to make it more competitive in the market. It will also serve as a motivating element for high individual and collective performance, allowing ambitious targets for rapid growth to be established and achieved, and adequate remuneration of its Shareholders.

At the proposal of the Chairman of the Board of Directors, the variable component is approved annually, by the Remuneration Committee, which will consider the contribution of the Executive Committee to evolution of the businesses from the shareholder's perspective (EVA) and the Company's share price during the prior accounting year, and further, to the degree that projects forming part of Jerónimo Martins' Strategic Scorecard were realised. The Remuneration Committee, under these guiding principles, defines the rules for the attribution of performance bonuses to Executive Directors, bearing in mind the degree to which personal and Company objectives have been met.

This remuneration policy was subject to discussion at the annual Shareholders' Meeting held last year.

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, in fact, never arisen.

2.12. Remuneration Committee

The General Shareholders’ Meeting in 2007 elected a Remuneration Committee, which is comprised of the following shareholders: Mr. António Sousa Gomes (Chairman), Mr. José Queirós Lopes Raimundo and Mr. Arlindo do Amaral, none of whom are members of the Board of Directors of the Company, or have a spouse or relatives in that position, nor do they have relationships with the Members of the Board of Directors
that may affect their impartiality in performing their functions. This Committee, in accordance with legal requirements, determines the earnings of the Members of the Board of Directors. During 2009, the Remuneration Committee met once, and the respective minutes were prepared.

Last year at the Company’s Annual Shareholders’ Meeting, this Committee submitted a statement on the policy of remuneration of the Company’s administrative and fiscal bodies and at the Shareholders' Meeting, Mr. Arlindo do Amaral was present as representative of the Remuneration Committee.

2.13. Remuneration of the Members of the Board of Directors and of the Supervisory Board

With regard to this information, particularly that resulting from the obligation to individually disclose the remuneration of the members of the managing and supervisory bodies, approved within the scope of that stated in Article 2 of Law 28/2009 of 19 June, the Company maintains the view that there are other options for verifying the internal distribution of remuneration and assessing the relationship between the performance of each Company sector and the level of remuneration of the members of the Board of Directors who are responsible for supervising these sectors, considering that it is achieved by indicating the overall remuneration of the Executive Directors on the one hand, and the Non-Executives on the other.

It should be added that the internal and external resentment that such disclosure could provoke, does not, in the opinion of the Board of Directors, contribute towards improving the performance of its members. Nevertheless and due to the legal obligation, the Company now discloses the information within the terms imposed.

The remuneration paid to the Members of the Board in 2009 was 3,257,061.84 euros, with the members of the Executive Committee being paid 1,983,551.04 euros (1,352,921.04 euros as fixed payment and 630,630.00 euros as variable payment) and the remaining Directors received 1,273,510.80 euros (929,007.20 euros as fixed payment and 344,503.60 euros as variable payment). All these remunerations have been paid and no other remunerations are paid by other companies in the Group.

Individually, the members of the Executive Committee earned the following remuneration: Mr. Luís Palha received a total of 662,230.88 euros (452,020.88 euros as fixed remuneration and 210,210.00 euros as variable remuneration); Mr. Pedro Soares dos Santos received a total of 660,660.08 euros (450,450.08 euros as fixed remuneration and 210,210.00 euros as variable remuneration); and Mr. José Soares dos Santos received a total of 660,660.08 euros (450,450.08 euros as fixed remuneration and 210,210.00 euros as variable remuneration).

The members of the Audit Committee earned a total remuneration of 145 thousand euros, all as fixed remuneration.

Individually, the members of the Audit Committee earned the following remuneration: Mr. Hans Eggerstedt received 51,250 euros, Prof. António Borges received 51,250 euros; and Mr. Rui Patrício received 42,500 euros.

The remaining members of the Board of Directors received the following, individually and as fixed remuneration: Mr. Artur Santos Silva received 45 thousand euros, Mr.
Nicolaas Pronk received 30 thousand euros; and Prof. Marcel Corstjens received 37,500.00 euros.

The Chairman of the Board of Directors received a total of 1,033,510.80 euros, 689,007.20 euros being as fixed remuneration and 344,503.60 euros as variable 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 profitability of the businesses from the shareholder's perspective (EVA), the relative share performance, the work carried out during the 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.

In particular, the Remuneration Committee, following a current practice of the Company in recent terms, has sought to define a policy that pays the Executive Directors for the Company's long-term performance and for satisfying the interests of the Company and Shareholders within this period. Therefore, the variable component that is approved on an annual basis by the Remuneration Committee considers the contribution of the Executive Committee to conducting business through: i) solidifying EVA objectives included in the Medium- and Long-Term Plan approved by the Board of Directors; ii) share price performance; and iii) implementation of a group of projects across the Companies in the Group which, having been identified by the Board of Directors as being essential to ensuring the future competitiveness of the businesses, are scheduled so that one calendar year may be exceeded, and the Executive Committee is responsible for each phase of fulfilment.

No plan is in place to attribute shares, or provide 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 duties, and the Company has no outstanding debt in this respect. The Company's Directors did not receive any other amount from any Company in a parent/subsidiary or Group related to the Company.

At the Annual Shareholders' Meeting in 2005, an Alternative 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.

Plan participants include the Executive Directors of the Company, and those who opted for the current Pension Plan will forego eligibility for the Alternative Pension Plan, expressly and irretrievably waiving 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 System (currently 65 years old). A Participant will be considered to be in a state of total and permanent disability 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. This amount is included in the amounts mentioned above as remuneration of the Executive Directors.

As for the complementary pension or retirement systems, under the terms of current Regulations, Directors have the right to a Complementary Pension at retirement age, cumulatively, when they: i) are over 60 years old; ii) have performed executive functions; and iii) have performed the role of a Director for more than ten years. This complement was established in the Annual Shareholders' Meeting in 1996, but none of the Members of the Executive Committee will make use of this plan, since all of them opted for the Alternate Pension Plan mentioned above.

Non-pecuniary benefits are not considered as remuneration not attained in the above situations.

There is no payment obligation whatsoever, in individual terms, in the event of termination of functions during the term of the Board of Directors.

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

Since 2004, the Ethics Committee of Jerónimo Martins has implemented a system of bottom-up communication that ensures that every employee at every level has access to communication channels to contact recipients who are recognised within the Company regarding information on possible irregularities occurring within the Group, and that they can make any comments or suggestions, particularly with respect to compliance with the procedural manuals in effect, especially the Code of Ethics.

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

The Ethics Committee released a message to all Jerónimo Martins employees 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.
3.1. The Company’s Capital Structure

The Company's capital is 629,293,220 euros. It is fully subscribed and paid in, and it is divided into six hundred and twenty-nine million, two hundred and ninety-three thousand, two hundred and twenty shares with nominal value of one Euro each. There are no other share categories. All shares were admitted for trading, and the Company maintained 859 thousand shares in its own portfolio (corresponding to 171,800 shares before the restatement of company capital in May 2007), acquired in 1999 at the average price of 7.06 euros per share (price adjusted by the restatement of capital) and representing 0.14% of the Company's capital. In 2009, there was no movement whatsoever of own shares.

3.2. Shareholder Structure

The Companies whose rights to vote under the terms of Paragraph 1 of Article 20 of the Securities and Exchange Code are identified in the note that refers the List of Qualified Shareholders as at 31 December 2009, included in the Annex to the Consolidated Management Report of this Report. Sociedade Francisco Manuel dos Santos SGPS, S.A., and Asteck, S.A. are qualified shareholders.

Special rights are not attributed to Shareholders in the By-Laws.

* Source: Shareholder communications.
3.3. Restrictions Regarding Transferability of Shares, Shareholder Agreements and Rules Applicable to Altering the Company's By-Laws

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

The By-Laws do not set limits on exercising the right to vote. The Board of Directors knows of no Shareholder agreements.

The By-Laws do not define any rules applicable to alteration of the Company's By-Laws, therefore the terms defined by the Law apply to these matters.

3.4. System for Employees' Participation in the Company's Capital

There is no system by which employees may participate in the Company's capital.

3.5. Share Price Performance

The main Portuguese Stock Market index - PSI-20 - increased in value by 33.5% in 2009, equivalent to growth of 17.5 billion euros, ensuring that the Portuguese stock market was the second-best performing in Europe, only surpassed by the Dutch stock market.

The Portuguese stock market also recorded its largest annual growth in value of the last 12 years, with many shares registering strong gains after being heavily penalised in 2008. The last time the PSI-20 grew more than it did in 2009 was in 1997, when it registered 71% growth.

The recovery of the Portuguese stock market was 48% if March is taken as the reference month - when the market recorded minimum values.

The recovery of the PSI-20 from March onwards was not wholly immune to the fragile signs of recovery of the Portuguese economy, but the major catalyst seems to have been the fact that many of the companies that make up the index carry out a significant portion of their business in international markets, where the economies recorded higher growth rates.

2009 was marked by general recovery, as the most penalised sectors in 2008 corrected the heavy losses in value they suffered. Furthermore, the good financial results reported by most companies over the year allowed the markets to recover the attractive growth rates achieved in previous years.

The swing from the price minimums of 2008 to the price maximums in 2009 can be explained as the reaction of markets to stabilisation of the financial system. The main indices in 2008 reflected the world recession, raising fears of its impact on companies' accounts and on increased restrictions to obtaining financing for carrying on their investment strategies. The fiscal and monetary support measures taken by the governments of various countries prevented a greater number of bankruptcies, and the markets reacted positively and began to show signs of increased dynamism, taking advantage of the low share prices.
In 2009 Jerónimo Martins grew in value by 75.9% on the previous year, making it the fifth-best performer on the PSI-20, after being the company that registered the second lowest fall in value in 2008 (-26.9%).

The PSI-20 Index continued its upward trend in the second and third quarters. It performed worse in the fourth quarter (-0.1%), though achieving the year high of close to 8,883 points, on 19 October.

3.6. Performance of Jerónimo Martins Shares

<table>
<thead>
<tr>
<th>JM Shares Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jerónimo Martins, SGPS, S.A.</td>
</tr>
<tr>
<td>Shares Trade: Euronext Lisboa</td>
</tr>
<tr>
<td>Stock market admission: November 1989</td>
</tr>
</tbody>
</table>

**Euronext Codes:**

- **Description**: Jerónimo Martins - SGPS Shares
- **Type**: Shares
- **ISIN Codes**: PTJMT0AE0001
- **Symbol**: JMT

**Codes:**

- **Reuters RIC**: JMT.LS
- **Bloomberg**: JMAR.PL

**Shares**

- **Share Capital**: 629,293,220 Euros
- **Shares nominal value**: 1,00 Euro
- **Number of shares**: 629,293,220

The Jerónimo Martins share price registered a downward trend in the first few months of 2009, in line with the decline of the PSI-20 Index. The year's low was recorded on 23 February (3.07 euros), and the high was reached in three sessions during the final two weeks of 2009 (7.05 euros).

The greatest rises in the share price coincided with the release of the first quarter results (April), driven by the operational performance that largely exceeded market estimates, and the end of the third quarter.

The greatest decline occurred in February, coinciding with the publication of the financial results for 2008, when macroeconomic estimates were still heavily influenced by the strong world recession and volatility was the main driver of uncertainty.

Jerónimo Martins shares registered, in liquid terms, an average daily trading volume of 1,358,754 shares during 2009, around 46% down on the 2008 trading volume, when record liquidity results were obtained.

No shares or other securities were issued, and the shares are not divided into different categories, therefore dividend payments were not affected.
JM SHARES DESCRIPTION

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Capital</td>
<td>629,293,220</td>
<td>629,293,220</td>
<td>629,293,220</td>
<td>629,293,220</td>
<td>629,293,220</td>
</tr>
<tr>
<td>Number of ordinary shares</td>
<td>629,293,220</td>
<td>629,293,220</td>
<td>629,293,220</td>
<td>125,858,644</td>
<td>125,858,644</td>
</tr>
<tr>
<td>Own Shares</td>
<td>859,000</td>
<td>859,000</td>
<td>859,000</td>
<td>171,800</td>
<td>171,800</td>
</tr>
<tr>
<td>EPS (Eur)</td>
<td>0.32</td>
<td>0.26</td>
<td>0.21</td>
<td>0.92</td>
<td>0.88</td>
</tr>
<tr>
<td>Cash Flow per share (Eur)</td>
<td>0.69</td>
<td>0.55</td>
<td>0.42</td>
<td>2.05</td>
<td>1.96</td>
</tr>
<tr>
<td>Dividend per share (Eur)*</td>
<td>0.14</td>
<td>0.10</td>
<td>0.44</td>
<td>0.42</td>
<td>0.36</td>
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<tr>
<td>Stock market Performance **</td>
<td></td>
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<td></td>
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<tr>
<td>High (Eur)</td>
<td>7.05</td>
<td>6.40</td>
<td>5.59</td>
<td>3.52</td>
<td>2.57</td>
</tr>
<tr>
<td>Low (Eur)</td>
<td>3.07</td>
<td>3.22</td>
<td>3.43</td>
<td>2.55</td>
<td>1.97</td>
</tr>
<tr>
<td>Average (Closing) (Eur)</td>
<td>4.97</td>
<td>4.92</td>
<td>4.37</td>
<td>2.85</td>
<td>2.35</td>
</tr>
<tr>
<td>Closing (End of year) (Eur)</td>
<td>6.99</td>
<td>3.97</td>
<td>5.40</td>
<td>3.40</td>
<td>2.54</td>
</tr>
<tr>
<td>Market Capitalisation (31/12) (Eur's 000,000)</td>
<td>4,396</td>
<td>2,498</td>
<td>3,398</td>
<td>2,140</td>
<td>1,598</td>
</tr>
<tr>
<td>Transactions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume (1,000 shares) **</td>
<td>347,603</td>
<td>468,826</td>
<td>275,512</td>
<td>189,430</td>
<td>173,135</td>
</tr>
<tr>
<td>Annual Growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSI 20</td>
<td>33.5%</td>
<td>-51.3%</td>
<td>16.3%</td>
<td>29.9%</td>
<td>13.4%</td>
</tr>
<tr>
<td>Jerónimo Martins</td>
<td>75.9%</td>
<td>-26.5%</td>
<td>58.8%</td>
<td>33.9%</td>
<td>30.9%</td>
</tr>
</tbody>
</table>

*2008 dividend per share, related to 2007, discloses the stock split of May 2007

** data for the years 2005 and 2006 was adjusted by the stock split of May 2007
3.7. Publication of Market Results

Throughout the year, the Investor Relations Office published Jerónimo Martins’ quarterly results, and it released all relevant information on the performance of the Company'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:

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
<th>Price</th>
<th>Preliminary Sales 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>14 January Preliminary Sales 2008</td>
<td>14 January</td>
<td>3.38</td>
<td>-5.8% 10.9% 8.6%</td>
</tr>
<tr>
<td>6 March FY 2008 Results</td>
<td>6 March</td>
<td>3.12</td>
<td>-1.2% 2.7% 6.6%</td>
</tr>
<tr>
<td>6 May 1st Quarter 2009 Results</td>
<td>6 May</td>
<td>4.26</td>
<td>0.5% 4.5% 7.6%</td>
</tr>
<tr>
<td>27 July 1st Half 2009 Results</td>
<td>27 July</td>
<td>4.71</td>
<td>0.8% 1.9% 4.6%</td>
</tr>
<tr>
<td>29 October 3rd Quarter 2009 Results</td>
<td>29 October</td>
<td>6.01</td>
<td>0.9% 4.1% 3.8%</td>
</tr>
</tbody>
</table>

The following table shows the performance of Jerónimo Martins’ shares, taking into account the announcement of results and material information during 2009.

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
<th>Price</th>
<th>Price variations JM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preliminary Sales 2008</td>
<td>14 January</td>
<td>3.38</td>
<td>-5.8% 10.9% 8.6%</td>
</tr>
<tr>
<td>FY 2008 Results</td>
<td>6 March</td>
<td>3.12</td>
<td>-1.2% 2.7% 6.6%</td>
</tr>
<tr>
<td>1st Quarter 2009 Results</td>
<td>6 May</td>
<td>4.26</td>
<td>0.5% 4.5% 7.6%</td>
</tr>
<tr>
<td>1st Half 2009 Results</td>
<td>27 July</td>
<td>4.71</td>
<td>0.8% 1.9% 4.6%</td>
</tr>
<tr>
<td>3rd Quarter 2009 Results</td>
<td>29 October</td>
<td>6.01</td>
<td>0.9% 4.1% 3.8%</td>
</tr>
</tbody>
</table>

3.8. Dividend Distribution Policy

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

- The value of the dividend distributed must be between 40% and 50% of ordinary consolidated net earnings;
- If, as a result of applying the criteria mentioned above, there is a drop in the dividend in a certain year compared to that of the previous year, and the Board of Directors considers that this decrease is a result of abnormal and merely circumstantial situations, it may propose that the value from the previous year should be maintained. It may even resort to free existing reserves, providing that the use of these reserves does not jeopardise the principles adopted for balance sheet management.

In relation to fiscal year 2006, the gross dividend paid to Shareholders was 0.44 euros per share (corresponding to 0.088 euros per share before the stock split in 2007). In 2007 it was 0.096 euros per share and 2008 it was 0.11 euros per share, always according to the above-mentioned directives.
In view of the net results of fiscal year 2009 and the established policy, at the Shareholders' Meeting the Board of Directors will propose the distribution of a gross dividend of 0.143 euros per share, excluding the 859,000 owned shares in the portfolio.

This proposal represents an increase of 30.0% over the dividend paid in the previous year, corresponding to a dividend yield of 2.9% on the average share price in 2009, which was 4.97 euros.

3.9. Stock Options Plan

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

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

During 2009, no significant financial business or operations were carried out 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 conducted in the normal operation of its business and pursuant to arms-length conditions.

3.11. Investor Relations Department

3.11.1. Communication Policy of Jerónimo Martins

The Communication Policy of Jerónimo Martins seeks to ensure availability of material information - historic description, current performance and outlook for the future - to all its stakeholders, so that they will have clear and complete knowledge about the Group.

The Communication strategy outlined for each year is based on the principles of transparency, rigour and consistency, which define the Communication Policy of Jerónimo Martins and ensure that all relevant information is transmitted in a non-discriminatory, clear and complete way to its stakeholders.

3.11.2. Activities of the Investor Relations Office

As mentioned, 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 the Company.

The Investor Relations Office is also responsible for matters related to the Securities and Exchange Commission, and the Legal Representative for Market Relations is the person responsible for the Investor Relations Office.
Annually, the Office draws up a Communication Plan for the Financial Market, which is duly included in the global communication strategy of Jerónimo Martins, and based on the above-mentioned principles.

Therefore, with the objective of transmitting an updated and clear vision of the strategies of the different Business Areas of Jerónimo Martins to the market, in terms of operational performance and outlook, the Investor Relations Office organises a series of events so that investors can learn about Jerónimo Martins’ various businesses, its strategies and prospects for the future, and simultaneously follow the development of activities during the year, by clarifying any doubts.

Throughout 2009, actions were carried out that allowed the financial markets to have dialogue not only with the Investor Relations Office, that was promoting those initiatives, but also with the Jerónimo Martins management team. The following are highlighted:

- Meetings with financial analysts and investors;
- Responses to questions sent by email, addressed to the Investor Relations Office;
- Telephone calls;
- Release of announcements to the market through the CMVM (Securities and Exchange Commission) extranet, through the Jerónimo Martins and Euronext Lisbon web sites, and mass mailings sent to all the Company’s investors and financial analysts listed in the database that was created and is updated by the Office;
- Presentations to the financial community: presentation of results, roadshows, conferences, Shareholders’ Meeting and Investor Day.

Within the scope of information sent to the market, the following communications were published during the year:
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.

In order to make information easily accessible to all interested parties, the communications issued regularly by the Office are available in full on Jerónimo Martins’ institutional website at www.jeronimomartins.pt. The site provides not only the mandatory information, but also general information about the Group and its Companies, in addition to other information considered relevant, namely:

- Announcements to the market about privileged information;
- Annual, six-month and quarterly reports of Jerónimo Martins, including the Annual Report on the activities carried out by the Audit Committee;
- Economic and financial indicators and statistical data, updated every six or twelve months, according to the Company or Business Area;
- Annual Reports of the Group’s Companies with listed securities;
- Jerónimo Martins’ most recent presentation to the financial community;
- Information about share performance on the stock market;
The annual calendar of Company events, released at the beginning of every year, including, among others, Shareholders' Meetings, the disclosure of annual, half-yearly and, if applicable, quarterly results; Information regarding the Shareholders' Meeting; Information about Corporate Governance; Code of Conduct of Jerónimo Martins; Company By-Laws; Current Internal Regulations; Minutes of Shareholders' Meetings; Historical lists of attendees, agendas, and decisions taken at the Shareholders' Meetings held over the three previous years; Information regarding the Customer Ombudsman.

The website also has information in English and is a pioneer in its accessibility for the visually impaired, through a tool specially designed for this purpose.

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

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

Address: Rua Actor António Silva, n.º 7, 14º andar, 1600-404, Lisbon, Portugal
Telephone: +351 21 752 61 05
Fax: +351 21 752 61 65
E-mail: investor.relations@jeronimo-martins.pt

Finally, it is also the responsibility of the Office to produce the Annual Report, which is recognized as an essential document for communicating with financial markets. The Office strives to publish therein transparent and comprehensive information regarding the various business areas of Jerónimo Martins, seeking to transmit the reality of the different activities throughout the year.

3.12. Yearly Remuneration Paid to the External Auditor

In 2009, the total remuneration paid to the External Auditor and other individuals or companies' belonging to the same network was 768,526.00 euros, excluding expenses related to travel and other costs paid directly by the Group's Companies.

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

- Legal accounts audit services: 93%;
- Other services (not legal accounts audits or external audits): 7%.

The services not included in the legal account certification, totalling 57,182.00 euros, relate to support for internal reorganisation processes, access to a tax database, and technical consulting on a project for conversion to accounting standards. 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.