

annual report
relatório&contas 2008

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Message from the Chairman

Dear Shareholders,

2008 was dominated by deterioration in the macroeconomic environment and by the volatility of the international financial markets. I do not intend to take too much of this letter reflecting on this crisis, whose causes and effects have already been widely discussed, and are already to your knowledge. However, I would like to share some thoughts.

This crisis has revealed the fragility of the financial system that supports the world economy. The ambition of some players in the financial markets, which is totally out of line with the most basic principles of ethics and prudence, and associated to an immediate view of making quick profits and disregarding risk, were decisive factors in creating the international economic situation affecting us all today.

Talk is now being made of a crisis regarding confidence in the Financial Markets, when in truth, it has stemmed purely and simply from a crisis regarding respect. Respect for Customers, Business Partners, Employees, Shareholders, Institutions, for Society in general.

It has also brought to light faults in the supervisory authorities which, despite being bound by ever more complex legislation, implying heavier obligations, these proved to be incapable of preventing the serious situations that occurred. It has therefore become clear that an excess of “bureaucratic” attention is not the same as regulation and supervision.

I cannot fail to recognise the long and frankly positive path the Portuguese companies have carved in the area of corporate governance, as well as the importance of the Securities and Exchange Commission in defining this very path.

It is important to set priorities and we believe that these should be centred more on the area of supervision rather than regulation. I believe that the supervisory entities should not assume the role of legislator, extrapolating their original roles and suffocating companies with rules that do not correspond to market practices or that do not take into consideration the particular aspects of the country and its corporate structure.

Both the latest review of the Commercial Companies Code and the recent Corporate Governance Code transferred rules and recommendations to our jurisdiction, which are often not in line with the market's requirements and its agents, namely the investors.

In Portugal, we have been witnessing the pre-eminence of soft law, which has been used excessively as a preferred instrument in legislative policy. For a more transparent and efficient market, surely more recommendable vectors would be a more realistic law, attentive supervision, and conscious and responsible self-regulation.

With regard to Your Company, 2008 was indeed a demanding year. Demanding with regard to the projects that were implemented, the changes that were made, with an impact on the whole Organization, and with regard to the effort imposed on all the employees as from the first day of the year. These projects aimed to provide the Group the necessary resources to face up to its growth challenges, to optimise its

efficiencies and abilities and to reinforce its position as leader in the markets where it operates.

Starting with the Retail area in Portugal, in conjunction with the acquisition process of the Plus stores and their conversion into Pingo Doce supermarkets, in 2008 a profound restructuring was implemented by means of two complementary projects: the integration of the Feira Nova mini-hypermarkets into the Pingo Doce Banner and the re-branding of Pingo Doce.

The first project was much more than a mere store transferral process between Banners, as it had to be preceded by a profound organisational restructuring in order to optimise synergies in the various functional areas, with special emphasis on the Operational and Commercial Departments. Thus it was possible to significantly increase the critical mass of the Pingo Doce Banner, enabling organizational efficiencies to be developed, with focus on the consumer and greater globalisation of the offer of value inherent to the Pingo Doce brand, ensuring the loyalty and trust of its consumers.

The second project enabled the development of the visual identity, purpose and brand of the Pingo Doce stores, reflecting its values and commitments in the best way possible.

In addition, following the acquisition of the Plus Operations in Portugal, it was necessary to draw up an integration plan for the 77 stores and the respective employees, which involved the whole Business Unit in all its functional areas.

Apart from all this effort, organic expansion was not neglected, as 17 Pingo Doce stores were opened during the year.

All the previously described initiatives were developed in a joint and complementary way, as they were part of a strategic plan which enabled Pingo Doce to be consolidated as the largest national supermarket chain.

In the retail area in Poland, Jeronimo Martins Dystrybucja once again very successfully put its skills and abilities to the test, by converting 193 Plus stores into Biedronka in 8 weeks, without compromising the opening of a further 154 stores, which meant that the year closed with 1,359 stores. This decidedly consolidated and reinforced its position as Retail Food leader in the country.

This was a notable performance by this business unit, which guaranteed greater proximity and continued to deserve its consumers' preference.

In the area of Manufacturing and Services, 2008 wasn't less demanding. At Unilever - Jerónimo Martins we managed to successfully recover margins and sustain market shares, by concentrating efforts and resources in the main product categories.

At Jerónimo Martins Distribuição de Produtos de Consumo, the strategy of representing big international brands continued with the investment in product diversification, in order to invest in market segments that are still in expansion.

The result of our ambition and commitment has culminated in a turnover of 6,894 million euros, representing a growth of 28.9% against last year, and a Net Profit for Jerónimo Martins of 163 million euros, which means an increase of 24.3% in comparison with the previous year. For this year, that was so challenging for all of us, I cannot fail to highlight Pingo Doce's performance, which recorded a like for like sales growth of 11.2%, and that of Biedronka, that continued to post surprising growths, in

this case a like-for-like growth of 20.2%, representing 51.1% of the consolidated sales and 51.2% of the operational cash flow.

This fantastic accomplishment could not have been reached without the ambition, commitment, professionalism and dedication shown by the more than 53,000 employees, who are part of the Jerónimo Martins Group today. This number does not stop increasing, as the Group has created more than 12,000 new Jobs in Portugal and Poland.

Over all the years, I have always believed that our employees are in fact the most valuable resource in our Business and that the Organisation should always pay attention to developing their abilities. With this in mind, apart from the many Projects that were implemented in the Human Resources area, it gives me great pleasure to point out the Internal Programme "Learn and Develop", which was created within the New Opportunities initiative, and has enabled around 315 employees throughout the Group to receive diplomas for 9th and 12th grade.

I must also remind you that this year a Seniority Bonus was extended to the Distribution area in Portugal, which depending on the circumstances, could be the attribution of Life Insurance, a Pension Fund or a Special Complementary Remuneration. And as we are indeed "A Business for People made by People", which has always defended sustainability, we decided to create an Internal Responsibility area, called "Jerónimo Martins for Us", which, above all, has formalised what has already been practiced over the years within our Group.

With the close of 2008, we must now think about the challenges that 2009 presents to us. The forecast for the year is difficult, demanding prudence but also ambition, as I believe it is our duty and responsibility to react to the depressing climate that has been created in Portuguese society. Ongoing and systematised evaluation of the macroeconomic climate will be necessary, as well as constant attention to the development of the financial markets, in order to adapt our investment plans to the respective condition, without ever renouncing to our ambition.

We shall continue to invest in the growth of the Biedronka chain, by maintaining the rhythm of opening 150 stores per year, in the remodelling of the former Plus stores and Feira Nova mini-hypermarkets into the new Pingo Doce concept and in the development of this chain. Equally, we shall not fail to analyse any opportunity in the market that allows us to continue to grow in the Food Manufacturing sector.

I must also mention my highest esteem for the integration of more than 2,250 employees from the former Plus operations, who are today part of the vast Jerónimo Martins team in Portugal and in Poland. I would like to thank them for their commitment to this process, which was full of challenges, and for the pro-active and dedicated way in which they subscribed to the Group's values.

In an international group like Jerónimo Martins, its growth must be based on the permanent incorporation of new cultural and organizational influences, which enable it to strengthen its abilities. I therefore view the integration of these new teams with confidence, as I am sure that they will find that their highest expectations are met at Jerónimo Martins.

Lastly, a word of appreciation for our Shareholders, who as from the very beginning have continued to show the same level of confidence in the Jerónimo Martins project, in the assurance that, through the Company, they are contributing towards the sustainable development of a society and a country.

I – The Group Jerónimo Martins

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1. Profile and Structure

1.1. Identity and Responsibilities

1.1.1. Asset Portfolio

Jerónimo Martins is the largest Portuguese Food Retail Group, with a turnover in 2008 of 6.9 thousand million euros, a total of 53,375 employees at the end of the year and the eighth biggest market capitalisation in Lisbon Stock Exchange. With more than thirteen years of international experience, its business outside Portugal represents 51.1% of its sales and 53.3% of its employees.

The Group holds a robust business portfolio, focused on the food area, and which combines the strength of the market positions of its retail and wholesale operations in Portugal, with the growth potential of the Biedronka operation in the Polish market, and the maturity and capability for generating cash flow of its Manufacturing partnership with Unilever in Portugal.



In Portugal, at the end of 2008, the Group held a leading position in Food Distribution, reaching a merged turnover of 3.1 thousand million euros. The Group operates with the brands **Pingo Doce** (334 supermarkets in Mainland Portugal and 13 in Madeira), **Feira Nova** (9 hypermarkets) and **Recheio** (33 Cash & Carry stores and 2 Food Service platforms in Mainland Portugal; 1 Cash & Carry store and 1 Food Service platform in Madeira), and continues holding market leadership in Supermarkets and Cash & Carries, combining the strength of the brand with leadership in sales area and in turnover. Also, in Portugal, the Group has been investing in the development of new projects that are complementary to the food Retail Business with the launch of **New Code** (adult and children's clothing) in partnership with SDV, **ElectricCo** (electrical appliances), **GET** (books, music, electronics and telecommunications), petrol stations, **Bem-Estar** parapharmacies and "**No Sítio do Costume**" restaurant areas in Pingo Doce stores.



In Poland, **Biedronka**, a chain of stores with a variety of food products combining quality with an *everyday-low-price* policy, is market leader in Food Retail and holds a substantial lead over competitors with similar formats, through its high number of stores and its brand's strength. At the end of 2008, Biedronka had 1.359 stores, with 593 million customer tickets and 3.521 thousand million euros turnover for the year under review. Also in Poland, following the partnership agreement signed in February 2006 with the National Association of Pharmacies in Portugal, in 2008, 14 more pharmacies were opened under the brand **Apteka Na Zdrowie** in addition to the first store that opened at the end of 2006 and the four stores that opened in 2007.



Jerónimo Martins is also the biggest Portuguese manufacturing group in fast moving consumer goods, through its partnership with Unilever in the areas of Food, Personal Care, Home Care and Out of Home products. In 2007, this partnership was strengthened with the merger of FimaVG, Bestfoods, LeverElida and IgloOlá into a single Company - **Unilever Jerónimo Martins**. The new Company maintains its position as market leader for Olive Oil, Margarines, Iced Tea, Ice Creams and Washing Detergents, among others.

The Group's portfolio also includes a business area in Portugal providing Marketing Services, Representations and Food Service, integrating the following businesses:



Jerónimo Martins Distribuição de Produtos de Consumo, which is the Portuguese representative for several international brands, some of which are market leaders in the fast-moving consumer food and food service markets (through Caterplus), in the selective cosmetics and in the fast-moving cosmetics market, (through its partnership with the Puig Group);

Hussey, a Specialised Retail chain selling chocolates and confectionary, with 23 stores at the end of 2008;

Jerónimo Martins Restauração e Serviços, which is dedicated to the development of projects in the Food Service sector, and which at the end of 2008 included the chain of kiosks and coffee shops **Jeronymo**, with 25 points-of-sale, the **Olá** ice-cream chain, made up of 32 stores plus 5 franchised stores, the **Chili's** restaurant in Lisbon, a franchising from the Brinker Group, and the **Ben & Jerry's** store.

1.1.2. Main Historic Milestones



1792 – Jerónimo Martins opens a premium grocery store in Lisbon in the Chiado area.



1941 – Set up of the Company Francisco Manuel dos Santos, holding 56.10% of Jerónimo Martins' equity on December 31st 2008.



1944 - Opening of the Fima plant, dedicated to the production of margarines.



1949 - 1970 – Investment in the Food Industry Sector through a partnership with Unilever in Portugal, with a view to developing manufacturing know-how and selling fast moving consumer goods.



This partnership began with a joint-venture for the Fima business (Margarines), and was later extended to the Lever (Soap and Detergents), Olá (Ice-creams) and Iglo (Frozen Food) businesses. In 2007, the merge into a single company – Unilever Jerónimo Martins – was implemented



1980 – 1995 - Investment in the Modern Food Distribution in Portugal, through strong organic growth and in mergers and acquisitions.

Several strategic partnerships were set up to develop management know-how in various Modern Food Distribution formats.

A fast-moving consumer goods marketing and distribution services company was set up to represent international brands in the national market.



1989 - Jerónimo Martins is listed on the Stock Market, beginning a decade of consistent and significant market capitalisation.



1995 – 2000 – Internationalisation of the Distribution business, by setting up operations in Poland (Eurocash Cash & Carry, Biedronka stores and Jumbo hypermarkets), in Brazil (Sé supermarkets) and in England (Lillywhites chain of sports goods), together with business portfolio diversification, by entering the Retail Banking in partnership with BCP (Expresso Atlântico), having a participation in the Telecommunications sector (Oniway) and acquiring the company Vidago, Melgaço and Pedras Salgadas.

2001-2005 – Portfolio of assets' restructuring with the disposal of non-core businesses, improved balance sheet and minimisation of exposure to financial risks; operational restructuring, re-focusing the business units on the commercial dynamics of their segments, optimising the scale, exploring the synergies, simplifying processes and reducing costs; creation of multi-disciplinary teams, higher organisational flexibility and launch of the Jerónimo Martins Training School.

2006-2007 – A new stage in the strategic growth plan, returning to expansion in Portugal and maintenance of the expansion pace in Poland; strong investment in technological update, store refurbishing of the various brands and in training development programmes; study of new business opportunities.



2008 – A historic year, marked by the acquisition of 77 stores in Portugal and 205 stores in Poland from the German group Tengelmann, thereby reinforcing respectively the Pingo Doce and Biedronka brands' position as market leaders; reorganisation of the Food Retail business in Portugal, by integrating all the stores under 2,500 square metres into the Pingo Doce brand and by maintaining the hypermarkets under the brand Feira Nova with decentralized management.

1.1.3. Corporate Identity

Being a longstanding benchmark in its business sector and in the market in general, Jerónimo Martins has a history of 216 years, made up of hugely diverse events, experiences and learning, which have conferred to the Group its solidity and undeniable capacity for resistance and renewal, mirrored in the strength and vitality for which it is renowned.



The new Jerónimo Martin corporate identity, implemented in 2004, demonstrates and symbolizes the profound changes that have taken place within the Group. This new visual identity embodies the new reality of Jerónimo Martins and the three values that are core to its corporate identity:

Permanent Innovation, which stimulates...

- Ongoing attention to the external environment and anticipation of trends;
- Dynamism and market leadership in new initiatives;
- A pioneering profile and the best management practices.

Rigour in Management, which ensures...

- A clear vision of the strategy and outlined objectives;
- Business plans driven by ambition, prudence and flexibility;
- Respect for the principles of integrity and loyalty.

Transparency in its Policies, which promotes...

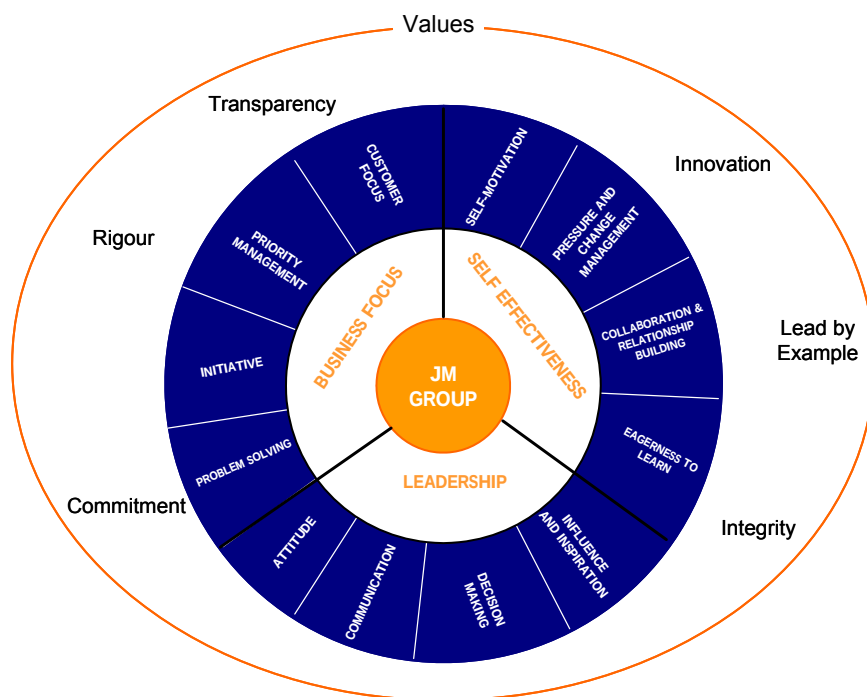
- Ethical conduct;
- The safeguard of the shareholders' interests as a priority;
- Objective assessment and guiding of employees with regard to their careers;
- Investment in strategic partnerships in the markets in which it operates;
- Sustainable development as a strategic option.

Today, Jerónimo Martins is a solid, cohesive Group, with a clear vision. It is an organization geared towards professional excellence, which is prepared to add another chapter to its already long history, contributing to a stable and lasting future.

1.1.4. Core Competencies

Over its long history, Jerónimo Martins has been adopting values and demonstrating core competencies which enable it to look to the future with confidence and determination.

The Group is very proud of its DNA, which has been a determining factor both in periods of fast growth and in periods of tough environments.



Jerónimo Martins also has vast experience in the Food area, rich in terms of business sectors, markets, geographies and value chains.

Its capacity to establish strategic partnerships has been a determining factor in various periods of the Group's history, and for entering new business areas. Also, its experience in mergers and acquisitions and its capacity to carry out successful integration processes are among its core competencies.

In recent years, Jerónimo Martins has gained new competencies with the internationalisation of its businesses into large, very dynamic and competitive markets, competing directly with various players of international renown.

The Jerónimo Martins business portfolio is robust, focused on the Food area and balanced in terms of growth and cash flow generation.

The business models are adapted to the markets and trends, focusing above all on proximity formats, very competitive in price and with a commercial dynamics supported on the Private Brand and Perishables (areas in which the Group has always been renowned) and on the development of new projects. The core businesses are supported by strong brands which are market leaders in their formats.

The operational activity is set on ongoing cost optimisation, productivity, exploitation of the Group's scale and synergies and on being constantly up-to-date technologically. The ongoing reinforcement of its logistics competencies, with the sharing of experiences between Poland and Portugal, its sourcing competencies and the reinforcement of scale in food product supply in both regions, are determining factors for its business performance. Also, the direct sourcing from the producer both for the Private Brand and the Perishables is an objective to be pursued.

The Group's management capabilities to operate in uncertain and volatile environments has been strengthened through ever more dynamic, flexible and pro-active planning mechanisms, which lead to establishing well defined priorities and to aligning the Organisation around them.

1.1.5. Innovative and Pioneering Culture

Jerónimo Martins has always proven itself to be pioneering within the Portuguese business context.

Innovative and Pioneering Culture in Management Practices

In its more recent history, it is renowned, among other reasons, for being the first Food Distribution Group in Portugal to implement various innovative management practices.

In 2000, it adopted the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS).

In 2002, it started up a Food Service platform in Porto to supply the Recheio customers.

In 2004, it implemented a business-to-business (B2B) platform in its relations with suppliers.

In 2005, it obtained from APCER (Portuguese Certifying Association) the HACCP - Hazard Analysis and Critical Control Point Certification (DS 3027E: 2002) and the Environmental Management System Certification (NP EN ISO 14001: 2004), making the Retail Warehouses the first in Portugal in the Food Distribution sector to achieve this double recognition.

It was also in this year that the Jerónimo Martins Training School was founded, with the objective of being an internal entity noted for the development and training of its employees and an asset for the sustained growth of the business. Later on the Fresh Food School was also founded, with the objective of being a specialised entity, totally geared towards training in Perishables.

In 2006, it obtained Food Safety Certification for 19 Recheio stores and for two Food Service Platforms – certification of the HACCP system, in accordance with the Codex Alimentarius CAC/RCP-1-1969, Rev.4 (2003) – becoming the first wholesale Distribution chain in Portugal to obtain a multi-site certificate in HACCP.

In 2007, it obtained Certification for Pingo Doce and Recheio in the Development of Private Brands according to the reference NP EN ISO 9001: 2000 – certification of internal and supplier's processes in the development of Private Brand products and in the control after launch – becoming the first operators worldwide to obtain this type of certification;

In the same year the first renewable energy projects were developed. Of note are the 72 sqm of solar collectors that were installed for heating water at the Azambuja Distribution Centre;

Also in 2007, Jerónimo Martins launched the “Learn and Develop” project, as part of the national “New Opportunities” programme developed by the Ministry of Education. Due to the extraordinary number of employees that joined this

programme and the conditions given to the participants, the Group was invited to represent the business community in the Ministry's publicity campaign.

In 2008, a pilot-project was implemented for the first time in the store which recently opened in Quinta do Conde, in Sesimbra, using water and energy consumption rationalisation technology. The outdoor lighting began using renewable energy produced from photovoltaic panels.

Although at an experimental phase, the Group is also developing in some stores and Distribution Centres, new renewable energy projects - water heating, air conditioning and lighting;

Innovative and Pioneering Market Initiatives

Jerónimo Martins is also renowned for its dynamism and market leadership, namely through the following initiatives:

In 2004, it launched a series of brands by major groups of categories for Private Brand ranges common to both Retail banners in Portugal, thereby extending their assortment and scale and reinforcing the food specialist image.

2004 also saw the launch of the first range of Perishables with Private Brand Pingo Doce, with specific quality control requirements from the source, to ensure food safety and quality standards.

In 2005, the Group established the Customer Ombudsman, an innovative step in the Portuguese Distribution sector. This entity is totally independent in carrying out its role whose main objective is to defend and promote the rights, guarantees and legitimate interests of the customer, ensuring that an additional communication channel exists between the customer and Pingo Doce and Feira Nova.

In 2006, Biedronka established an unprecedented partnership with Danone, Lubella and the Polish Institute of the Mother and Child, to fight the problem of poor nutrition amongst children and young people. For that purpose, it launched Milk Start, a product which was developed based on a strict nutritional profile and under the supervision of an independent institute.

Also in 2006, the Private Brand range of products was increased in order to cover dairy product substitutes for those customers with lactose intolerance, menopausal women, people with cardiovascular problems and vegetarians, among others, and was the first Retail company in Portugal to do so.

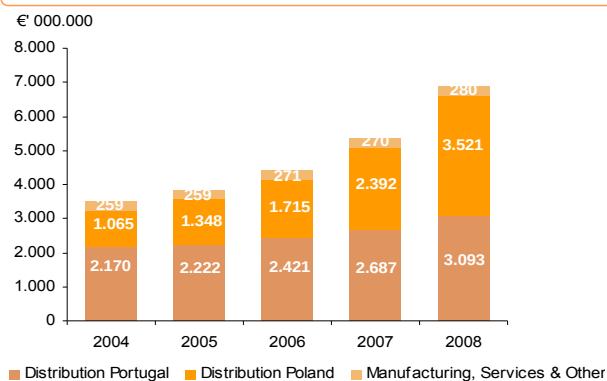
In 2007, the Private Brand range is including for the first time certified organic products, once again being the first Distribution Company in Portugal to do so.

Also in 2007, the first Pingo Doce restaurant area was opened, under the brand "Refeições no Sítio do Costume", and 12 restaurants are now already open. The healthy "self-service" concept offers an average price of less than 4 euros per meal.

In 2008, a Pingo Doce pilot-store was inaugurated in the Santa Apolónia railway station in Lisbon, with a privileged location, convenient assortment, flexible and extended hours and innovative, quick and practical meals, for take away or immediate consumption.

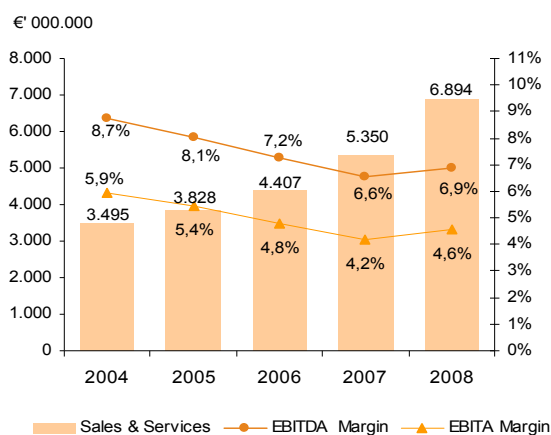
1.2. Operating and Financial Highlights

Sales & Services

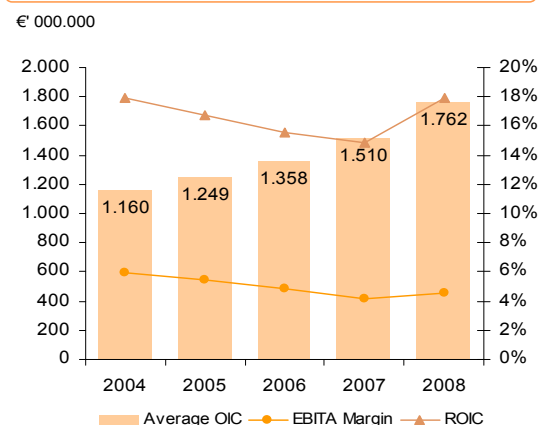


€' 000.000	2008	2007	Δ %
Distribution Portugal	3.093	2.687	15,1%
Distribution Poland	3.521	2.392	47,2%
Manufacturing, Services & Others	280	270	3,5%
Consolidated Sales	6.894	5.350	28,9%

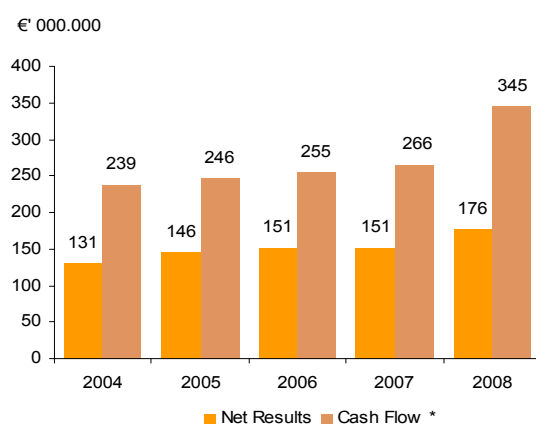
EBITDA & EBITA Margin



Pre-Tax ROIC



Net Results and Cash Flow



* Before minority interests.

€' 000.000	2008	2007 *
Net Results	163,2	131,3
Cash Flow	344,7	266,1
Nr. Common Shares	629.293.220	629.293.220
Nr. Own Shares	859.000	859.000
Data per Share (€)		
Net Results	0,26	0,21
Cash Flow	0,55	0,42
Share Price (ye)	3,97	5,40

Consolidated Balance Sheet

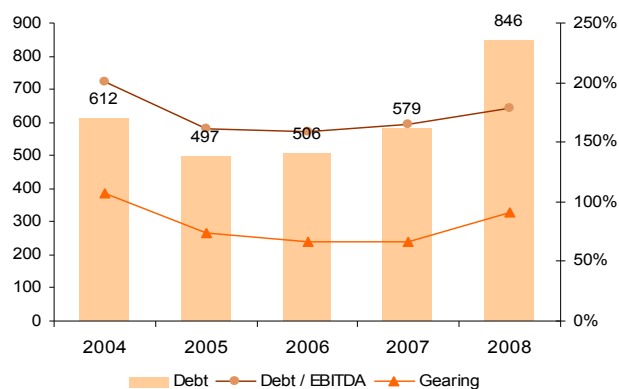
€' 000.000

	2008	2007
Invested Capital	1.777,0	1.443,5
Financial Debt *	1.069,5	843,6
(Marketable securities and bank loans)	-223,6	-264,3
Net Debt	845,9	579,3
Minority interests	281,3	287,3
Equity	649,8	576,9
Shareholders Funds	931,1	864,2
Gearing	90,8%	67,0%
Interest Cover	3,70	3,79

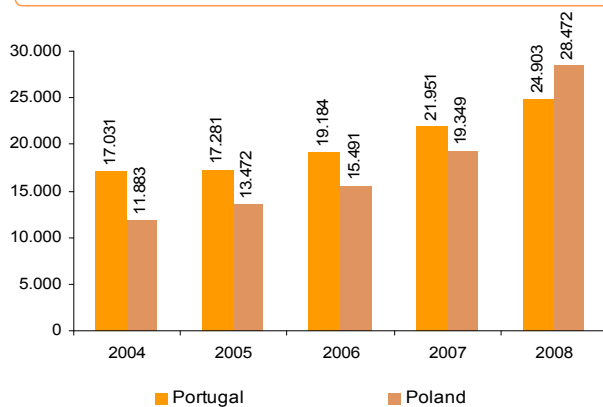
* including leaseings and accrued interest and hedging

Net Debt

€' 000,000



Associates

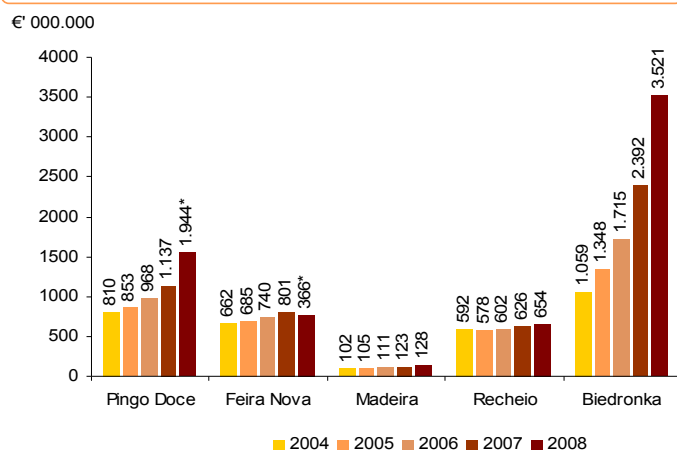


	2008	2007
Nr. Associates		
Year end	53.375	41.300
Average	47.608	37.960

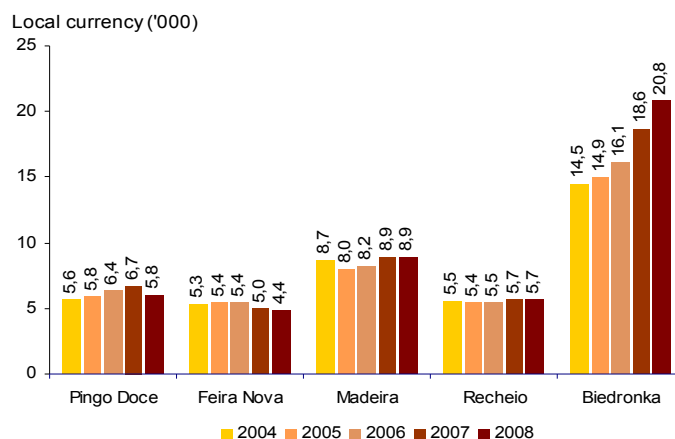
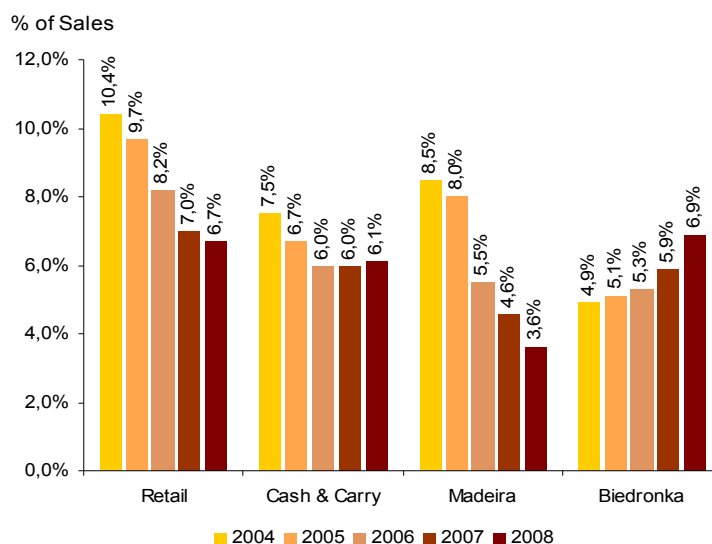
Number of Stores and Sales Area

	2008	2007	2006	2005	2004
Pingo Doce*	334	210	189	179	178
sqm	350.396	183.770	161.279	149.158	146.089
Feira Nova*	9	46	38	29	28
sqm	82.653	172.039	150.189	130.684	128.317
Madeira	15	15	15	15	14
sqm	14.626	14.626	13.697	13.697	11.982
Recheio	35	33	33	32	32
sqm	115.724	109.634	110.005	107.202	107.202
Biedronka	1.359	1.045	905	805	725
sqm	753.531	536.729	452.952	394.536	348.751

* including the conversion of 37 Feira Nova compact stores into Pingo Doce

Sales


* 37 compacts included in Pingo Doce banner from 2008

Sales/sqm

EBITDA Margin


				Ow nership			Consolidation		Sales (Million Euro)			EBITDA Margin		Nr. Stores	Sales Area (sqm)	Sales/ sqm *	LFL Δ %			
				08			07			Δ %			08		07		08	08	08	08/07
Food Distribution	Portugal Mainland		Supermarkets (Leader) **	51%	I	1.944,6	1.558,0	24,8%					334	350.396	n.a.	11,2%				
			Mini-hypermarkets **						6,7%	7,0%						1,0%				
			Hypermarkets (3 rd Player) **	51%	I	365,6	379,5	-3,7%					9	82.653	n.a.	-3,7%				
		Cash & Carry (Leader)	100%	I	654,5	626,1	4,5%	6,1%	6,0%	35	115.724	5,7	4,5%							
Portugal Madeira		(Lidosol) Supermarkets	75,5%	I	128,4	123,3	4,2%	3,6%	4,6%	15	14.626	8,5	-4,4%							
		(J.G.Camacho) Cash & Carry										10,1	19,5%							
Poland		Retail Stores (Leader)	100%	I	3.520,9	2.392,3	47,2%	6,9%	5,9%	1.359	753.531	20,8	20,2%							
Manufacturing	Portugal		Margarine, Olive Oil, Seed Oil Ready to Drink Tea & Savoury	45%	P															
			Home Care & Personal Care																	
			Ice Cream			335,7	322,3	4,1%	11,2%	11,3%										
																				
			Representation & Marketing Services	100%	I															
			Chocolats	51%	I															
CONSOLIDATED						6.893,7	5.349,7	28,9%	6,9%	6,6%										

* in local currency ('000)

** including the conversion of 37 Feira Nova compact stores into Pingo Doce

I - Integral

P - Proportional

1.3. Corporate Bodies and Structure

1.3.1. Corporate Bodies

Election Date: 30th March 2007

Composition of the Board of Directors elected for the term 2007-2009

President of the Board of Directors

Elísio Alexandre Soares dos Santos

- 74 years old;
- **President of the Group since February 1996.**

Executive Board Members:

CEO and Responsible for the Financial Area (CFO)

Luís Maria Viana Palha da Silva

- 53 years old;
- **President of the Executive Committee since 2004;**
- **Executive Member of Jerónimo Martins, SGPS, S.A. Board since 2001.**

Responsible for Food Distribution Operations

Pedro Manuel de Castro Soares dos Santos

- 49 years old;
- **Member of the Executive Committee;**
- **Executive Member of Jerónimo Martins, SGPS, S.A. Board since 1995.**

Responsible for Manufacturing Operations and Representation and Marketing Services

José Manuel da Silveira e Castro Soares dos Santos

- 46 years old;
- **Member of the Executive Committee;**
- **Executive Member of Jerónimo Martins, SGPS, S.A. Board since 2004.**

Non-Executive Members of the Board:

António Mendo Castel-Branco Borges

- 60 years old;
- **Non-Executive Member of the Jerónimo Martins, SGPS, S.A. Board since 2001.**

Hans Eggerstedt

- 70 years old;
- **Non-Executive Member of the Jerónimo Martins, SGPS, S.A. Board since 2001.**

Rui de Medeiros d'Espiney Patrício

- 76 years old;
- **Non-Executive Member of the Jerónimo Martins, SGPS, S.A. Board since 2001.**

Artur Eduardo Brochado dos Santos Silva

- 67 years old;
- **Non-Executive Member of the Jerónimo Martins, SGPS, S.A. Board since 2004.**

Nicolaas Pronk

- 46 years old;
- **Non-Executive Member of the Jerónimo Martins, SGPS, S.A. Board since 2007.**

Statutory Auditor and External Auditor:

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

Palácio Sottomayor, Rua Sousa Martins, 1 – 3º, 1050-217 Lisboa

Represented by:

Jorge Manuel Santos Costa, R.O.C.

Substitute:

José Manuel Henriques Bernardo

Corporate Secretary:

Henrique Manuel da Silveira e Castro Soares dos Santos

Substitute Secretary:

António Neto Alves

President of the Shareholder's General Meeting:

João Vieira de Castro

Secretary of the Shareholder's General Meeting:

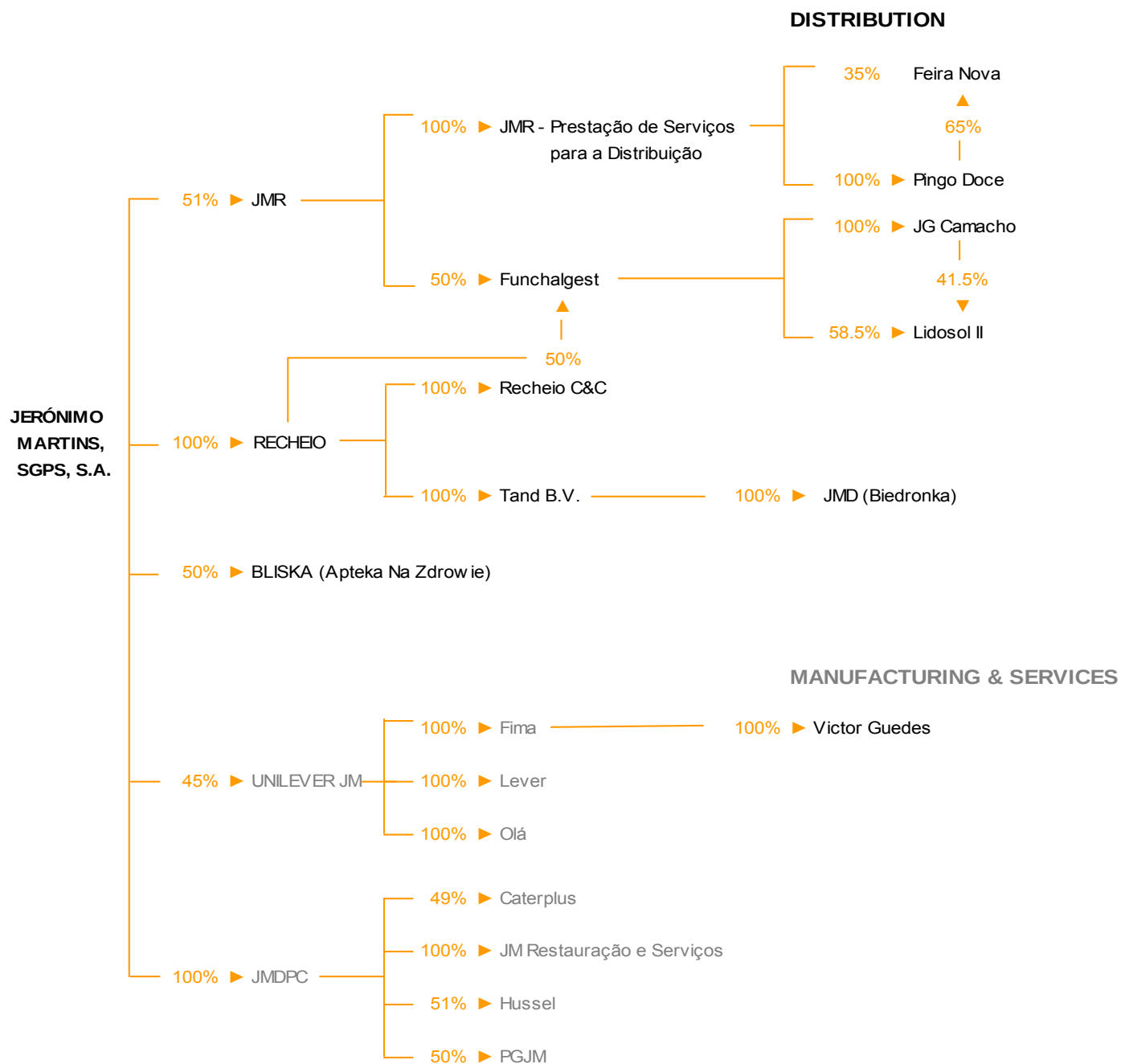
Tiago Ferreira de Lemos

1.3.2. Business and Ownership Structure

Business Structure

DISTRIBUTION	PORTUGAL	PINGO DOCE - Supermarkets
		FEIRA NOVA - Hypermarkets
		RECHEIO - Cash & Carry
	POLAND	BIEDRONKA – Retail Stores
		BLISKA (Apteka Na Zdrowie) – Pharmacies
MANUFACTURING	PORTUGAL	UNILEVER JERÓNIMO MARTINS - Spreads & Cooking, Olive Oil, Ready to Drink Tea, Soups, Savoury, Home & Personal Care, Ice Cream and Food Products
SERVICES	PORTUGAL	JMD - Agency & Marketing Services – Food and Cosmetics
		JM RESTAURAÇÃO – Specialised Retail – Coffee Shops, Ice Cream Stores, Sandwich Stores and Restaurants
		HUSSEL - Specialised Retail – Sweets & Chocolates

Ownership Structure



1.3.3. Management Structure

Jerónimo Martins, SGPS, S.A. is the Group's Holding Company, which encompasses three distinct business areas: i) Food Distribution, ii) Manufacturing and iii) Marketing Services, Representations and Restaurant Services.

Food Distribution is divided into geographical areas of operation, in Portugal and Poland.

In Portugal, following the restructuring process that took place in 2008, the Operational Companies Pingo Doce and Feira Nova Hipermercados have the Operating Divisions within their structure. At a national level for Feira Nova Hipermercados, and for each Pingo Doce operational region, the areas of Marketing, Operational Control, Human Resources, Health and Safety at Work and Maintenance and Technical Issues are concentrated within the Operations structure. These have a direct report to the Regional Manager and a functional report to the respective JMR Functional Manager, thus ensuring greater proximity to the business.

At Recheio, along with the Operations Division, there are also the Commercial, Marketing, Finance, Human Resources and Information Technologies Divisions. For the operation in Madeira, it should be noted that the Commercial, Financial, Quality Control and Human Resources areas need to be represented in the structure, although on a more reduced scale, adapted to the size of the business. In each case, the above-mentioned functional areas have a direct report to the General Manager of the Company.

The Food Distribution structure is closed to a matrix model, where it should be noted that there are Retail Functional Divisions grouped into JMR that provide services across the Operational Companies. JMR is organized into five business areas, as follows: Operations, Commercial, Financial, Human Resources and Information Technologies.

The organizational structure by Operational and Functional Divisions allows Jerónimo Martins to maximize the Group's synergies in terms of scale, resources and know-how, and at the same time ensure the necessary focus on the consumer and on business formats.

The Operational Companies and the Food Distribution Functional Divisions are represented on the Distribution Portugal Executive Board, an entity that chairs the coordination and deliberation of strategic decisions regarding the business.

On the other hand, Poland follows a management structure in which the General Manager of the Business Division is responsible for the areas of Category Management, Marketing and Communications, Operations, Human Resources, Legal, Financial and Quality Control.

Following the merger of the former Companies FimaVG, Bestfoods, LeverElida and IgloOlá into Unilever Jerónimo Martins, the management structure of the Manufacturing area is based on a Management Board, made up of members nominated by the partners Jerónimo Martins SGPS, S.A. and Unilever.

An Executive Board reports to this entity, which is made up of the Business Units' Food, Personal and Home Care and Out of Home Divisions, as well as the Functional Divisions of Sales, Human Resources, Supply Chain (which encompasses Purchasing, Planning, Logistics, Customer Service, Quality Control and Productive Units), Financial, Legal, Communications and Information Technologies.

Jerónimo Martins Distribuição is in charge of Jerónimo Martins Distribuição de Produtos de Consumo, Jerónimo Martins Restauração e Serviços, as well as the PGJM, Caterplus and Hussel joint ventures.

The various Companies guarantee the Businesses' operations and management, although Jerónimo Martins Distribuição provides its sister companies with Financial, Information Technologies, Human Resources and Logistics services.

The top management structure of Jerónimo Martins, SGPS, S.A. is headed by its Board of Directors. This corporate body consists of nine members, three of which are part of the Executive Committee. With regard to the Non-Executive Directors, they have taken on a fundamental role in enriching the management of the Company, as they have vast experience and a wide variety of technical abilities, which optimise the operation of the Group, in terms of creating value. It is also the responsibility 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. The Non-Executive Directors of the Company have carried out these functions in strict co-operation with the remaining functional support structure, which has provided them with ongoing co-operation, especially by providing the information they require for carrying out their roles.

The Jerónimo Martins, SGPS, S.A. structure also includes a number of Functional Divisions which provide support and advice to the Executive Board, the Board of Directors and the remaining Companies of the Group, about specific issues in each area: Development and Strategy, Planning and Control, Financial Operations and Risk Management, Consolidation and Accountancy, Internal Auditing, Investor Relations, Tax, Legal Affairs, Communications, Human Resources and Safety.

Each of these Functional Management Divisions of the Group's Holding Company is responsible for ensuring consistency of approach for each of the objectives defined. A specific chapter deals with their activities, within the Corporate Governance section of this Report.

1.4. Organisations to Which the Group Belongs

Jerónimo Martins, SGPS, S.A.

Associação Empresarial de Portugal (AEP) (Portuguese Business Association)

Member since 2000

Associação Fiscal Portuguesa (AFP) (Portuguese Fiscal Association)

Member since 2001

Business Council for Sustainable Development (BCSD Portugal) which is part of the World Business Forum for Sustainable Development

Member since 2001

Associação Portuguesa de Comunicação de Empresa (APCE) (Portuguese Business Communication Association)

Member since 2003

Associação Portuguesa para a Responsabilidade Social das Empresas (RSE Portugal) (Portuguese Corporate Social Responsibility Association)

Member since 2003

European Corporate Governance Institute (ECGI)

Member since 2003

Associação Empresarial para a Inovação (COTEC Portugal), which is part of the European COTEC network (Portuguese Business Association for Innovation)

Member since 2004

Associação Lisbonense de Proprietários (AFP) (Lisbon Owners Association)

Member since 2004

Instituto Português de Corporate Governance (GOV) (Portuguese Corporate Governance Institute)

Member since 2006

Distribution Business Area

Associations which the Food Retail companies of the Group in Portugal belong to, being represented at the level of the JMR – Gestão de Empresas de Retalho, SGPS, S.A. Holding:

Food Marketing Institute (FMI)

Joined before 1999

CIES, The Food Business Forum (CIES)

Joined before 1999

AMS, Marketing Service BV (AMS)

Joined before 1999

Associação de Comércio Electrónico em Portugal (ACEP) (Association of Electronic Commerce in Portugal)

Member since 2008

Associations which the Food Retail companies of the Group in Portugal belong to, being represented at the level of JMR - Prestação de Serviços para a Distribuição S.A.:

Associação Portuguesa de Empresas de Distribuição (APED) (Portuguese Association of Distribution Companies)

Member since 1999

Current Chairman: José Silva Ferreira (Member of the Executive Board of **JMR – Gestão de Empresas de Retalho, SGPS, S.A.**).

Associação Portuguesa para a Qualidade (APQ) (Portuguese Association for Quality)

Member since 1999

Associação Portuguesa de Centros Comerciais (APCC) (Portuguese Association of Shopping Centres)

Member since 1999

Associations which the Wholesale companies in Portugal belong to, being represented by Recheio, SGPS, S.A.:

Associação de Restauração e Similares de Portugal (ARESP) (Association of Restaurants and Similar of Portugal)

Member since 2004

Confederação de Comércio e Serviços de Portugal (CCP) (Confederation of Commerce and Services of Portugal)

Member since 1997

Associação Comercial e Industrial de Vila Real (Commercial and Industrial Association of Vila Real)

Associação Comercial e Industrial da Região Oeste (Commercial and Industrial Association of the Western Region)

Associação Comercial de Braga (Commercial Association of Braga)

Associação Comercial de Viseu (Commercial Association of Viseu)

Associação Comercial e Industrial da Figueira da Foz (Commercial and Industrial Association of Figueira da Foz)

Associação Comercial e Industrial de Castelo Branco (Commercial and Industrial Association of Castelo Branco)

Associations which the Food Retail and Wholesale companies in Portugal belong to, being represented by the respective Holdings:

Associação Portuguesa de Identificação e Codificação de Produtos (CODIPOR) (Portuguese Association of Product Identification and Coding)

Member since 1999

União de Armazenistas de Mercearia, CRL (UNIARME) (Grocery Wholesalers Union)

Member since 2000

Current Chairman: José Quinta (Member of the Board of Recheio Cash & Carry, S.A.).

Associations which the Food Retail company in Poland belongs to, being represented by Jeronimo Martins Dystrybucja, S.A.:

Polska Organizacja Handlu i Dystrybucji (Polish Food Retail and Distribution Association)

Member since 2000

Câmara do Comércio Luso-Polaca (Portuguese-Polish Chamber of Commerce)

Founding Member in 2008

Current Chairman: Pedro Pereira da Silva (CEO Jeronimo Martins Dystrybucja, S.A.).

Manufacturing and Services Business Area**Associations which the Marketing, Services, Representations and Restaurant Service Companies of the Group in Portugal belong to:**

Associação dos Industriais de Cosmética Perfumaria e Higiene Corporal (AIC) (Association of Cosmetic, Perfumary and Personal Hygiene Manufacturers)

Associação Portuguesa de Identificação e Codificação de Produtos (CODIPOR) (Portuguese Association of Product Identification and Coding)

Associação Portuguesa de Técnicos de Contabilidade (APOTEC) (Portuguese Association of Qualified Accountants)

Associação dos Distribuidores de Produtos Alimentares (ADIPA) (Association of Food Product Distributors)

Associação Portuguesa de Empresas de Distribuição (APED) (Portuguese Association of Distribution Companies)

Associação de Restauração e Similares de Portugal (ARESP) (Association of Restaurants and Similar of Portugal)

Associação Portuguesa de Anunciantes (APAN) (Portuguese Association of Advertisers)

Farmacoupe – Cooperativa Nacional das Farmácias, CRL (National Pharmacy Cooperative)

Câmara de Comércio Americana em Portugal (American Chamber of Commerce in Portugal)

Câmara di Commercio Italiana per il Portogallo (Italian Chamber of Commerce in Portugal)

Câmara de Comércio e Indústria Portuguesa – Associação Comercial de Lisboa (Portuguese Chamber of Commerce and Industry – Lisbon Commercial Association)

Câmara do Comércio Luso-Britânica (Portuguese-British Chamber of Commerce)

Câmara de Comércio e Indústria Luso-Espanhola (Portuguese-Spanish Chamber of Commerce and Industry)

Câmara de Comércio Portugal-Holanda (Portuguese-Dutch Chamber of Commerce)

Câmara de Comércio e Indústria Luso-Alemã (Portuguese-German Chamber of Commerce and Industry)

Associations which the Company Unilever Jerónimo Martins, Lda. in Portugal belongs to:

Associação Industrial Portuguesa (AIP) (Portuguese Industrial Association)

Member since 1933

Associação Portuguesa de Óleos e Gorduras Vegetais, Margarinas e Derivados (APOGOM) (Portuguese Association of Oils and Vegetable Fats, Margarines and Derived Products)

Member since 1963

Current Chairman: Luís Mesquita Dias (CEO of Unilever Jerónimo Martins, Lda.)

Associação dos Industriais de Sabões, Detergentes e Produtos de Conservação e Limpeza (AISDPCL) (Association of Soap, Detergent and Conservation and Cleaning Product Manufacturers)

Member since 1963

Associação dos Industriais de Cosmética, Perfumaria e Higiene Corporal (AIC) (Association of Cosmetic, Perfumary and Personal Hygiene Manufacturers)

Member since 1963

Federação das Indústrias Portuguesas Agro-alimentares (FIPA) (Federation of Portuguese Agro-food Industries)

Member since 1963

Associação do Azeite de Portugal (Casa do Azeite) (Olive Oil Association of Portugal)

Member since 1976

Associação Nacional dos Industriais de Gelados Alimentares (ANIGA) (National Association of Ice Cream Manufacturers)

Member since 1977

Current Chairman: Fátima Aveiro (Managing Director of the Out-of-Home Business Unit in Unilever Jerónimo Martins, Lda.).

Associação Portuguesa de Identificação e Codificação de Produtos (CODIPOR) (Portuguese Association of Product Identification and Coding)

Member since 1985

Associação Portuguesa de Anunciantes (APAN) (Portuguese Association of Advertisers)

Member since 1988

Associação Portuguesa de Logística (APLOG) (Portuguese Logistics Association)

Member since 1991

Associação Portuguesa de Empresas de Produtos de Marca (CENTROMARCA) (Portuguese Association of Brand Product Companies)

Member since 1994

Instituto Civil da Autodisciplina da Publicidade (ICAP) (Civil Institute of Advertising Self-Discipline)

Member since 1996

Associação Nacional dos Industriais de Refrigerantes e Sumos de Frutos (ANIRSF) (National Association of Soft Drink and Fruit Juice Manufacturers)

Member since 2003

1.5. Public Recognition in 2008

Throughout 2008, the activities of the Jerónimo Martins Group, its Companies and Banners were recognised and awarded by various entities, in both the Portuguese and Polish markets.

Recognition Awarded to Group Jerónimo Martins

- Jerónimo Martins is the largest Portuguese Group amongst the 250 largest world retailers, holding the 116th position, having risen 22 places in relation to the previous year, according to the most recent edition of the Deloitte *Global Powers of Retailing* report;
- Jerónimo Martins is amongst the 300 global medium sized companies which present a profile of growth, according to the *Global Challengers Class of 2008* report released by *Standard & Poor's*;
- The Group is amongst the six companies of the PSI-20 which comply with over 85 percent of the recommendations of the Portuguese Securities and Exchange Commission, according to a report published by this regulatory entity;
- Jerónimo Martins was attributed the Award for the best Annual Report for 2007, in the category of non-financial companies, by Deloitte, *Diário Económico* and *Semanário Económico*;
- The Group received the Award for Best Investor Relations Office amongst all portuguese companies listed on the Stock Market, attributed by *IR Magazine Awards 2008 Continental Europe*;
- Jerónimo Martins also received the Award for Best European Investor Relations Office in the Food Retail Sector (nominated by *Sell Side*), attributed by the *Institutional Investor*.

Recognition Awarded to the Distribution Businesses in Portugal

- The Company Recheio received the Award of Best Portuguese Company in the Distribution Sector, attributed by the magazine *Exame*;
- The Pingo Doce Banner is the most well known brand of the Portuguese speaking world, according to a study published by ISCTE carried out on two thousand students attending Portuguese courses coordinated by Instituto Camões;
- The Pingo Doce Banner won the categories of “Best Fresh Meat”, “Best Fruit” and “Best Fresh Fish” amongst all Modern Food Retail Banners, according to a TNS study released in 2008.

Recognition Awarded to the Business in Poland

- The Biedronka advertising campaign “Products which recommend themselves” received the Silver Statuette at EFFIE 2008;
- The Biedronka Banner received the “Best Business Partner” award for the seventh year consecutively, attributed for activities developed in the area of Social Responsibility, in particular for its collaboration work with Caritas;

- The Biedronka Banner won the first prize in the “Consumer Laurels” competition and the “Golden Customer Laurels 2008” award in the “Customer-Friendly Stores” category, attributed based on questionnaires and market surveys of the magazine’s readers;
- The Company Jeronimo Martins Dystrybucja S.A. was awarded second place amongst the one hundred polish companies of greatest value, in a study published by the magazine Newsweek in partnership with the strategy consultants A.T. Kearney;
- The Company Jeronimo Martins Dystrybucja S.A. is in the 11th place in the list of the 500 largest polish companies in terms of results, published by the magazine Polityka in 2008.

Recognition Awarded to Manufacturing and Services

- The Company Unilever Jerónimo Martins received the “2008 Good Eggs” award, attributed by Compassion in World Farming (CIWF), a leading international organisation for the protection of farm animals;
- The Magnum Origens Ice-cream made by Unilever Jerónimo Martins, won the *Sial D’Or* for Portugal in the category of ice cream;
- The Skip and Dove brands were classified in fourth and eighth places, respectively, in the “Most Magnetic Brands” study in Portugal, an initiative of Brandia Central in partnership with Marklab - Laboratório de Investigação Aplicada às Ciências do Marketing, which assesses the reputation and attractiveness of brands amongst consumers;
- The Skip brand was also awarded first place in the “Home Cleaning” category, in the same study;
- The Comfort brand received the “Award for Effectiveness of Commercial Communication”, in the “Non-Food Mass Consumption Products” category, in an initiative promoted by APAN - Associação Portuguesa de Anunciantes, for its “Inspired Housewives” campaign, which consisted in inviting housewives to co-create a campaign to launch Comfort Essência;
- The Axe deodorant brand received the “Sapo/Best Direct Mobile Campaign” award for its “Mission Axe” campaign, which consisted in a virtual game with contact points in the real world;
- Unilever Jerónimo Martins received the “Best Activation/Promotion of Lipton Ice Tea at McDonalds” award, attributed by PepsiCo;
- Two Unilever Jerónimo Martins brands/products were distinguished with the “Masters of Distribution” award: Caldo Knorr for Steak, in the sauces and seasonings category; Skip Small & Powerful, in the category of clothes washing products;
- The Dove, Becel and Skip brands, of Unilever Jerónimo Martins, were nominated as “Reliable Brands 2008”, in their respective categories, by readers of Selections from Reader’s Digest;

- The Guloso brand was distinguished with several awards for its “Olive Oil Stewed Sauce” spot:
 - Bronze Bell, in the “Best Film” category, at the International Festival of Advertising and Communication in the Portuguese Language;
 - Silver, also in the “Best Film” category, at the Creative Club Festival;
 - Included in the “Best Advertisements of the Year” of the “Brand Images” programme, of SIC Notícias;
 - Included in the short list of the “Best Film” category, at the El Sol - El Festival Iberoamericano de la Comunicación Publicidad Festival.

2. Strategic Positioning

2.1. Mission

Jerónimo Martins is a Portuguese Group with international projection operating in Food Distribution and Manufacturing, with a view to satisfying the legitimate interests of its Shareholders in the short, medium and long term, while simultaneously contributing to the sustainable development of the regions in which it operates.

Within the scope of its mission, the Group aims to:

- Promote **maximum operational efficiency** across all business areas so as to optimise the results generated through its financial, material and human resources;
- Ensure **customer satisfaction and loyalty** by improving their quality of life through a firm commitment to innovation and by offering the best possible value for money for the products and services it provides;
- Direct the entire Organisation to operate at the **highest standards of conduct and Social Responsibility**, building relationships of trust with all the Group's stakeholders;
- Conduct business through **dynamic and flexible organisations** that are endowed with human capital that knows how to match experience and accumulated knowledge with the ongoing need for change;
- Rely on continuous training and on the **most up-to-date management practices**, thereby, guaranteeing the whole Organisation is ready to face the strategic challenges.

2.2. An Integrated Vision of Sustainable Development

In its vision, Jerónimo Martins assumes an objective of sustainability based on ongoing value creation, on preserving the environment and natural resources, on improving the quality of life within the communities where its businesses operate, on safeguarding human rights and working conditions, and on promoting a fairer and more balanced social structure.

Within the scope of its vision, the Group assumes four axis of development:

- The **assessment of external environment**, which allows having in-depth knowledge about the sector and the markets, and the capacity to foresee the trends that are going to determine how robust businesses are in the future;
- The **assessment of economic, social and environmental effects* of its activities** which ultimately provides sustainability to its license to operate and determine major development priorities;
- The **gearing of sustainability in Company management**, with its genesis in the corporate identity of Jerónimo Martins, which in turn is reflected in the Group's model of governance;
- The availability of channels of **communication with strategic stakeholders**, which are determining factors in the match-up of expectations and in building solid commitments.

The four major axes of this integrated vision of sustainable development are presented in detail in points 2.2.1. to 2.2.4. of this chapter, with the objective of displaying the understanding and the practice of Jerónimo Martins.

2.2.1. Jerónimo Martins' View about Sector Trends

The Group operates in the areas of Food Distribution and Food Manufacturing of fast moving consumer goods. These two sectors are quite sensitive to macroeconomic environments and show great diversity and dynamism, both on the supply and demand side. Thus it is important to understand the factors that determine this profile.

Macroeconomic Issues

Economies are increasingly interconnected due to the effects of globalisation, and this is a reality that offers very relevant risks and opportunities for companies.

In this new, uncertain and volatile global reality, the macroeconomic scenarios outlined by specialists present increasingly significant deviations in projections such as economic growth, effects of fiscal and monetary policies, and even in the price of commodities and other production factors.

In turn, the financial markets are facing a phase of huge instability and lack of confidence, demanding much higher risk premiums and greater transparency and selectivity in granting credit.

* Effect: The term "effect" refers to the influence that certain aspects have on the economy, the environment or the community, while "impact" is seen as something instantaneous (spill, flight, etc.).

It is up to companies to adequately deal with this new macroeconomic reality of greater uncertainty and volatility.

Characterization of Demand

In the food business, the cycles of market development are progressively faster, with consumers being increasingly demanding and opting for brands that inspire trust and that present a value proposition having in mind four major trends:

- With access to information and to many supply alternatives, consumers show great rationality in their food expense and they look for the most competitive prices;
- Concerns regarding quality, food safety and well-being, or the search for specialities and convenient solutions, are global consumption trends, notwithstanding the different degrees of market development;
- From the social-demographic point of view, there are accentuated trends of an aging population, cultural plurality, concentration of the population in "mega" urban areas and smaller families, among other trends causing specific needs to emerge in those segments;
- Citizens are increasingly proving themselves to be more attentive and informed about today's environmental and social problems, and they want to know how brands act; in turn the media, specialists, NGOs and governments have been focusing public debate on issues of sustainability and social responsibility of companies, making these matters difficult to ignore.

Characterization of Supply

On the supply side, most operators in the Food Sector have been facing restructuring processes and optimisation of their business portfolios.

Those who seek to consolidate market positions in highly competitive environments continue to invest on technological development, innovation and differentiation of their business models to ensure a healthy competitive position.

Organic growth, merger and acquisition operations, and international expansion are central themes in the growth strategies of food sector companies, as a function of the local, regional or even global position that each company wishes to have in the market.

The relationship among retailers and manufacturers is increasingly characterised by a vision that promotes interdependence, collaboration and the development of strategic partnerships in the search for greater efficiency, productivity and innovation. The partnerships developed in the scope of sector associations also assume a progressively more relevant role in the technological development of the sector and the markets, and in promoting the common interests of the companies.

Simultaneously, both retailers and manufacturers are integrating sustainable development in their business strategies having five key priorities in mind:

- Understand how environmental and social issues affect customers' purchasing decisions in the different markets;
- Outline a communication strategy that promotes their sustainability credentials, reinforcing the strength of the brand or banner;
- Introduce environmental and social criteria in the selection and negotiation with suppliers;
- Identify the critical points in the sustainability of their value chain and outline development plans in that regard;

- Implement actions with immediate results alongside with structural projects on a medium to long term basis.

2.2.2. Main Effects of Jerónimo Martins' Activity

Operating in the food business, namely in the commercialisation of fast moving consumer goods and mass-market services it becomes pertinent to assume **"Sustainable Consumption" as one of Jerónimo Martins' strategic orientations** and having this perspective in mind, to identify the major effects of its activity.

It is important to mention that the economic, environmental and social effects are identified in compliance with the Organisation's profound knowledge regarding the nature of its business, and they mirror the relevance that the Operational and Functional Divisions attribute to them in performing its activities.

The identification of the effects presented in this report is developed having the Food Distribution Business in mind, which represents more than 90% of the Group's turnover.

Economic Effects

Jerónimo Martins is one of the largest domestic employers, concentrating a high volume of direct and indirect employment in the most diverse areas, and equally operating as a driving agent in the local economy of the communities in which it operates.

It is also one of the largest companies in the source of fast-moving consumer goods having a relevant impact on national production activity and operating as a catalyst of competitiveness, technological development and innovation.

It also holds a vast portfolio of property assets and has a significant group of stores that are rented.

The Group has an ongoing effort towards investment that generates more employment and more tax revenues, while simultaneously promoting the growth of the companies with which it works.

Finally, the Group has a direct influence on the value chain by assuming technological development as a priority, whether in partnership with its suppliers, or in the scope of sector associations to which it belongs. The sponsorship of initiatives that seek to optimise processes, reduce consumption, use more eco-efficient packaging, or explore manufacturing symbiosis, among others, may have very relevant economic impacts for all parties when applied to the value chain as a whole.

Environmental Effects

Given the nature and dimension of the Group's activity, the most relevant environmental effects at the operating level are the following: consumption of resources, namely energy, water and paper; placement of packaging in the market; generation of waste and liquid effluents equivalent to urban waste; emissions resulting from transport; emissions or noise from cooling, heating, ventilation and air conditioning equipment.

In the construction and outfitting of infrastructure, the most relevant environmental effects have to do with occupation of the soil and the waste generated by construction, urban effects, and effects on local biodiversity.

The Group has direct influence on the value chain by assuming the commercialisation of environmentally friendly products and by making information available to customers, which gives them incentive to shift to more environmentally adequate consumption standards. The Group can further participate in sector projects that promote reorganisation of the market system and technological improvements in order to preserve the Environment and natural resources as much as possible.

Social Effects

Throughout its history, Jerónimo Martins has placed the rights, working conditions and professional development of its employees in the centre of its concerns within the scope of human resources management, simultaneously integrating them into a culture that promotes professional excellence and team spirit.

Today it is a Group that has more than 53 thousand employees, it has several levels of operating management and a vast and geographically dispersed activity.

Mechanisms of corporate governance such as the Code of Conduct, the Ethics Committee and the regulations of the Board, become essential elements in the management system to guarantee consistency in the management of human resources at all levels of the Organisation and with suppliers.

In turn, the activity of Jerónimo Martins has a direct impact on the quality of life of the local communities through the assortment of products and the services it provides.

The Group further has a direct influence on the community through the exercise of its citizenship duty, collaborating in social development projects and contributing to causes that promote social support and integration of the underprivileged and minorities.

2.2.3. Sustainability in Company Management System

The Jerónimo Martins Group intends to continue building a sustainable future, preserving its solid corporate identity and retaining robust and reliable Brands and Banners.

Throughout its history, Jerónimo Martins has faced the most diverse combination of economic and social environments and it has known how to ensure the healthy continuation of its business.

Today it is faced with the phenomenon of globalisation, the volatility and uncertainty of macroeconomic scenarios, new information technologies, technological dynamism of the markets, and the commercial aggressiveness of operators, among other factors.

Aware of the implications of all these challenges, the Group has been implementing the management mechanisms that it considers most appropriate to ensure its sustainability in this new global reality.

Culture and the Management Model

The organisational culture of Jerónimo Martins, guided by values of rigour, transparency and innovation, among others, and by principles of integrity, loyalty, Social Responsibility is reflected in the various levels of its management model, namely:

- In its strategic vision sustained by two drivers: the creation of economic value and the promotion of the sustainability of the value chains where businesses are included, having in mind the economic, social and environmental effects of the activity;
- In the Company's governance model, which has evolved taking into consideration the major issues that Jerónimo Martins wants to see addressed and the best practices recommended by supervisory entities; in the policies, rules and best practices of internal management's manuals, as it is the case of International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) or the certification of critical activities, such as food and environmental safety, and the development of Private Brands;
- In the strategic planning, which regularly evaluates performance as a whole, it anticipates the risks and opportunities, outlines the activity plans, and focuses the teams on joint and individual objectives that arise from the proposals approved by the Board of Directors;
- In the careful selection of projects and development programs, having in mind the strategic focus of the Organisation, the impact on performance, technological availability, economic feasibility and investment priorities, among other factors.

Guaranteeing Cohesion and Respecting Differences

Within the portfolio of businesses, the Group is faced with some relevant diversity, namely:

- Presence in Portugal and Poland, two countries with different economic realities and different degrees of technological and social development;
- Presence in Retail and Wholesale, two different channels in food distribution in Portugal;
- A portfolio of different formats and different business models in food distribution – supermarket, discount, hypermarket and cash & carry stores;

- Presence in Food Manufacturing through a joint-venture with Unilever;
- Presence in the Food Service in Portugal, although its weight is very low in the Group's turnover.

This diversity demands efficient articulation between **"integration and autonomy"**. On one side, it is crucial to have a vision and strategic objectives that cross over all of Jerónimo Martins' businesses.

It is also crucial to have a common set of policies, rules, best practices and management models to preserve the solidity and cohesion of Jerónimo Martins' corporate identity and the strength of the Group's portfolio.

But, on the other side, it is important to respect the specifics of each market and each business model, and to give the Companies room to develop their value propositions in a differentiated manner.

Continuous and Balanced Evolution

The policies, rules, best practices that guide the conduct of Jerónimo Martins must accompany the evolution of the society as a whole in a proactive and informed way.

Jerónimo Martins further believes that its businesses must be developed towards consumer beliefs, and its brands and banners should consistently and determinedly incorporate economic, environmental and social values.

It is this positioning in managing change that sustains and reinforces the corporate identity of Jerónimo Martins in the eyes of its stakeholders, and reinforces the confidence of consumers in the Group's Brands and Banners.

2.2.4. Relationship with Stakeholders

"Above all, the Group's business is an activity of interpersonal relationship."

The profound knowledge that Jerónimo Martins has about society in general, as well as about its activity and value chains, markets, customers, consumption trends, risks and opportunities, to a large extent comes from the several daily contacts of the Group with all elements of the process at the most diverse levels.

It is also in the daily interaction that relationships of trust are built, providing sustainability to healthy growth, innovation and development, and which, in the most demanding environments guarantee mutual support.

Strategic Stakeholders

Jerónimo Martins considers strategic stakeholders to be all those who are determinant in the healthy continuity of the business within the scope of its mission, namely:

- **Customers and Consumers**, because without them there is no business. Therefore, it is fundamental that they value the offer and trust in the Brands and Banners of Jerónimo Martins;

- **Shareholders and Potential Investors**, since they support the existence of the Company. Therefore, it is essential to provide trustful releases regarding the performance of the Group. It is also important to reinforce the confidence of Shareholders and Potential Investors regarding future performance, showing that all relevant decisions are being taken to ensure the healthy continuity of the business;
- **Employees**, because they are the driving force and provide significant added value of the Group in comparison with its market competitors;
- **Suppliers, Business Partners and Service Providers**, because they are an essential part in building the value propositions of the Banners;
- **Official Supervisory and Local Entities** with which the Group relates in the scope of its activity;
- Representatives of the **Community** that promote interests that are equally important to the consumers and to the citizens of local communities in general;
- **NGOs and Associations**, that promote common interests, whether in market regulation and defence of the sector's interests, in technological and social development, or in preservation of the Environment and natural resources, among other.

Main Interlocutors

The Customer Service (SAC) is available through support lines, and is part of the Companies' Marketing Departments.

The Customer Ombudsman at Pingo Doce and Feira Nova, whose main responsibility is to defend and promote the rights, warranties and legitimate interests of customers, enjoying total independence in the exercise of its functions. Its activity is presented in the chapter Sustainability in Value Creation, of this report.

The Investor Relations Department, whose activity is presented in the chapter entitled Corporate Governance, in this report.

The Human Resources Department, whose activity is presented in the chapter Sustainability in Value Creation, of this report.

The Ethics Committee, who is a representative made available to the employees and to other stakeholders to accompany and guarantee, with independence and exemption, the release and fulfilment of the Group's Code of Conduct. Its activity is presented in the chapters Corporate Governance of this report.

The Communication Department, whose activity is presented in the chapter Corporate Governance, of this report.

The contacts of the abovementioned representatives are provided in this report, as are the contacts of the Chairman of the Board of Directors, Executive Members of the Board, and the Corporate Secretary.

Formal Communication Channels

By establishing main interlocutors and formal communication channels, the Group intends to provide information with rigour and transparency, and to promote an effective dialogue.

The site www.jeronimomartins.pt is the most inclusive channel for providing information, and the one to which all stakeholders can have access. In it the information is organised into various levels of specialisation, and the stakeholders can consult it according to their interests. Special attention is also given to the content and frequency of updates of the Group's web page in order to guarantee the effectiveness of this communication channel.

The **Annual Report**, also available on the web page, presents, by the Group's initiative, information about the economic, social and environmental performance of Jerónimo Martins in each year. A questionnaire is also made available, every year, to collect information about the quality of the information provided.

The Group further has several different tools at its disposal to communicate frequently with all of its employees – **Web platforms, being My.JM one of the most important, internal magazines, global meetings, various meetings, written messages, brochures, audio-visual supports** – and it activates all necessary channels to guarantee an effective communication.

Listening to employees is another concern of the Group, and it is done annually during the process of performance evaluation and personal development. There are also other, less commonly used mechanisms, such as Employee Satisfaction Questionnaires (over the last five years satisfaction questionnaires were given to employees of Biedronka, Pingo Doce and Feira Nova).

JM Direct is a communication channel and a management tool used in interactions with the Group's suppliers for business in Portugal, with 84% of the suppliers already associated.

The **Annual Private Brand Convention**, held in Portugal and in Poland, is also a major forum for sharing information with suppliers on the Group's strategic vision and the huge challenges that it faces, namely on Private Brands.

Information to the customer is made available using regular marketing and communication tools. In this area, particular attention is given to **Personal Customer Service** and to **In-Store Communication**, being the store the location where the customer is naturally predisposed to receive information to make decisions.

Listening to customers and consumers is one of Jerónimo Martins' main priorities, and that is why the Group regularly promotes questionnaires, studies and customer research at all its businesses, based on statistically relevant samples.

Establishing Commitments

In relationships with strategic stakeholders, it is fundamental to assume clear commitments, outline action plans, assign adequate resources and analyse progress.

Listening to stakeholders is critical in the process of defining more specific commitments for progress, and is something that the Group intends to continue promoting systematically and in articulation with business priorities.

2.3. Commitment to Value Creation and Growth

Having its management activity focused on value creation in the short, medium and long term, the Group assumes an economic commitment centred on the healthy and profitable growth of the current portfolio of assets, and on the development of new businesses.

Current Business Portfolio

In the first place, the Group seeks to ensure the continued strengthening of the market positions that it holds, meeting three major objectives:

- Attaining and reinforcing leadership in the markets where it operates, with its competitive position being assessed by its market share in total turnover and total sales area;
- Building and maintaining strong and responsible Banners and Brands, with its competitive position being assessed by image and positioning consumer research studies;
- Assuring the balanced growth of the businesses in sales and profitability, with its financial position being assessed by key performance indicators.

In pursuing these three objectives, the Companies are focused on continuously reinforcing its price competitiveness and its value proposition, on seeking incremental efficiency, on investing in technological updating and further, on identifying organic growth opportunities and assessing merger and acquisition alternatives that are integrated in the format positioning.

Development of New Businesses

In the second place, Jerónimo Martins intends to continue expanding its portfolio of assets through the rigorous study of business opportunities within the scope of its mission.

The Group's attention continues to be mainly channelled toward the geographic expansion of food distribution, but growth opportunities in other areas of the food sector will be analysed as well.

In studying new businesses, there is a set of requirements that must be fulfilled, namely:

- The selection of ideas must ensure that the strategic focus and a conservative risk profile are respected;
- The study of projects must adequately anticipate the investment risks, identify robust competitive advantages, and outline realistic business plans;
- Decision-making must consider the level of confidence in the project and the availability of human and financial resources, not forgetting that the investment needs to preserve the strength of the current business portfolio are always a priority.

Strategic Management Goals

In pursuing its growth strategy, Jerónimo Martins is concentrated on the ongoing strengthening of its balance sheet, giving particular attention to its capital structure, to the debt ratio, to risk coverage and to the portfolio balance in terms of growth and cash flow generation.

The Group further promotes the implementation of policies and the best practices in risk management to better preserve the value of its assets, to implement its business plans, and to evaluate investments.

Management is focused on capitalising the scale and Group synergies, in sourcing, technological knowledge, and in management best practices.

And finally, the Group supports innovation and a pioneering attitude towards the major consumer trends it strongly believes in, betting on strategic partnerships to capitalise on its responsibilities, and awarding value creation.

2.4. Commitment to Sustainability in Value Creation

Considering the main economic, social and environmental effects of its activity, Jerónimo Martins establishes a commitment that is focused on **"Responsible Purchase and Responsible Sale"**.

Within the scope of its development programme, there are six main challenges. They are as follows:

- Integrating Ethics and Competitiveness in Conducting Business;
- Being an Employer of Reference;
- Building a Trustful Offer with More Added-Value;
- Building Solid Commercial Relationships;
- Contributing to a Better Environment;
- Contributing to Social Support and the Common Well-Being.

Integrating Ethics and Competitiveness in Conducting Business

Jerónimo Martins would like to be recognised by its stakeholders as a Company that encourages competitiveness technological development and innovation in conducting business, and that does refrain from defending universal human rights and dignified working conditions, and principles of integrity, loyalty, transparency and rigour.

In this scope, the following privileged mechanisms have been established:

- Code of Conduct of the Jerónimo Martins Group;
- Ethics Committee;
- Customer Ombudsman.

Being an Employer of Reference

Jerónimo Martins wants to continue being an employer of reference in the sectors and geographic regions in which it operates. The solidity and cohesion of the organisational culture, the constant incentive toward professional development and excellence, and also the investment in improving working conditions are strategic vectors for the Group.

Within the scope of human resources management, there are specific development activities that are defined as follows:

- Identifying, attracting and integrating the people who share the Group's values and ambition;
- Promoting the development and growth of the employees through the Jerónimo Martins Training School, and renowned learning institutions with which partnerships have been established;
- Providing incentives for and retaining talent in the Companies through demanding and inspiring Career Programs; developing leaders recognised as references for the Organisation and for the Community;
- Focusing on improving work conditions in terms of occupational safety and health;

- Promoting fair and balanced salary policies that recognise the commitment of Jerónimo Martins to its employees and that encourage value creation;
- Promoting internal programs of social support and other benefits.

Building a Trustful Offer with More Added-Value

The Companies in the Jerónimo Martins Group would like to be recognised by their customers and consumers as trustworthy partners and facilitators in solving day-to-day food needs of the consumer, as well as for their efforts to improve the quality of life of the local communities, and in promoting responsible consumption.

Within this scope, the following strategic priorities of business development are established:

- To promote food safety as a strategic condition, and in this particular area, to assure the best performance in all businesses. The priorities in terms of quality and food safety are the following:
 - a) Implementation of the best practices in prevention, routine control and management of exceptional situations;
 - b) Continuous investment in employee training;
 - c) Sharing knowledge with suppliers and promoting their development in matters of food safety;
 - d) Investment in awareness and training of consumers to better preserve the quality of food products;
- To offer a balanced assortment at competitive prices, that is constantly renewed and incorporating more value for the consumer. Concerning these matters, the attention of the Companies is focused on:
 - a) Availability of new products and services in emerging categories and convenience categories;
 - b) Availability of integrated food solutions;
 - c) Development of actions that promote food health and provide incentive to consume more fresh products and Private Brand products with a better nutritional balance, and also provide information to the consumer about nutrition and a balanced diet;
- To provide a trustworthy service that offers increasing convenience to the consumer. Concerning these matters, the priorities of the Companies are the following:
 - a) The product availability;
 - b) A personal customer service that is reliable and of high quality;
 - c) The efficiency of Customer Support Service;
 - d) A comfortable and fast in-store purchase and the offer of service solutions in response to the needs of the current lifestyles;
- To develop activities that make customers aware of issues related to sustainability and promote the Responsible Consumption, by providing products carefully selected for that purpose and information about them so that customers can make more responsible and informed purchasing decisions.

Building Solid Commercial Relationships

Jerónimo Martins would like to be a reference for suppliers, service providers, business partners and competitors in conducting business, believing that the sharing of values alongside and the promotion of mutual interests, are key factors in developing healthy commercial relationships, with lasting gains for both parties.

Within this scope, the Group's development priorities are the following:

- In the selection of suppliers, better evaluate the level of compatibility between the parties to build lasting commercial relationships, namely:
 - a) Evaluate if key values, a similar vision and a compatible management model are shared;
 - b) Request economic, environmental and social supplier's credentials;
 - c) Analyse the supplier's capacity to promote technological development and innovation;
- Further, in selecting suppliers, assume the promotion of local sourcing as an intention from the Group, which must be considered as long as other required conditions are met;
- In daily relationships with suppliers, promote knowledge-sharing and project development that lead to greater levels of innovation, efficiency and productivity for both parties;
- In the promotion of technological development, be available to collaborate on projects in partnership with suppliers, or within sector associations to which the Group belongs, or even in consortia of companies. The projects must meet two essential requirements: i) they must be related to the promotion of better food safety, better Environment or more food health and innovation, and; ii) they must have a relevant and immediate impact in the Group's business, without implying an added risk.

Contributing to a Better Environment

Jerónimo Martins recognises that its environmental objectives may positively influence many parties and produce significant economic effects.

The Group's first major priority in environmental matters is safety. But, there are countless opportunities to improve environmental performance throughout the value chain in the most diverse areas, and the Group intends to continue to exert its efforts in promoting more adequate environmental behaviour.

Minimising environmental effects is assured through actions that prioritise preventing pollution and preserving natural resources. The Group's development priorities in this matter are the following:

- In Operations:
 - a) Rational consumption of energy and water and reduction of paper consumption;
 - b) Introducing more eco-efficient packaging;
 - c) Minimising emissions in the transport of goods and in equipment in use;
 - d) Selective collection of solid waste and promoting waste valorisation;
 - e) Efficient management of logistical processes;

- f) Adoption of environmental best practices in building infrastructure;
 - g) Environmental certification of infrastructure;
 - h) Employee training and adoption of environmental best practices;
- With Suppliers and Service Providers:
 - a) Sharing knowledge with suppliers, promoting their development in environmental matters;
 - b) Cooperation in joint development projects and participation in sector association projects;
- With Customers:
 - a) Promoting sustainable consumption through commercialisation of more environmentally friendly products and services;
 - b) Strengthening more environmentally sound attitudes and behaviours by making information available to consumers;
 - c) Promoting recovery of products from customers at the end of its lifecycle, and organising collection for selective treatment of waste.

Contributing to Social Support and the Common Well-Being

Jerónimo Martins would like to contribute to the social development of the communities where it is present, and to the promotion of a fairer and more balanced social structure, whether at the Brand level or at the institutional level.

This is a strategic option with well-defined lines that is governed by principles of Social Responsibility across the Group and by a policy of patronage and philanthropy presented in its own chapter in this report.

Concerning these matters, the areas of activity of Jerónimo Martins Group and of its Companies are as follows:

- Social Support;
- Promoting Social Inclusion;
- Promoting Volunteerism;
- Promoting Education and Culture.

End Note:

All the information regarding the governance model of Jerónimo Martins in 2008 is available in the chapter **Corporate Governance** in this report.

All the information regarding the economic performance of Jerónimo Martins in 2008 is available in the chapter **Value Creation and Growth** in this report.

All the information regarding the social and environmental performance of Jerónimo Martins Group in 2008 is available in the chapter **Sustainability in Value Creation** in this report.

3. Financial Glossary

This financial glossary is based on the income statement by functions.

- **EBITDA Margin =**
(+ Operating Results
+ Depreciation
- Non-Recurrent Operating Results)
/
Net Sales & Services
- **EBIT Margin =**
(+ Operating Results - Non-Recurrent Operating Results)
/
Net Sales & Services
- **OIC (Operating Invested Capital) =**
+ Gross Goodwill
+ Net Fixed Assets
+ Working Capital
- **NOIC (Non Operating Invested Capital) =**
+ Goodwill Accumulated Amortisation
+ Net Financial Investments
+ Deferred Taxes Provision
+ Income Tax Provision
- **Pre-Tax ROIC (Return, before taxes, on Invested Capital) =**
[Sales & Services / (OIC + NOIC – Deferred Taxes provision - Goodwill Acc.
Amortisation) average] x EBITA Margin
- **Cash Flow =**
+ Net Results
+ Depreciation
- Deferred Taxes
- Non Recurrent Items (operating, disposals and financial)
- **Net Debt =**
+ Bonds
+ Bank Loans
+ Other loans
+/- Derivative Financial Instruments
- Marketable securities and bank deposits
+ Leasing
+ Accrued interest
- **Shareholders Funds =**
+ Share Capital
+ Reserves and Retained Earnings
+ Net Profit of the year
+ Minority Interests

- **Gearing =**
(Net Debt / Shareholders funds)
- **Interest Cover Ratio**
+ EBITA
/
[+ Financial Results (excluding non recurrent items)
- Partners loans interest]
- **Like-For-Like sales:**
Sales made by stores which operated under the same conditions in two periods. It excludes opened stores, closed stores or stores which suffered major remodelling works in one of the periods.

4. Contacts

Aiming to facilitate the direct access to some of Jerónimo Martins Group entities the following e-mail address are disclosed:

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Pingo Doce Customer Support Service

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Recheio Customer Support

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Poland Customer Support

bok@biedronka.eu

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Address: ul. Postepu 17D - 02-676 Warszawa

Mon-Sat – 7 a.m. to 9 p.m.

Sun – 9 a.m. to 8 p.m.

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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 reinforcing the independence and technical responsibilities of the members of the supervisory bodies. Consequently, in the Annual Shareholders' Meeting of 2007 a revision of the By-Laws was resolved, contemplating the changes imposed by that law in this important matter.

The Company therefore 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, leading to definitive absence of the Director. 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 effect of the Code of Corporate Governance, 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 believes 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 own Code of Conduct, whose content connects 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. However, the Company admits that some recommendations were not adopted in full.

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. In relation to recommendation II.1.5.1, the only non-compliance of the Company is with sub-section **iii)**, which states that remuneration of non-executive directors must be exclusively comprised of a fixed amount, which is justified in the next point of the Report. The Company thus complies with the remaining recommendations in the remaining sub-sections.

RECOMMENDATION	ADOPTED	NOT ADOPTED	N/A
I.1.1	1.1.		
I.1.2	1.1.		
I.2.1	1.2.		
I.2.2	1.2.		
I.3.1	1.3.		
I.3.2	1.3.		
I.3.3	1.2.		
I.4.1		0.3.1.	
I.5.1	3.11.2.		
I.6.1	1.6.		
I.6.2	1.6.		
I.6.3	1.6.		
II.1.1.1	Introduction		
II.1.1.2	2.4.		
II.1.1.3	2.6.		
II.1.2.1	2.9.		
II.1.2.2	2.9.		
II.1.3.1	2.2.2.		
II.1.4.1	2.14.		
II.1.4.2	2.14.		
II.1.5.1		2.11; 2.12; 0.3.2.	
II.1.5.2		0.3.3., 1.5.	
II.1.5.3	2.12.		
II.1.5.4	2.13; 3.9.		
II.1.5.5		0.3.4.; 2.13.	
II.2.1	2.2.1.		
II.2.2	2.2.1; 2.3.1.		
II.2.3			X
II.2.4	2.3.1.		
II.2.5		0.3.5.	
II.3.1	2.3.1.		
II.3.2	2.3.1		
II.3.3	2.3.1.		
II.4.1			X
II.4.2	2.2.2; 3.11.2.		
II.4.3	2.2.2.		
II.4.4	2.2.2.		
II.4.5	2.2.2.		
II.5.1	2.3.1; 2.2.2.		
II.5.2	2.12.		
II.5.3	2.8; 2.12.		
III.1.2	3.11.		
III.1.3	3.11.2.		

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 is a rule that 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 the said 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. In relation to **Recommendation II.1.5.1 iii)**, it is important to explain that the Remuneration Committee decided that, considering his role according to 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 allow 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 is noted that since last year, a statement on the remuneration policy and the performance appraisal of the Company's managing and supervisory bodies is 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 the Board sees good reasons to introduce this practice via a recommendation. 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 difficult to find a common policy, which may be assessed, in useful way, by the Shareholders' Meeting.

0.3.4 The Company further accepts that, in light of the text in question, in the section that discusses the individual breakdown of remuneration paid to the members of the Board of Directors in **Recommendation II.1.5.5**, it is possible that it may be interpreted as not being fully complied with.

In this respect, the Company maintains the view that there are other options for verifying the internal distribution of remuneration and assessing the relationship between the performance of each Company sector and the level of remuneration of the members of the Board of Directors who are responsible for supervising these sectors, considering that it is achieved by indicating the overall remuneration of the Executive Directors on the one hand, and the Non-Executives on the other.

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

0.3.5. 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 may be 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. In addition, it seems to us that complying with the recommendation in question would 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 Chairman of the Board of the Shareholder's Meeting is Mr. João Vieira de Castro, and the Secretary is 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, and will therefore cease functions in 2009.

The Chairman of the Board of the Shareholder's Meeting, Mr. João Vieira de Castro, received an annual payment of five thousand euros. For the only meeting held in 2008, the members had all the human and logistic resources necessary to carry out their functions well. In 2008, in addition to support from the Company's employees, the members also had the help of two lawyers hired specifically for that purpose, and both their preparatory work that for the meeting itself were carried out in an exemplary fashion.

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. The most recent 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, the Chairman of the Board of the Shareholders' Meeting, understands 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 corresponds to one vote, and presence at the Shareholders' Meeting is not restricted to 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 web page.

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, in 2006 adopted adequate mechanisms so that Shareholders may vote electronically in Shareholders' Meetings. Thus, Shareholders must state their intent to exercise their right to vote electronically to the President of the Board of the Shareholders' Meeting, at the Company's Head Office or using the Jerónimo Martins website at www.jeronimomartins.com. 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 automatically cause serious erosion in the Company's equity in the case of change of control or modification in composition of the Board of Directors.

The By-Laws do not provide Shareholders with special rights or predict limits on exercising the right to vote, and 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 unanimous, in particular because they deal with somewhat dated instruments, if released 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 Company 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 (President), Rui Manuel de Medeiros d'Espiney Patrício, António Mendo Castel-Branco Borges, Hans Eggerstedt, Artur Santos Silva, Nicolaas Pronk, Luís Maria Viana Palha da Silva, Pedro Manuel de Castro Soares dos Santos, and José Manuel da Silveira e Castro Soares dos Santos.

The following managers comprise the Audit Committee: Rui Manuel de Medeiros d'Espiney Patrício, António Mendo Castel-Branco Borges and Hans Eggerstedt.

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

The Company Secretary is Mr. Henrique Soares dos Santos.

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

2.2.1. Executive Committee

The Corporate Executive Committee is formed by Mr. Luís Maria Viana Palha da Silva (President), Pedro Manuel de Castro Soares dos Santos and José Manuel da Silveira e Castro Soares dos Santos, notwithstanding the special responsibilities of the Chairman of the Board of Directors, and 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 above-referred 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 50,000,000 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 50,000,000 euros;
- To approve any disinvestments projected in approved plans, with sales of fixed assets up to 50,000,000 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, includes Mr. Hans Eggerstedt (President), Mr. António Borges and Mr. Rui Patrício, all of whom are independent according to legal criteria, paid particular attention in 2008 to matters of Corporate Governance, financial risk management, and the execution of the measures proposed by Internal Audit.

The Chairman 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 board.

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 from the theoretical and practical points of view.

The vast experience of the member of the Committee in positions required by the By-Laws, as well as their special technical merit in this particular matter, have created special 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: assessing the process of preparing and releasing financial information, the effectiveness of internal control systems, internal audit and risk management, regularly evaluating external audits, as well as 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 noted that 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 and that involved all the most highly credentialed international firms offering this type of service, which responded to strict specifications. 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 Communication) presiding, Mr. Hugo Cunha (Director of Human Resources of Recheio), Mr. António Neto Alves (Director of the Company's Legal Department), Professor Lesław Kanski (Director of the Legal Department of Jeronimo 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) administers a suitable internal control system for compliance with the Code of Conduct and assesses the recommendations arising from these controls; iii) evaluates questions that, also in compliance with this Code of Conduct, may be submitted to it by the Board of Directors of Jerónimo Martins and by the Audit Committee, and impartially analyses any questions raised by employees, customers or business partners through the system to communicate alleged irregularities; and, finally iv) submits to the Company's Board of Directors any measures it considers appropriate for adoption in this area, including the review of internal procedures, as well as proposals for changing the Code of Conduct.

The Ethics Committee met twelve times during 2008 and examined various questions submitted to it by the Executive Committee, the Group's employees and third parties. This year special note is given to the scope and reliability of the bottom-up communication system for reporting possible irregularities.

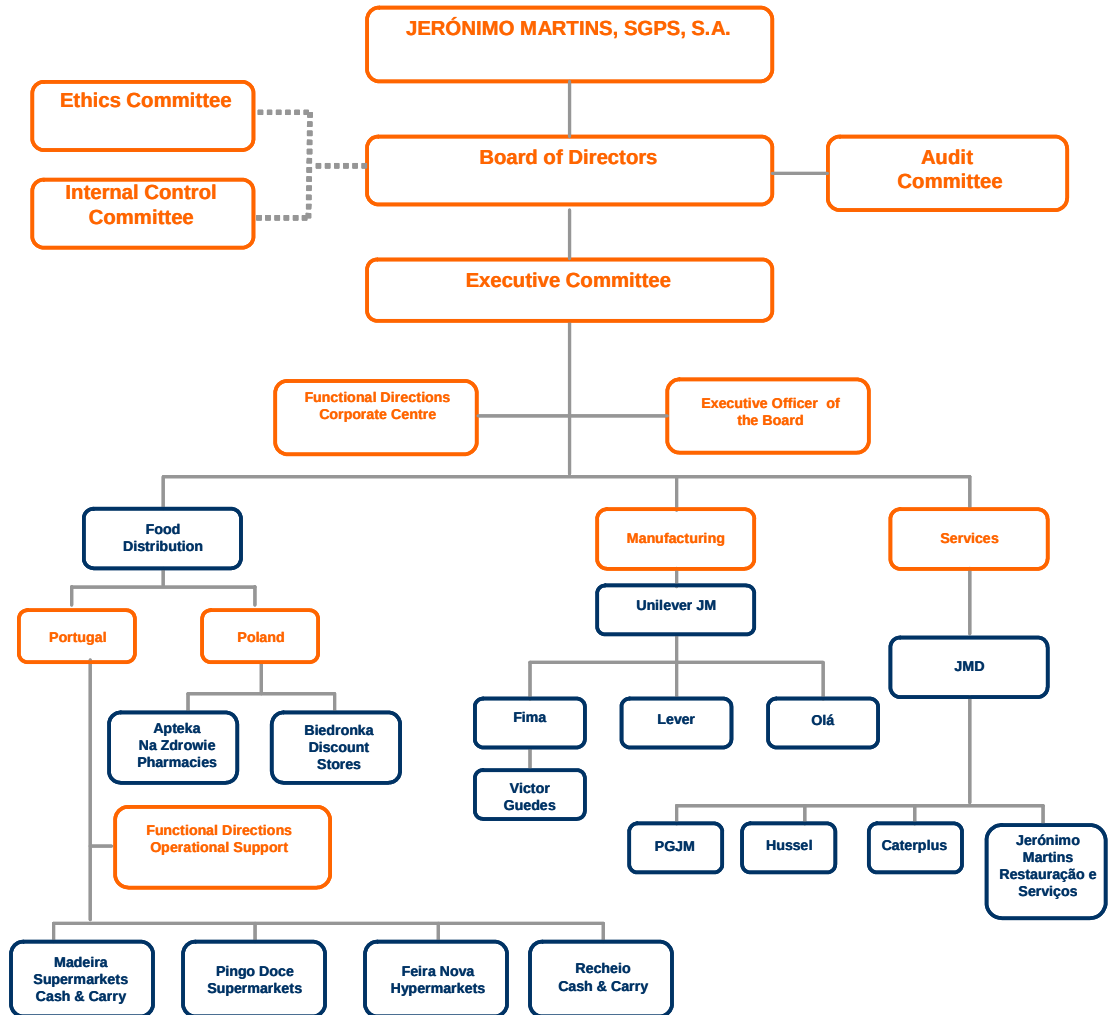
2.2.4 The Internal Control Committee

The Internal Control Committee, appointed by the Board of Directors and reporting to the Audit Committee, is specifically responsible for assessing the quality and reliability of the internal control system and the process of preparing financial statements, as well as assessing the quality of the monitoring process being used in Jerónimo Martins' Companies, with a view to assuring compliance with the laws and regulations to which they are subjected. In performing its tasks of assessing the quality of the monitoring process being used in the Companies, 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 Company Board Members.

In 2008, 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. When a representative of the External Audit team is invited to attend these meetings, the Committee is also informed of the conclusions of the external audit work that takes place during the year.

2.3. Structure and Operation of the Board of Directors and Distribution of Responsibilities



■ Organisational Structure

■ Business Structure

2.3.1 The Board of Directors

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

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, at present totalling four of the nine members. Furthermore, Corporate Governance practices have been reinforced and the Chairmanship of the Board of Directors (Mr. Elísio Alexandre Soares dos Santos) has been separated from the Chairmanship of the Executive Committee (Mr. Luís Palha da Silva).

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

Unless otherwise provided, decisions are carried by 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. All information requested by the Non-Executive Members was complete and provided in a timely manner by the Executive Committee.

2.3.1.1. President of the Board of Directors

The title of Chairman of the Board of Directors is represented 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 Communication.

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 Restaurants.

2.3.3. Organisational Structure and Distribution of Responsibilities

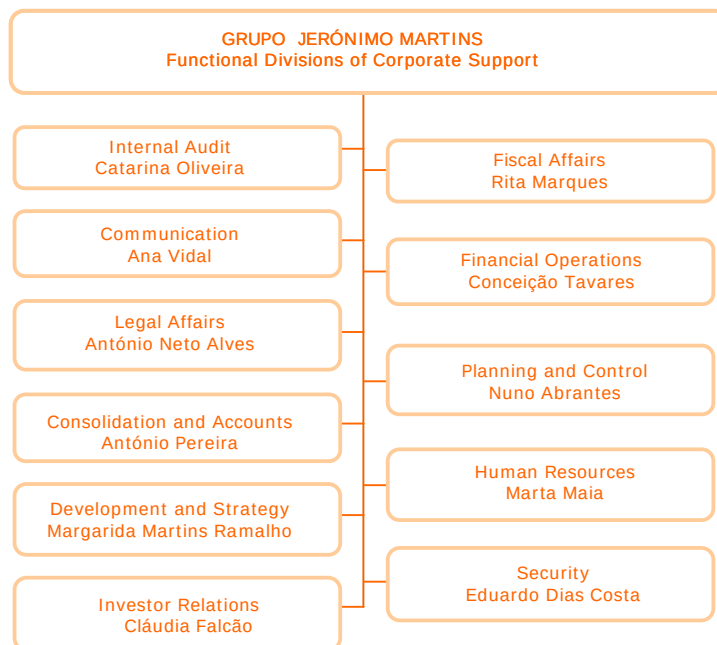
Jerónimo Martins SGPS, S.A. is the Holding Company of the Group, and as such is responsible for the main guidelines of the various businesses, as well as for ensuring consistency between the established objectives and the available resources. The Holding Company is made up of a group of Functional Divisions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

In operational terms, Jerónimo Martins is organised into three business areas: i) Food Distribution, ii) Manufacturing, and iii) Marketing, 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 Policy, 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 can be found in detail later 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. Included in its scope of responsibility are the Media Relations for the Holding Company and its subsidiaries, Institutional Communications Instruments, Patronage, Communication in matters of Social Responsibility, as well as brand management and managing the institutional image of Jerónimo Martins.

In 2008, the development of innovative communications solutions continued, some of which were recognised by the market, as in the case of the 2007 Annual Report, which, for the third time, received the award "Best Annual Report in the Non-Financial Sector" (Investor Relations and Governance Awards of 2008).

The other institutional communication instruments, whether internal or external, have been actualised in order to better inform all the Group's stakeholders. The Jerónimo Martins official Internet site registered an average monthly number of visitors that exceeded 40,000, and throughout 2008 the internal information portal, "My.JM", recorded a growth in the number of visits of around 25%.

In Media Relations, in addition to daily clarifications, interviews with business managers, and preparation of various press releases, six events were held with Social Communication and members of the Board of Directors, providing opportunities to receive clarification directly from the Group's top management.

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 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 2008, the Division focused on overseeing compliance with company obligations pursuant to the Corporate Governance Code, and in monitoring the conclusion of the operation to acquire the Tengelmann Group, the Plus Companies in Portugal and Poland, and the subsequent corporate reorganisation operations.

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 2008, 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.

Development and Strategy – Guarantees continuous assessment of the markets, identification of the risks, opportunities and major contingencies of the Group's activity in the short-, medium- and long-term, and analysis of activity plans for the different business areas. Contributes with perspectives on strategic debates that lead to value-creating projects, both in the current portfolio and in new business areas, and to strengthening organisational development. Ensures mechanisms of inclusion regarding the priorities that arise from strategic debate and mechanisms of communication to Managers, encouraging simple and objective language.

In 2008, the Division continued to provide analytical support to the Board of Directors' annual debate on the strategic plan. With the strategy in the consolidation phase, it urged analysing the strategy considering the most recent events in the external environment to identify the major short-term questions and revalidate medium- to long-term trends. Thus, the risks, opportunities, contingencies and uncertainties were scrutinised, and the competitive position of the businesses, the solidity of the portfolio and the strength of the balance sheet were evaluated. The exercise led to revalidation of the medium- to long-term goals, and clear definition of the priorities in the strategic plan for the 2009-2011 three-year period, which were presented to the Organisation in the December Managers' Meeting.

The study of expansion opportunities into new markets remained among the Group's priorities, to which the Division contributed with analytical work.

The in-depth study of some market consolidation scenarios and other contingencies with relevant impacts on the Group's businesses was also part of this Division's activities, which evaluated several alternatives for involvement.

The Division also evaluated several domestic and international studies on sustainability and the Social Responsibility of companies, some of which included Jerónimo Martins. In parallel, it continued to follow sustainability initiatives in the food sector, and it encouraged communication of an integrated vision of sustainability and value creation, which is included in this Annual Report.

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

It is also the responsibility of the Investor Relations Department to coordinate all matters related to the Securities and Exchange Commission.

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

Fiscal Affairs – Provides all 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 its relations with attorneys and external consultants, and also with the Tax Authorities.

In the course of its work in 2008, the Fiscal Affairs Department provided assistance to the Company's acquisition and restructuring operations.

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

Finally, during 2008, the Fiscal Affairs Department collaborated on filing several procedures to better defend the Group's interests before the Tax Authorities.

Financial Operations – This Division includes two distinct areas: Risk Management and Treasury Management. 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 that these bodies must fulfil.

The Treasury Management is also in charge of planning the most suitable financial sources according to 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 Management. Likewise, the Treasury is responsible for conducting business with financial institutions, optimising factors so that the best possible conditions may be obtained at all times.

A large part of the treasury activities of Jerónimo Martins is centralised in the Holding Company, which is a structure that provides services to the rest of the Companies of the Group. The Distribution Companies in Portugal are completely centralised, while the Polish Distribution and the Representation and Restaurant areas 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.

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

During 2008, the acquisition of the Plus Companies in Portugal and in Poland from the Tengelmann Group was finalised, pursuant to the Purchase and Sale Agreement entered into on 21 December 2007. The process of approving these transactions by the Competition Authority in Portugal and the corresponding body in Poland (UOKiK) was followed up. In addition, the activities of the different internal multi-disciplinary teams involved in integrating the respective Companies into the Jerónimo Martins universe and external bodies involved in financial, tax and legal auditing of the transfer process, were coordinated. Both processes were formally concluded during 2008.

It also coordinated and supported other smaller-scale merger and acquisition operations by different business areas in the Group, in Portugal and in Poland. Among the latter is the sale of the Lipton business in the Unilever-Jerónimo Martins joint venture in January 2008.

Regarding the Planning process, considering the impact of the Plus acquisitions and the volatility of some macroeconomic indicators in the geographical markets in which Jerónimo Martins operates, a more dynamic budgeting calendar was prepared in order to allow continuous tracking of financial performance in different economic environments.

The Group's organic expansion was also monitored and controlled, which meant the analysis and assessment of all Capital Disbursement Proposals, the scope of which is discussed in a separate chapter in the Management Report.

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 one side making it desirable to be employed by Jerónimo Martins, 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, getting involved whenever there are thefts and robberies, fraud and other illegal and/or violent activities perpetrated in the facilities or against employees. In particular, the Security Department supervises the strategies and performance of contracted security/monitoring companies, follows matters involving police or legal authorities, and supports audits, safety systems and risk prevention.

The activities carried out by this Functional Division in 2008 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 currently there are four Operational Divisions in Portugal: Pingo Doce (supermarkets), Feira Nova (hypermarkets), Recheio (cash & carries) and Madeira (supermarkets and cash & carries), and an Operational Division in Poland that includes Biedronka food stores and "Apteka Na Zdrowie" pharmacies in partnership with Associação Nacional de Farmácias (The Portuguese National Association of Pharmacies).

Manufacturing operates through a partnership with Unilever in the Company Unilever Jerónimo Martins, Lda., which runs the food, personal hygiene and domestic care, and ice-cream businesses.

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; and iii) Jerónimo Martins Restauração e Serviços, with the chain of Jeronymo coffee shops, Ben & Jerry's and Olá ice cream stores and Chili's restaurant.

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 include: 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 Implemented in the Company

2.4.1 Risk Management

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

Because of the size and geographical dispersion of Jerónimo Martins' activities, 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. All activities must be carried out with an understanding of what risk is and an awareness of the potential impact of unexpected events on the Company and its reputation.

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 that 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 (RMP)

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

The RMP is cyclical in nature, 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 fulfilment of the established goals are being identified and assessed.

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

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

2.4.1.3. Organisation of Risk Control

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

Quality and Food Safety

Management of this risk area is the responsibility of the Quality Departments of the different Companies, and it focuses on prevention, monitoring and training, encouraging minimisation of food risks (impacting the health of the consumer).

Prevention is supported by audits to select, assess and track suppliers' proposals for improvements. In addition, inspections are performed in the receiving area of the Distribution Centres, in an effort to control the sensory characteristics of Perishables in light of internal specifications.

Monitoring is based on regular internal audits, seeking to evaluate compliance with best practices, fulfilling certification requirements, and tracking the product throughout the entire logistical circuit. Also included in this area is the performance of periodic simulations that recreate a crisis scenario, and that allow assessing the adequacy of existing procedures, and the efficacy of collecting products from the market that are not in compliance.

The activities developed by the Quality and Environmental Departments are detailed in the chapter Sustainability in Value Creation.

Occupational Hygiene and Safety

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 Occupational Safety and Hygiene is centrally managed, covering all the Companies involved. Risk management of this area involves performing activities to increase employee awareness and provide employee training, audits performed on stores, preparation of assessment of risks of all the establishments, performing emergency simulations, and releasing work rules and instructions as well as preparing articles on this area, which are published in internal magazines.

The activities performed during 2008 are described in more detail in chapter Sustainability in Value Creation.

Security of People and Property

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

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

The Security Department is one of the Functional Divisions that comprise the Holding Company of the Group and it reports directly to a member of the Executive Committee.

In the scope of its activities, the Department is in close contact with the Operations, Legal Affairs, Internal Audit and Risk Management Departments.

Facilities and Equipment

The Companies' Technical Teams, in collaboration with the respective Operational Departments, are responsible for: i) guaranteeing the definition and execution of programmes for regular facility maintenance in order to meet operational needs, and ii) managing the process that aims to ensure the lowest level of negative impacts on operations that may arise from equipment maintenance and repair.

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

Financial Risks

Risk Factors

Jerónimo Martins is exposed to various financial risks, namely: market risk (which includes exchange rate risk, interest rate risk and price risk), liquidity risk and credit risk.

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

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

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

a) Market Risk

a.1.) Foreign Exchange Risk

The main source of exposure to foreign exchange risk comes from Jerónimo Martins' operations in Poland. Management of this risk is guided by principles defined at the Executive Committee level, consisting of coverage of a percentage of net investment in Poland, as well as coverage of a percentage of monthly sales expected in the next 24 months.

At 31 December 2008, and ignoring contracted hedge operations, the negative impact on net investment of an adverse variation in the Euro/Zloty exchange rate on the order of 10%, keeping everything else constant, would be –34 million euros (compared with –28 million euros in 2007). Incorporating the effect of contracted hedge operations, the impact would be –25 million euros (compared with –18 million euros in 2007). These impacts would be reflected in the Equity. Jerónimo Martins' sensitivity to this risk increased during 2008, due to the higher value of the net investment in Poland.

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

Financing	Amount	Maturity
Private Placement #1	\$84,000,000.00	23-06-2011
Private Placement #2	\$96,000,000.00	23-06-2014

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

Financing	Amount	Counter-amount	Maturity
Swap #1	\$84,000,000.00	€70,469,798.66	23-06-2011
Swap #2	\$96,000,000.00	€80,536,912.75	23-06-2014

Thus, net exposure to the Euro/US Dollar exchange rate resulting from these transactions is null, and there were no changes from 2007 to 2008.

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

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

The Group's exposure to foreign exchange risk in recognised financial instruments included and not included in the balance sheet at 31 December 2008, was as follows:

(€'000)				
As at December 31st, 2008	Euro	Zloty	Dollar	Total
Assets				
Cash and cash equivalents	118,648	108,484	0	227,132
Available-for-sale financial investments	7,470	0	0	7,470
Debtors and deferred costs	128,016	34,410	0	162,426
Derivative financial instruments	0	2,064	0	2,064
Total financial assets	254,134	144,958	0	399,092
Liabilities				
Borrowings	741,014	164,816	141,847	1,047,677
Derivative financial instruments	10,504	0	9,160	19,664
Creditors and accrued costs	836,924	661,694	0	1,498,618
Total financial liabilities	1,588,442	826,510	151,007	2,565,959
Net financial position in the balance sheet	-1,334,308	-681,552	-151,007	-2,166,867
As at December 31st, 2007				
Total financial assets	226,100	198,248	0	424,348
Total financial liabilities	1,215,053	719,079	151,007	2,085,139
Net financial position in the balance sheet	-988,953	-520,831	-151,007	-1,660,791

a.2.) Price Risk

Because of its investment in Banco Comercial Português, Jerónimo Martins is exposed to share float price risk. At 31 December 2008, a negative 10% variation in the trading price of BCP shares would have a negative effect of 159,000 euros. At 31 December 2007, a negative 10% variation in the trading price of BCP shares would have a negative effect of 438,000 euros. The significant reduction in the sensitivity to price changes is mainly due to the drop in the stock price over the last 12 months.

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

As at 31 December 2008, Jerónimo Martins had some investments in securities issued by the Portuguese and German Treasuries in its portfolio.

For Jerónimo Martins SGPS, S.A.:

Securities	Notional
OT	10,000,000
Bund	20,000,000

For JMR - Gestão de Empresas de Retalho, SGPS, S.A.:

Securities	Notional
Bund	25,000,000

These positions resulted from application of funds raised with the intent of satisfying short-term cash obligations. However, the main source of exposure to interest rate risk comes from the liability side.

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 cash flows based on forward rates, sensitivity tests to variations in interest rate levels are performed. Jerónimo Martins is basically exposed to the interest rate curve of the Euro and the Zloty. 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 2008, and ignoring the effect of interest rate derivatives and investments in treasury bonds, a drop of 50 basis points in the interest rate would have a negative impact, with everything else remaining constant, of 4.5 million euros. Incorporating the effect of interest rate derivatives, the net impact would be a positive 3.2 million euros, of which 2.9 million are related to interest rate derivatives associated with the Euro/Zloty exchange rate swap, 2.7 are related to interest rate derivatives associated with medium- and long-term debt, and 2.1 million are related to interest rate derivatives associated with Euro/US Dollar exchange rate swaps. These effects would be reflected in the results of the year.

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: i) bank deposits, short-term investments and derivatives contracted with financial institutions; and ii) 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-".

In relation 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 derivative financial instruments with positive fair value, as at 31 December 2008 and 2007:

(€'000)		
	31 Dec 2008	31 Dec 2007
Rating	Balance	Balance
AAA	47.354	-
[AA- : AA+]	43.738	-
[A- : A+]	133.429	196.543
Not available	1.164	68.963

The ratings shown correspond to the ratings given by Standard and Poor's. When these are not available, Fitch's ratings are used or Moody's ratings are used.

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

(€'000)

Credit quality of the financial assets		
	31 Dec 2008	31 Dec 2007
	Balance	Balance
New customer balances (less than six months)	2,168	788
Balances of customers without a history of non-payment	79,214	76,786
Balances of customers with a history of non-payment	14,850	12,575
Balances of other debtors with the provision of guarantees	16,522	1,180
Balances of other debtors without the provision of guarantees	48,641	56,963
	161,395	148,292

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

(€'000)

Concentration of the credit risk from the financial assets				
	31 Dec 2008		31 Dec 2007	
	No.	Balance	No.	Balance
Customers with a balance above 1,000,000 Euros	19	38,389	19	31,151
Customers with a balance between 250,000 and 1,000,000 Euros	67	15,911	110	15,009
Customers with a balance below 250,000 Euros	11,395	40,451	7,153	34,333
Other Debtors with a balance above 250,000 Euros	37	31,179	59	28,446
Other Debtors with a balance below 250,000 Euros	3,775	35,465	1,983	39,353
	15,293	161,395	9,324	148,292

During the reporting period, no credit limits were exceeded and it is not expected that losses will be sustained from defaults by these counterparties.

The maximum exposure to credit risk as at 31 December 2008 and 2007, 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, Jerónimo Martins 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.

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.

(€'000)

Exposure to liquidity risk			
2008	Less than 1 year	1 to 5 years	+ 5 years
Borrowings			
Financial Leasing	38,173	71,157	1,826
Loans	331,116	704,981	85,241
Derivative Financial Instruments	1,718	10,230	507
Creditors	1,399,507	-	-
Operational Lease Liabilities	132,608	415,600	506,002
2007			
Borrowings			
Financial Leasing	27,903	58,467	490
Loans	97,794	680,789	89,432
Derivative Financial Instruments	1,518	5,476	1,236
Creditors	1,148,179	-	-
Operational Lease Liabilities	86,134	251,988	209,615

Capital Risk Management

Jerónimo Martins seeks to keep its capital structure at appropriate levels so that it not only ensures its ability to develop and continue as a going concern, 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 90-110% as a target for 2008, consistent with an investment grade rating.

The gearing ratios at 31 December 2007 and 2008, were the following:

(€'000)

(€'000)	2008	2007
Capital Invested	1,776,975	1,443,471
Net Debt	845,850	579,266
Shareholder's Funds	931,125	864,205
Gearing	90.8%	67.0%

Information Security

The mission of the Information Security Department 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.

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

In 2008, the recovery plan for information systems (Disaster Recovery) was finalised, and it was integrated with the Business Continuity Plan for the Distribution area.

With the objective of reinforcing the information safety environment, a new content-filtering solution for Internet access for all employees was implemented, the remote

access platform was retooled to have rigid authentication, and the user-management process regarding system access was optimised. An external audit was performed on access profiles to the SAP system.

Legal Compliance

Compliance with legal obligations is ensured by the Legal Departments at the Companies. At the Holding Company level, 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, and also manages their tax proceedings.

The materially relevant fiscal and legal proceedings under way are detailed in the notes to the consolidated financial statements.

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 type of Operational Risks that comprise the risk management model include risks related to: sourcing, supply chain, transport, stock losses, obsolescence, disruption, level of service of suppliers and from the distribution centres to the stores, customer satisfaction, price maintenance, cash collection, investments, safeguarding assets, efficiency in the use of resources, business interruption and fraud. Among the risks related to Human Resources are risks associated with payroll, authorisation levels and ethical behaviour. Risks to Information for Decision-Making include accounting and financial reporting risks.

Communication, Reporting and Monitoring of the Risk Management Process

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

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

- To know about the most significant risks affecting Jerónimo Martins;
- To ensure that Jerónimo Martins possesses appropriate levels of knowledge of the risks affecting 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 approves the Internal Audit Department activity plan on an annual basis, which defines the nature of the audits to be performed, for evaluating the quality of the control processes that aim to achieve the Internal Control System objectives, particularly those that ensure the efficiency of operations, the integrity of financial and operating reports and respect for laws and regulations.

To this end, process and conformance audits were performed, as well as financial audits and information 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 2008, 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 damage and obsolescence, cash collection, transport, investments, safeguarding assets and control of accounts payable and accounts receivable.

In the Information Technology area, tracking the activities developed by the Information Safety Department was assured, namely integration of the Systems Recovery Plan with the Business Continuity Plan, and review of access profiles.

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 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, currently there are Regulations for the Board of Directors, the Executive Committee, the Audit Committee, the Ethics Committee and the Internal Control Committee in effect that 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 at www.jeronimomartins.pt, or requested from the Investor Relations Office. In addition to the abovementioned documents and applicable legal provisions with which the Company complies, there are no other internal regulations regarding incompatibilities and the maximum number of corporate positions that may be accumulated.

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

The Company's Board of Directors currently does not have an alternate member, although the Articles of Association allow it. 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 Member of the Board of Directors, the Board will agree on a substitute, and if appointment of the substitute does not occur within sixty days from the death 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 2008 the Board of Directors met five times, the Executive Committee met thirty-one times, and the Audit Committee had four meetings. In addition, the Ethics Committee met thirteen times, and the Internal Control Committee had eleven meetings. The respective minutes were prepared for these meetings.

2.9. Description and Identification of the Board of Directors

Since its election at the Shareholders' Meeting on 30 March 2007, the Company's Board of Directors has been comprised of nine Members, three of whom form the Executive Committee – Mr. Luís Palha da Silva, Mr. Pedro Soares dos Santos and Mr. José Soares dos Santos – being the outstanding six Mr. Elísio Alexandre Soares dos Santos (Chairman of the Board), Prof. António Borges, Mr. Rui Patrício, Mr. Hans Eggerstedt, Mr. Artur Santos Silva and Mr. Nicolaas Pronk.

Of the Non-Executive Members, three of them – Prof. António Borges, Mr. Rui Patrício, Mr. Hans Eggerstedt – comprise the Audit Committee, complying with the rules of incompatibility indicated in No. 1 of Article 414-A of the Code of Commercial Companies, with the exception of what is stated in subsection (b).

However, in accordance with the principles by which the Company is run, all Board Members are accountable to all Shareholders equally. However, 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 No. 5 of Article 414 of the Code of Commercial Companies, the Independent Members are António Borges, Rui Patrício, Artur Santos Silva and Hans Eggerstedt.

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

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

Executive Director Pedro Soares dos Santos joined the Operating Division of Pingo Doce in 1983. In 1985, he joined the Sales and Marketing Department of Iglo/Unilever, and five years later, assumed the post of Assistant Director of Recheio Operations. In 1995, he was named General Manager of the Company. Between 1999 and 2000 he accepted responsibility for operations in Poland and Brazil. In 2001, he also 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. His current mandate expires in 2009.

Executive Director José Soares dos Santos, who holds a Biology Degree from Universidade Clássica de Lisboa, joined Svea Lab AB in Sweden, in 1985, prior to going to work for 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. His present mandate expires in 2009.

António Borges, who has a degree in Economics from Universidade Técnica de Lisboa and a PhD in Economics from Stanford University, attended INSEAD in 1980. In 1990 he was nominated Vice Governor of Banco de Portugal, and in 1995 he was named Dean of INSEAD. He was also a Lecturer at Universidade Católica and Stanford University, and a Consultant for the Treasury Department of the United States of America, the OCDE and the Portuguese Government. He has held various administrative posts, including at Citibank Portugal, Petrogal, Vista Alegre, Paribas and SONAE. He 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, and his current mandate expires in 2009.

Hans Eggerstedt has a degree in Economics from the University of Hamburg. He joined Unilever in 1964, where he has spent his entire career. Among other positions, he was Director of Retail Operations, Ice Cream and Frozen Foods in Germany, President and CEO of Unilever Turkey, Regional Director for Central and Eastern Europe, Financial Director, and Information and Technology Director of Unilever. He was nominated 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, and his current mandate expires in 2009.

Rui Patrício has a Law degree from the Law School of Universidade de Lisboa, where he was an Assistant from 1958 to 1963. In 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, and his current mandate expires in 2009.

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. His current mandate expires in 2009.

Nicolaas Pronk is Dutch, and has a Masters degree in Finance, Auditing, and Information Technology. Between 1981 and 1989 he worked for KPMG in the Financial Audit area for Dutch and foreign companies. In 1989 he joined the Heerema Group, created the Internal Audit Department, and since then has performed various functions within the Group, having been responsible for various acquisitions and divestitures, defining Corporate Governance and implementing EVA. Since 1999 he

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

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

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

Luís Palha da Silva

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

Pedro Soares dos Santos

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

* Companies that are part of Jerónimo Martins Group.

Director of Feira Nova - Hipermercados, 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 SCGR, Comércio por Grosso e a Retalho 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 Servicompria - 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.

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)

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)

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)
President of Cotec Portugal - Business Association for Innovation

* Companies that are part of Jerónimo Martins Group.

Nicolaas Pronk

Member of the Board of Directors of Heerema Holding Construction, Inc.
Member of the Board of Directors of Heerema Offshore Construction Group, Inc.
Member of the Board of Directors of Heerema Fabrication Group, Inc.
Member of the Board of Directors of Heavy Transport Group, Inc.
Member of the Board of Directors of Heerema Engineering & Project Services, Inc.
Member of the Board of Directors of RegEnergysys, Inc.
Member of the Board of Directors of RegEnergysys Investment I, Inc.
Member of the Board of Directors of RegEnergysys Investment II, Inc.
Member of the Board of Directors of RegEnergysys Investment III, Inc.
Member of the Board of Directors of Heerema Infrastructure, Inc.
Member of the Board of Directors of RegEnergysys Investment I Ltd.
Member of the Board of Directors of RegEnergysys Investment II Ltd.
Member of the Board of Directors of RegEnergysys Investment III Ltd.
Member of the Board of Directors of RegEnergysys Investment IV Ltd.
Member of the Board of Directors of Heerema Holding Services (Antilles) N.V.
Member of the Board of Directors of Antillian Holding Company, N.V.
Member of the Board of Directors of Heerema Bouw - & Infrastructure N.V.
Member of the Board of Directors of Aquamondo Insurance N.V.
Member of the Board of Directors of Heavy Transport Holding Denmark ApS
Member of the Board of Directors of Aquamondo Insurance Company Ltd.
Member of the Board of Directors of RegEnergysys (Bermuda) Ltd.
Member of the Board of Directors of Heerema Fabrication Finance (Luxembourg) S.A.
Member of the Board of Directors of Heavy Transport Finance (Luxembourg) S.A.
Member of the Board of Directors of Heerema Transport Finance (Luxembourg) S.A.
Member of the Board of Directors of Heerema Transport Finance (Luxembourg) S.a.r.L.
Member of the Board of Directors of Heerema Transport Finance II (Luxembourg) S.A.
Member of the Board of Directors of Heerema Group Services S.A.
Member of the Board of Directors of Asteck S.A.
Member of the Board of Directors of Heerema Engineering and Project Services (Luxembourg) S.A.
Member of the Board of Directors of Heerema Engineering Holding (Luxembourg) S.A.
Member of the Board of Directors of 360 Family Equity S.A.
Member of the Board of Directors of RegEnergysys Holding (Luxembourg) S.A.
Member of the Board of Directors of RegEnergysys Finance (Luxembourg) S.a.r.L.
Member of the Board of Directors of RegEnergysys, Holding B.V.

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.

The variable component is approved annually, at the proposal of the Chairman of the Board of Directors, 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, at the proposal of the Chairman of the Board of 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 Shareholders' Meeting in 2007 elected a Remuneration Committee, which is comprised of the following Shareholders: Mr. António Sousa Gomes, Mr. José Queirós Lopes Raimundo and Mr. Arlindo do Amaral, none of whom 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 2008, the Remuneration Committee met twice, 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. It is Jerónimo Martins' policy to request the presence of representatives of the Remuneration Committee in Shareholders' Meetings so that, if necessary, they can participate in matters within their sphere, particularly the mentioned policy statement. In 2008, despite having verified the absence, due to impediment, of the representative of the Remuneration Committee, the Company's support services were prepared to receive any question from Shareholders that could have been answered later by the Committee. However, during the course of analysis of the statement submitted by the Remuneration Committee, as well as during the remaining discussions of these matters throughout the meeting, it was not necessary for the Remuneration Committee to participate.

2.13. Remuneration of the Members of the Board

The remuneration paid to the Members of the Board in 2008 was 2,999,219.04 Euros, with the members of Executive being paid 1,869,137.84 Euros (1,352,907.84 Euros as fixed payment and 516,230.00 Euros as variable payment) and the outstanding Directors received 1,130,081.20 Euros (884,007.20 Euros as fixed payment and 246,074.00 Euros as variable payment).

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 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.

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.

Chapter 3 Information

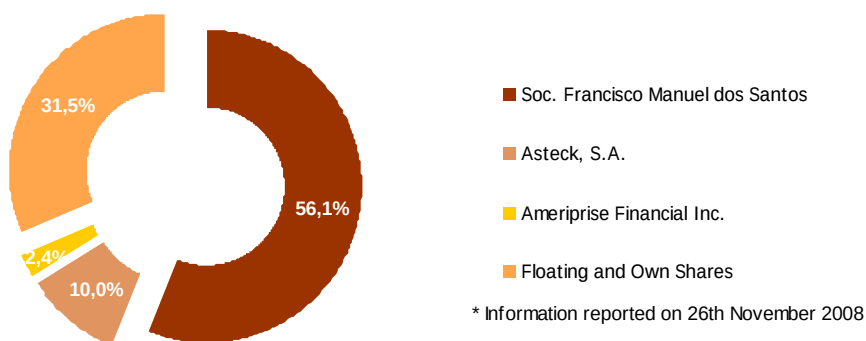
3.1. The Company's Capital Structure

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 859,000 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 2008, there was no movement whatsoever of own shares.

3.2. Shareholder Structure

The Companies whose rights to vote under the terms of Paragraph No. 1 of Article 20 of the Securities and Exchange Code, must be attributed to Ameriprise Financial Inc. They are identified in the note that refers the List of Qualified Shareholders as at 31 December 2008, included in the Annex to the Consolidated Management Report of this Report. Other qualified Shareholders are Sociedade Francisco Manuel dos Santos SGPS, S.A., and Asteck, S.A.

Shareholder Structure



*Source: Shareholder communications.

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

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 are no foreseen control mechanisms in a system by which employees may participate in the Company's capital.

3.5. Share Price Performance

In 2008, the main Portuguese stock market index – the PSI-20 – devalued 51.3%, reflecting the worst year since World War II in the financial markets.

The sharp drop in the national index during 2008, although it was the largest among the European indices, followed the downward trend of the stock markets, which were affected by various factors of instability, particularly noting the various takeovers, both in the United States and in Europe, by reorganisation of the banking model (investment banks that became commercial banks), and due to the consolidation movement caused by nationalisations and bankruptcies. In Portugal, one bank was also nationalised, and aid to the banking industry in general was provided.

In addition, the decrease reported in companies' results, increased debt and the outlook for worse results in the future, combined with weak Mergers and Acquisitions, did not allow the markets to maintain the interesting growth rates they had experienced in previous years.

The year 2008 was a year of reversal for stock markets in terms of performance, volatility and uncertainty, and most outlooks for 2009 foresee a very conservative scenario.

In particular, the Portuguese stock market was marked by the general decline in share prices, some of them significant, especially the poor performance of shares in the banking and construction areas.

With a decline of 26.5% in comparison with the prior year, Jerónimo Martins was the second-best performer on the PSI-20. No listed company had positive performance.

The PSI-20 Index continued its downward trend throughout the year, with the fourth quarter registering the worst performance (-21.1%), dropping to a value close to 5,800 points, the lowest amount for the year, on 27 October.

3.6. Performance of Jerónimo Martins Shares

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

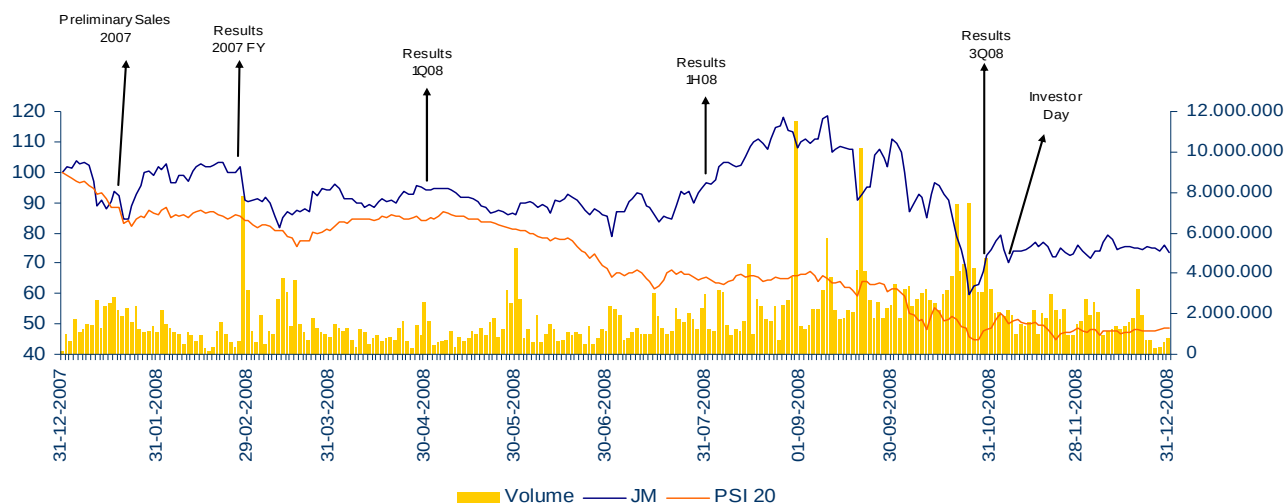
In the first months of 2008, the trend of Jerónimo Martins' share price was downward, following the devaluation of the PSI-20 Index, however the performance of Jerónimo Martins' shares has exceeded the Portuguese Index since the start of the year. The lowest of the year was on 22 October (3.22 euros), and the highest was on 9 September (6.40 euros).

The greatest jump in the share price coincided with the release of first half results (August and September), caused by higher-than-expected sales performance, mainly at Pingo Doce and Biedronka, and by the excellent operational performance of Biedronka, which exceeded financial market estimates.

The greatest drop coincided with the fourth quarter of the year, when the Zloty devalued to 15.7% of the average exchange rate in 2008, which led to lowering the estimated target share price, and increased investor apprehension regarding the exchange rate.

In terms of liquidity, it is important to note that liquidity records were attained. During the year, the daily trading volume of Jerónimo Martins' shares was 18,310,324, nearly 69.5% higher than the volume recorded in 2007.

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

	2008	2007	2006	2005	2004
Share Capital	629.293.220	629.293.220	629.293.220	629.293.220	629.293.220
Number of ordinary shares	629.293.220	629.293.220	125.858.644	125.858.644	125.858.644
Own Shares	859.000	859.000	171.800	171.800	171.800
EPS (Eur)	0,26	0,21	0,92	0,88	0,83
Cash Flow per share (Eur)	0,55	0,42	2,05	1,96	2,23
Dividend per share (Eur)*	0,10	0,44	0,42	0,36	0,00
Stock market Performance **					
High (Eur)	6,4	5,59	3,52	2,57	2,00
Low (Eur)	3,22	3,43	2,55	1,97	1,54
Average (Closing) (Eur)	4,92	4,37	2,85	2,35	1,76
Closing (End of year) (Eur)	3,97	5,40	3,40	2,54	1,94
Market Capitalisation (31/12) (Eur's 000,000)	2.498	3.398	2.140	1.598	1.221
Transactions					
Volume (1.000 shares) **	468.826	275.512	189.430	173.135	144.815
Annual Growth					
PSI 20	-51,3%	16,3%	29,9%	13,4%	12,2%
Jerónimo Martins	-26,5%	58,8%	33,9%	30,9%	5,0%

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

** data for the years 2004 to 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 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:

16 January	Preliminary Turnover 2007
27 February	2007 Year-End Results
30 April	Results 1st Quarter 2008
30 July	Results 1st Half 2008
30 October	Results 3rd Quarter 2008

The following table shows the performance of Jerónimo Martins' shares, considering the announcement of results and material information during 2008.

Event	Date	Price	Price variations JM		
			5 days before	1 day after	5 days after
Trading Sales 2007	16 January	4.88	-0.7%	3.7%	-1.7%
Results year end 2007	27 February	5.50	0.8%	-10.7%	-10.9%
Results 1 st Quarter 2008	30 April	5.14	0.2%	-1.1%	-0.7%
Results 1 st Half 2008	30 July	5.10	1.9%	2.2%	4.9%
Plus Poland	24 September	5.70	10.1%	2.1%	1.3%
Results 3 rd Quarter 2008	30 October	3.63	13.3%	7.8%	12.3%

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 2005, the gross dividend paid to Shareholders was 0.42 euros per share, in comparison to 2006, which was 0.44 euros per share, and relative to 2007 it was 0.096 euros per share (corresponding to 0.48 euros adjusted by the stock split in 2007), always according to the abovementioned directives.

In view of the net results of fiscal year 2008 and the established policy, at the Shareholders' Meeting the Board of Directors will propose the distribution of a gross dividend of 0.11 euros per share, excluding the 859,000 owned shares in the portfolio.

This proposal represents an increase of 14.6 % over the dividend paid in the prior year, corresponding to a dividend yield of 2.2 % on the average share price in 2008, which was 4.92 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 2008, 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 relevant information – historic description, current performance and future outlook - to all its stakeholders so that they will have clear and complete knowledge about Jerónimo Martins.

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 available in a non-discriminatory manner to its stakeholders, being transmitted clearly, completely and consistently.

3.11.2. Activities of the Investor Relations Office

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 is the responsible person within the Investor Relations Office for Market Relations.

The Office prepares a Communication Plan with the Financial Market on an annual basis. This Plan, duly included in the global communication strategy of Jerónimo Martins, is based on the principles of transparency, rigour and consistency that define the Communication Policy of Jerónimo Martins.

With the objective of transmitting an updated and clear vision of the strategies of the different Business Areas of Jerónimo Martins to the market, in terms of operational performance and outlook, within the scope of the Communication Plan, the Investor Relations Office organises a series of events so that investors can learn about the Group's various businesses, its strategies and future outlook, and it simultaneously follows development of activities during the year, clarifying any doubts.

During 2008, the Investor Relations Office put on events that allowed the financial markets to have dialogue not only with the Investor Relations Office, but also with Jerónimo Martins' management team. The following events were highlights:

- Meetings with financial analysts and investors;
- Answering questions sent by e-mail to the Department;
- 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, in 2008 the following communications were published:

Privileged Information

December 18, 2008	Financial Calendar Plan for 2009
November 6, 2008	Investor's Day Presentation
October 30, 2008	Release - 3rd Quarter 2008 Results
October 1, 2008	Plus Acquisition in Poland - Conclusion of the Agreement
September 24, 2008	Plus Acquisition in Poland - Anti Trust Authority Approval
July 30, 2008	1st Half 2008 Presentation
July 30, 2008	Release - 1st Half 08 Results
July 8, 2008	Update on Financial Calendar Plan for 2008
April 30, 2008	Plus Acquisition in Portugal - Conclusion of the Agreement
April 30, 2008	Release - 1st Quarter 2008 Results
April 29, 2008	Plus Acquisition in Portugal - Anti Trust Authority Approval
February 28, 2008	Presentation 2007
February 27, 2008	Annual Report 2007 to be approved in the General Meeting
February 27, 2008	Release - FY 2007 Results
February 12, 2008	Update on Financial Calendar Plan for 2008
January 31, 2008	Update on Financial Calendar Plan for 2008
January 16, 2008	Release - Preliminary Sales 2007

Financial Information

November 25, 2008	3rd Quarter 08 Consolidated Results
May 15, 2008	Accounts 1st Quarter 2008
August 27, 2008	Accounts 1st Half 2008
March 14, 2008	Approval of Annual Report 2007
February 29, 2008	Accounts 2007 to be approved in the Shareholders Meeting 2008
	Issues 1, 2, 3 and 4 of the Agenda

Corporate Governance

March 14, 2008	Corporate Governance Report - 2007

Dividends, Interests, Redemptions and Exercise of Other Rights

March 14, 2008	Dividends Payment for 2007

Notice of Meetings

February 11, 2008	Notice - General Shareholders Meeting 2008

Qualifying Holdings and Shareholders Agreements

November 26, 2008	Reduction of Qualified Participation - T. Rowe Price Associates
November 10, 2008	Qualified Participation - T. Rowe Price Associates
October 27, 2008	Qualified Participation - Threadneedle
October 27, 2008	Reduction of Qualified Participation - Artio Global Management
October 7, 2008	Reduction of Qualified Participation - Threadneedle
May 26, 2008	Reduction of Qualified Participation - Morgan Stanley
April 8, 2008	Qualified Participation - Morgan Stanley

Annual Summary of Information Disclosed

March 14, 2008	Annual Summary of Information Disclosed on 2007

The Office may be contacted through the Market Relations representative and the Investor Relations Office Manager, Ms. Cláudia Falcão – and at the e-mail address investor.relations@jeronimo-martins.pt.

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

- Announcements to the market regarding material information;
- Annual, six-month and quarterly reports of Jerónimo Martins, including the annual report on the activities performed 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;
- The Group's most recent presentation to the financial community;
- Information about share performance on the stock market;
- The annual calendar of Company events, released at the beginning of every year, including, among others, Shareholders' Meetings, the disclosure of annual, half-year 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;
- Customer Ombudsman.

A significant part of the information on the webpage – specifically what is recommended by the CMVM – is in the english language, and the Company is also a pioneer in providing information to the blind, using a tool that allows them to access the information on the web page.

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

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

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

It is also the responsibility of the Office to produce the Annual Report, which is well known as a fundamental document for communicating with financial markets. The Office strives to publish transparent and comprehensive information regarding the various Business Areas of Jerónimo Martins in the annual report, seeking to clearly, completely and consistently transmit the progress of the different activities during the year.

The effort of the entire Jerónimo Martins team in preparation of this document resulted in the Group receiving the award for Best Annual Report for the third time, in the category of Non-Financial Companies, awarded at the Investor Relations Awards '08 ceremony organised by Deloitte, in partnership with the newspapers Semanário Económico and Diário Económico.

3.12. Yearly Remuneration Paid to the External Auditor

In 2008, total remuneration paid to the External Auditor and other individuals or companies belonging to the same network was 1,178,147 euros, not including expenses related to travel and other costs paid by the Group's Companies.

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

- Legal accounts audit services: 59%;
- Other services (not legal accounts audits or external audits): 41%.

The services not included in the legal account certification, a total of 485,191 euros, relate to support for internal reorganisation processes and business acquisitions, access to a tax database, technical consulting on a project for conversion to accounting standards, and certification of subsidiary accounts as a part of commercial transactions with third parties and training activities. During 2008, it is particularly noted that a significant part of the work provided within this scope (more than 90%) was related to due diligence work performed on companies within the Tengelmann Group, which were acquired by Jerónimo Martins in Portugal and Poland. 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.

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1. Relevant Facts of the Year

Operating Activity

January

- Opening of the Chamusca and Cartaxo Pingo Doce stores;
- Disposal of part of the ready to drink tea business of the Lipton brand to Pepsi Lipton International (PLI) and signing of a distribution contract by Unilever Jerónimo Martins for these products in Portugal.

February

- Opening of the Coimbrões Pingo Doce store;
- Opening of the JM Distribution Centre in Laúndos (North of Portugal).

March

- Notification of clearance from the Competition Authorities regarding the concentration of Recheio/Luta;
- Opening of the Perosinho Pingo Doce store;
- JMD launches new represented brand - Malaki (shrimp);
- Opening of the Hussel store in the Fórum Coimbra;
- Start of the merger of the Pingo Doce and Feira Nova brands – opening of the first converted store in Faro (Penha).

April

- Early repayment (Call Option) of a bond loan by Jerónimo Martins SGPS, S.A. for 40 million euros, taken out in 2003 which was due to mature in October 2010;
- JMD launches new represented brand - Leaf /Truly (gummies);
- Opening of the Olá store in the Palácio do Gelo in Viseu;
- Notification of clearance from the Competition Authorities regarding the acquisition of Plus in Portugal.

May

- Re-branding of the former Plus stores as Pingo Doce;
- Opening of the Alcochete Distribution Centre (ex Plus – Centre of Portugal).

June

- Opening of the Porto de Mós and Ermesinde Pingo Doce stores;
- Opening of a new Distribution Centre in Lubin (South East of Poland), to replace the existing one.

July

- Opening of the Arcos de Valdevez and Lourinhã Pingo Doce stores;
- Launch of the new Pingo Doce branding;
- Award received for the best Annual Report of 2007 in the non-financial companies' category.

August

- Opening of the Montemor-o-Novo, São Brás de Alportel and Jardins do Cristo Rei Pingo Doce stores;
- Opening of the Intendente Recheio store in Lisbon.

September

- A five-year "Club Deal" loan was taken out by the Polish subsidiary Jeronimo Martins Dystrybucja, for 300 million Zloty, with annual repayments;
- Notification of clearance from the Competition Authorities regarding the concentration of Recheio/Cavaco;
- Notification of clearance from the Competition Authorities regarding the acquisition of Plus Poland;
- JMD launches new represented brand - Sunquick (orange juice);
- Opening of the Jeronymo store in Telheiras, Lisbon.

October

- Opening of the Vieira do Minho, Sobralinho and Santa Apolónia (Lisbon) Pingo Doce stores;
- Restructuring of the Optimum Mark overdraft for 100 million Zloty, through its conversion into a mid-term loan maturing in 2010 with a quarterly repayment plan;
- Acquisition of Plus Poland and the beginning of converting the stores into Biedronka;
- Opening of the first Chili's restaurant;
- Opening of the Hussen, Olá and Jeronymo stores in the Mar Shopping IKEA (Porto).

November

- Opening of the Alenquer, Anadia and Fórum Barreiro Pingo Doce stores;
- Opening of the Santa Maria da Feira Recheio store (ex Cavaco);
- Opening of the Olá store in the Fórum Barreiro;
- Private Brands in Portugal reach over 3,400 product references.

2. Environment 2008

2.1. International Macro-Economics Environment

In 2008, the expectations of uncertainty and macroeconomic volatility raised by various specialists at the end of the previous year became reality.

The level of uncertainty in the main economies continued to grow, affecting market confidence throughout the year. At the same time, the macroeconomic projections coming out of the majority of renowned institutions were, consecutively, trended downward.

Economies Performance

According to projections from the International Monetary Fund (IMF) available at the end of the year, in 2008 worldwide economic activity will have grown 3.7%. The fall in the pace of economic growth by 1.3 percentage points translated into a lower growth rate of international trade, which, in volume, dropped from 7.2% in 2007, to 4.6% in 2008.

The fall in economic growth was felt in all major economies, although differently.

The group of emerging economies went from growth of 8.0% in 2007, to 6.6% in 2008, thus remaining at very interesting levels. Central and Eastern Europe maintained growth above 4%, and China, India and Russia continued to be more dynamic ones in the group of emerging economies. However, China's growth slowed by 2.2 percentage points, a fall clearly above the average recorded in the other emerging economies.

The group of developed economies continued to exhibit strong deceleration, closing the year with economic growth of 1.4%, compared to 2.6% in 2007, and 3.0% in 2006.

Macroeconomic data, such as growing unemployment, the drop on prices in the real estate markets and in the stock markets, the softening of consumption, and, therefore, the softening of investment, led to stagnant GDP in several developed economies, or even to technical recession.

For the second consecutive year, the North American economy recorded a significant drop in economic growth, and some specialists state that the North American economy had entered into a technical recession at the end of the year. According to Bloomberg, the North American economy recorded the largest growth of unemployment rate since the end of World War II.

The Euro Zone, which in 2007 showed only slight signs of deceleration, in 2008 suffered a drop of 1.4 percentage points in economic growth. Also in this case, some specialists stated that the Economic Monetary Union at 15 (EMU-15) will have entered into technical recession, due to the weak performance of Spain, Ireland and Germany in 2008.

Japan did not manage to escape the trend, and in 2008 recorded growth of 0.5%, compared to 2.1% in 2007.

Financial Markets

The year 2008 was marked by the liquidity crisis in the financial markets, caused by the sub-prime mortgage credit crisis set off in 2007 in the North American economy. The lack of confidence in the interbank market caused major difficulties in accessing credit, leading to an increased cost of capital and a demand for increasingly high levels of guarantees.

The worsening of the financial markets crisis, especially starting in the summer, provoked the insolvency of several financial institutions in the North American economy, and had equal repercussions on a global level.

In the capital markets, abrupt drops were recorded in nearly all asset classes (with the exception of sovereign debt). The stock indices led the drops, with losses of between 40% and 50%, something that has not happened since the 1930s. The volatility of the markets was a fact throughout the year, and caused the temporary suspension of stock market trading in Russia, Romania, Ukraine, Thailand, Indonesia and Iceland.

Monetary Policies

The American Federal Reserve (FED), reacting to the poor performance of the North American economy, maintained its policy of continuing to reduce the reference interest rate to virtually 0%. It also intervened directly in the secondary bond market by repurchasing North American public debt, expanding its balance sheet up to 4.7 billion dollars (which was less than 0.8 billion before the crisis).

The European Central Bank (ECB) continued to prioritize inflation containment in the Euro Zone during the first part of the year. However, in the second part of the year it became sensitive to the drop in economic growth, making consecutive decreases to the reference interest rate, which in January 2009 was 2.0%.

Even so, the cost of money remained high throughout the year for companies and individuals, with the 6-month Euribor remaining considerably above reference rates, while bank spreads increased. At the end of the year there was a significant drop in 6-month Euribor rates, but the spreads remained high.

At the global level, Central Banks throughout the world, whose main priority became stabilising the financial markets and restoring confidence, tried to synchronise their more expansionist monetary policies and prepared themselves to inject as much liquidity as necessary into the markets.

In 2008, the Euro lost 5.5% against the US dollar, granting some of the ground it had gained in 2007. However, volatility was high throughout the year, with the Euro/US\$ recording a high of nearly 1.60 in the middle of the year, and falling back to 1.39 as of 31st December.

The Euro appreciated 15.6% against the Polish currency, but volatility was also felt throughout the year. The Euro/PLN hit a low of 3.20 at the end of the first semester, but rose to 4.15 at the close of the year.

Government Intervention

The year 2008 was further marked by the direct intervention of Governments in the economy. The North American Government approved the Henry Paulson Plan to inject capital into the economy, namely into banks, insurance companies, and the automobile industry.

In the European Union, Governments nationalised several financial institutions to guarantee the stability of the financial system, and they ended up defining concerted actions to attack the crisis through support measures to restore consumer confidence, and direct support measures for companies to fight against unemployment growth.

Energy and Non-Energy Raw Materials

The price of crude reached a historical high of 147.50 dollars per barrel in July of 2008, but this was still below the expectations of US\$ 150 put forward by economic experts. In the second part of the year the trend reversed, and in December the price of petroleum fell to US\$ 41 per barrel in reaction to the drop in growth of global economic activity.

The prices of non-energy raw materials also exhibited very volatile behaviour. In the first part of the year, expectations about inflationary pressure became reality, but in the second half of the year there was a clear reversal of this trend. For example, the price of corn, which is a determining factor in the price of animal feed and therefore in the price of meat and milk, increased 39% during the first half, and reversed to a decline of 45% in the second half of the year.

According to IMF projections, the average annual inflation rate of consumer prices for the group of developed economies will have suffered an increase of 1.4 percentage points in 2008, reaching 3.6%. This trend was even higher for the group of emerging economies, which showed an increase of 2.8 percentage points in consumer prices, placing the average inflation rate at 9.2%.

2.2. Sector and Markets

2.2.1. Relevant Facts in the Food Distribution Sector

The macroeconomic environment experienced in 2008 was reflected in sector performance, but it affected companies in different ways.

The lack of confidence in consumption and the pressure on purchasing power especially affected the non-food area. In the food area, consumers proved to be even more rational in their expenses, and they showed less preference for the diversity of product assortment.

The majority of companies decided to adjust their short-term strategies in reaction to the current financial market crisis and the potential effects on the real economy that are still not completely visible.

First of all, most companies reinforced their competitive position in price and Private Brand. The financial exposure of some companies also forced them to make decisions

to streamline their asset portfolio, optimise their cost structures, and revise their investment and financing plans in light of the conditions in the financial markets. Eastern Europe markets were quite affected, especially Russia and Ukraine.

Regarding international expansion plans, there were some dynamic, but overall the discount stores showed greater confidence, with Lidl and Aldi announcing investment plans in Central and Eastern Europe, and in markets such as the North American and English market, among others.

In 2008, were also released news about several pilot tests on new neighbourhood and convenience formats run by hypermarket, supermarket and discount store operators both in the North American market and in Europe.

The year was also marked by the conclusion of one of the largest consolidation operations in the sector, which began in 2007. Tengelmann definitively centred its activity in the real estate sector with the merger between Plus and Edeka in Germany. In Portugal and Poland, Plus operations were sold to the Jerónimo Martins Group. In 2008, Plus operations were also sold in the Czech Republic, Hungary and Greece. In Spain, Plus stores had already been sold to Dia-Carrefour.

2.2.2. Portugal

Macroeconomic Environment

In 2008, the year was marked by the high external deficit, which reached 9.0% of GDP. The external deficit grew due to energy billing and payment of interest on public debt. The fragility of the national economy was also aggravated by the international crisis, which left the country more vulnerable and dependent.

According to the Winter Bulletin of Banco de Portugal, in 2008 the Portuguese economy will have become stagnant, reflecting a very negative performance in the fourth quarter of the year. Exports, which have behaved quite favourably in recent years, and which were the main motor for sustaining economic growth, receded with the retraction in international economic activity, recording growth of only 0.6%, compared with 7.6% in 2007.

The average inflation rate remained stable at 2.7%, despite inflationary pressures on energy assets and on non-energy raw materials recorded during the first part of the year.

Private consumption grew only 1.4% clearly below inflation, influenced by the lack of consumer confidence and by the evident signs of increased unemployment throughout the year which registered a rate between 8.0% and 9.0%. In addition, despite the drops in the reference interest rate, these drops are not reflected in the expenses of families which felt even more pressured due to high debt levels.

Investment also suffered a reduction of about 0.8%, caused by the lack of business confidence, as well as, by the degradation of financial conditions and access to credit.

The national stock exchange was not immune to the international environment, and the PSI-20 Index showed devaluation higher than 50% and a strong volatility throughout the entire year.

Modern Food Retail Sector

The year 2008 was marked by two major consolidation processes in the market which started in 2007: the acquisition of 12 Carrefour hypermarkets by the Sonae Group, and the acquisition of 77 Plus stores by the Jerónimo Martins Group.

A strong deceleration was also seen in terms of organic expansion with the opening of 82 new stores equivalent to an increase of 6% in the sales area. In 2007, 154 new stores were opened, corresponding to a 12% increase in the sales area.

Minipreço was the trademark that set itself apart in terms of openings, with more than 30 stores opened in 2008. However, with the integration of Plus stores and smaller Feira Nova stores, Pingo Doce closed the year leading the market in sales area.

According to information from the General Department of Economic Activity (DGAE, Direcção Geral de Actividade Económica), there are still more than 385 licenses for new food retail stores, corresponding to a potential increase in sales area of 40%, with a special emphasis on the store format of up to 2,000 square meters.

According to TNS, consumption at home in the Modern Food Retail will have grown 4.7%, while consumption at home in the total Food Retail Sector grew slightly less.

The hypermarket format continued to give ground to other formats, not just due to the lack of organic expansion, but also to consumers' greater preference for proximity formats.

The companies that entered the market in 2006 continue to have a relatively small number of stores. According to market research, in December 2008, Aldi had nearly 14 stores open. Netto, from Grupo Intermarché, had only four stores open, having announced in the middle of the year that it intended to abandon its project in Portugal.

Schleker, the first specialised European retail operator to enter the Portuguese market, closed the year with nearly 39 stores, nine more than in the previous year.

Wholesale Market

Analysing the market from the demand side, according to Nielsen, Traditional Retail continued to lose ground to the Modern Food Retail, not only in total turnover, but also in number of points of sale. In 2008, Traditional Retail suffered a 4% decrease in value.

According to DBK, Gira Sic and internal estimates, the HoReCa channel continued to grow above inflation. However, as of the second half of the year the macroeconomic environment and the lower consumer confidence moderated out-of-home consumption, resulting in a lower global growth of the HoReCa channel and stagnant performance in some market segments.

In terms of total demand, the growth of the HoReCa channel more than offset the decrease in value of Traditional Retail.

On the supply side, according to estimates of Nielsen, 2008 was the seventh consecutive year in which a significant decrease was recorded in the total volume of activity of food wholesalers.

Among the companies that showed positive sales, Recheio is the only company to obtain a growth rate in value that is clearly above inflation.

The five largest food wholesale companies held 86% of market value, when in 2007 they represented close to 80%. In 2008, Santos Cavaco, in Vila da Feira was acquired by Recheio, a new Makro store in Aveiro emerged, and various operators refurbished their operations.

Despite Traditional Retail still being the main customer segment for food wholesalers, there has been an ever greater strategic focus on the HoReCa channel.

2.2.3. Poland

Macroeconomic Environment

According to the Polish Ministry of the Economy, in 2008 the economic growth rate in Poland will have surpassed 5%. Compared to economic performance in 2007, a drop of 1 percentage point was recorded, slightly below the trend recorded in the group of emerging economies.

And it is noted that for the first time the drop in economic growth did not affect exports, which grew about 17.0%.

The unemployment rate continued to evolve favourably, dropping close to 2 percentage points during the year. The rapid growth of salaries continued to support the increase of real purchasing power and demand.

Consumer price inflation reached 4.5% in the first half of the year, almost 2 percentage points above the average in previous year. In the second half, a trend towards inflationary contraction was recorded leading consumer prices to levels similar to those at the end of 2007.

Despite good performance during the year, there are signs of deceleration of industrial activity, which led the Central Bank of Poland to lower the reference interest rate to 5% at the end of November.

Modern Food Retail Sector in Poland

In 2008, the Food Retail Sector in Poland continued to grow above 6.0%. Although consolidation levels have a tendency to grow, the market is still very fragmented when compared to other countries in Western Europe. In Poland, the 20 largest retailers represent from 40% to 45% of total turnover.

There are several local food retail companies of relevant dimension but the three largest in the market are international, and they continue to be Jerónimo Martins, Dystrybucja (which strengthened its market position in 2008 with the acquisition of Plus, reaching the end of the year with 1,364 stores open), Carrefour and Tesco.

According to the market research company PMR, the Modern Food Retail holds close to 33% of the total market. Hypermarkets and supermarkets hold a very similar weight in Modern Food Retail, and the discount stores are slightly below the quota in terms of value.

However, in 2008 the discount segment was the one that showed the highest growth rate – close to 28% - clearly influenced by Biedronka. Supermarkets' growth was equally significant but it was below 25%. The hypermarkets registered lower growth, of about 12%, revealing that the saturation level in this segment is already high.

The Modern Food Retail has been keeping an expansion rate/pace, in line with previous years. As far as hypermarkets are concerned, 27 openings took place, despite this format already having a high saturation level. The smaller formats continued quite active in their organic expansion, with the opening of 132 supermarkets and 187 discount stores. Also in this segment, there was the integration of 193 Plus stores, from the German Tengelmann Group, with Biedronka in the last quarter of the year.

In terms of market consolidation, several acquisitions were made, mostly franchised stores – EKO Holding acquired Rabat Detal, BOMI acquired Rabat Pomrze and Rast, and Emperia Holding acquired Lewiatan Wielkopolska and ZKIP "Lewiatan 94" Holding S.A.

In 2008, Aldi completed its entry into the Polish market, finishing the year with 12 stores.

Sources:

IMF World Economic Outlook, November 2008; European Commission, Eurostat; Reuters; BPI Economic and Financial Studies, December 2008; Bank of Portugal Economic Bulletins, Autumn and Winter 2008; Portuguese Ministry of Finance; Portuguese Catholic University Thematic Reports – NECEP/CEA FCEE; National Statistics Institute; General Department of Economic Activity; National Bank of Poland Economic Bulletins; Polish Ministry of Finance; Central Statistical Office (GUS); Citigroup; Citibank Handlowy; BRE Bank; IG Market; Planet Retail; Deloitte; TNS; Nielsen; DBK; Girasic; PMR; APED; Uniarme; AREST; CIES.

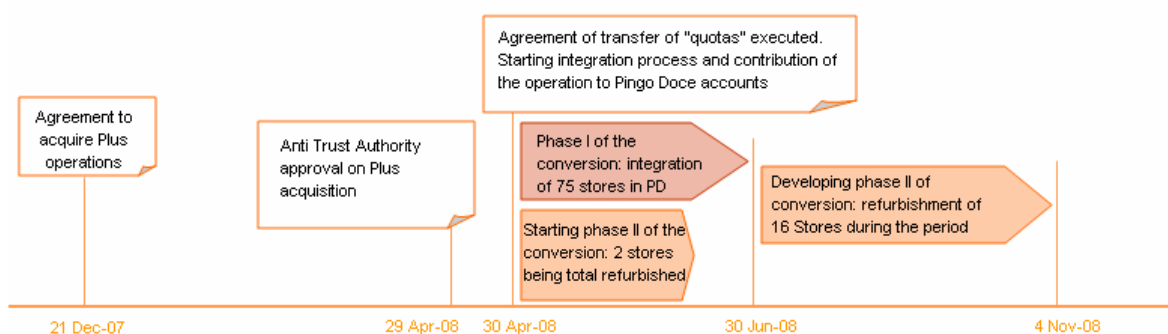
3. The Group's Performance

3.1. Main Projects in 2008

2008 was decisive for the growth of Jerónimo Martins, which significantly increased its scale of operations both in Portugal and Poland.

Like for like growth above market growth reported in the two markets, combined with the opening of new stores and acquisition of Plus operations in both countries, contributed to strengthening the Group's market share in its main Food Retail formats, consolidating its coverage of both Portuguese and Polish markets.

Acquisition of Plus Operations in Portugal



On 21st December 2007, the Company Pingo Doce - Distribuição Alimentar, S.A. reached an agreement with the Tengelmann Group to acquire the company Plus Discount Supermercados, Lda., in Portugal.

On that date, Plus was operating 75 hard discount stores in Portugal with a total sales area of 61 thousand sqm, having reported net sales of 149 million euros in the last fiscal year, which ended on 30th April 2007.

On 29th April 2008, Pingo Doce was notified by the Competition Authority of non-opposition to the Pingo Doce/Plus concentration, subject to the following conditions:

- In the sphere of influence of Seia, Jerónimo Martins agreed to divest one of the two food retail establishments that it owned in that area after acquiring Plus, as well as not to apply for licences for new food retail establishments or to increase the sales area of the existing stores for the period of one year;
- In the areas of influence of Arrifana and Évora, Jerónimo Martins agreed not to increase its total food retail sales area for a three-year period, as well as not to apply for licences to install new food retail establishments for the period of one year, nor to increase the sales area of already existing establishments.

On 30th April 2008, and after all the conditions established in the initial agreement had been met, an agreement of transfer of "quotas" was signed between Pingo Doce Distribuição Alimentar, S.A. and the Tengelmann Group, thus concluding the acquisition of the Plus operations in Portugal. At the end of 2008, only one item

related to the adjustment of the price of the acquisition, and accordingly to the contract, was still open, amounting to 4 million euros.

Between December 2007, the date of the signing of the agreement relative to the acquisition of the Plus operations, and April 2008, the date of the closure of the transfer of "quotas" agreement, Tengermann opened two stores, which were, following the initial agreement, integrated into the stores to be transferred to Pingo Doce.

Thus, on 1st May 2008, Pingo Doce began the integration of the 77 transferred stores, with a total sales area of approximately 62.5 thousand sqm, as well as a distribution centre in the centre of the country, which supported the operation of the stores under Tengermann management.

In addition to the normal investment in store remodelling, which began immediately after the acquisition, the integration operation resulted in a total of 8.8 million euros in non-recurring costs.

Seeking to balance its operations and cash flow generation, Pingo Doce chose to advance with a plan to integrate the acquired stores, in two phases.

In the first phase, the Company started with a less in-depth conversion plan, which, in the record time of 40 days, succeeded in changing the logo, adjusting the layout and introducing a specially adapted assortment into 75 stores. This process allowed the stores to become operational in the market in a short period of time.

The fact that this conversion process limited the stores to the existing equipment of the former Plus stores, led to the need to adapt the Pingo Doce assortment, where Perishables normally represent approximately 60% of sales, especially in the fresh fish, fresh meat, fruit and vegetable areas.

In the two remaining stores, an in-depth conversion plan was implemented for Pingo Doce, which implied their total conversion to the traditional store model, with particular emphasis on Perishables. This remodelling process implied closing each store for approximately two months.

The first results of the conversion phases proved that the customer places great value on what is one of the main differentiating aspects of Pingo Doce in terms of format – the presence of a full assortment of high quality Perishables.

The decision was then taken to advance with the second conversion phase, covering the major remodelling of all the stores acquired. This phase began in 2008 with the total remodelling of 16 stores, which were closed during an average of one month for the implementation of the Pingo Doce layout.

The warehouse which was also transferred to Pingo Doce was adapted, and has been integrated in the Company's logistical operations since May 2008.

Acquisition of Plus Operations in Poland



On 21st December 2007, the Company Jerónimo Martins Dystrybucja, S.A. reached an agreement with the Tengelmann Group to acquire the company Plus Discount Sp. Zo.o. in Poland.

On the date of that agreement, Plus was operating 210 hard discount stores in Poland, with a total sales area of 150 thousand sqm, having reported net sales of 344 million euros in the last fiscal year, which ended on 30th April 2007.

On 24th September 2008, Jerónimo Martins was notified by the Polish Competition Authority of non-opposition to the Biedronka/Plus concentration, subject to the following conditions:

- Disposal of 25 Plus stores;
- Disposal of 13 Biedronka stores;
- Reduction of the sales area of three Plus stores in a total of 692 sqm.

On 1st October 2008, and after the conditions established in the initial agreement had been met, the transfer of "quotas" agreement was signed between Jerónimo Martins Dystrybucja, S.A. and the Tengelmann Group, thus concluding the acquisition of the Plus operations in Poland.

Between December 2007, the date of the signing of the agreement relative to the acquisition of the Plus operations, and October 2008, the date of the closure of the transfer of "quotas" agreement, Tengelmann closed five stores.

In October 2008, Biedronka began the integration of 205 stores, a total sales area of 146 thousand sqm, as well as three distribution centres, which constituted the logistical operation of Plus in Poland.

In addition to the normal investment in store remodelling, which began immediately, the integration operations resulted in a total of 8.9 million euros in non-recurring costs.

Considering the similarity between Biedronka's business model and the business model of the former Plus stores, the designed conversion process allowed for the use of a large part of the equipment available in the stores, as well as facilitating the implementation of the layout intended by Biedronka.

The Company carried out an ambitious conversion plan of the stores which permitted 193 stores (12 were closed before the year end) to be operating under the Biedronka standards within two months. The stores were closed for an average period of 16 days, during which they were remodelled and the Biedronka assortment was introduced.

To support the new dimension of the store network, one of the distribution centres of the former Plus stores in the centre of the country was completely remodelled to meet the Company's standards, becoming the Head Office of Biedronka's seventh region. A second warehouse, which operated in an existing Biedronka region, was adapted to currently provide support to the logistical structure. A third warehouse, transferred under the Plus acquisition, was closed.

On the closing date of this Report, the only situation outstanding in this process was one lawsuit, filed by the Polish Competition Authority regarding a disagreement on information provided during analysis of the integration process, with the court having sentenced, in the first phase of the lawsuit, Biedronka to the payment of a fine of 28,000 euros. Biedronka then decided to appeal against this decision, due to considering that it has legal grounds to do so regarding the matter in question.

Food Retail in Portugal – One Company / One Brand

Jerónimo Martins has always had two market positioning, different brands and business models for Food Retail in Portugal through its Pingo Doce and Feira Nova Companies.

A strategic convergence of the two Companies was initiated in 2002. On one hand, the Pingo Doce pricing policies were altered and evolved toward "prices as low as the lowest," assuming the existing reality at Feira Nova. On the other hand, Feira Nova increasingly focused on and specialised in the Perishables area (fruit and vegetables, fish, meat and bakery products), in quality products and Private Brand products.

The assortment at Pingo Doce was carefully streamlined, with hundreds of references having been removed from the stores which, because they represented so little in terms of demand and sales, made the operation less productive and efficient. The path towards increasingly lower prices was consistently supported by productivity gains and higher profitability of the fixed operating costs of the stores.

The approximation of the two brands was first visible to customers in 2005, with the introduction of Pingo Doce brand products in Feira Nova stores. The food retail Private Brand of the Jerónimo Martins Group in Portugal was thus unified under the Pingo Doce name.

Feira Nova customers proved to be very receptive and immediately recognised the price/quality relationship of the products in question. This positive reaction, confirmed in terms of sales, was perceived as an indicator that the transfer of the average-sized Feira Nova stores to Pingo Doce would be well accepted by the respective customers.

In 2007, the success of the Pingo Doce strategy was reflected in the solid and sustained growth of like-for-like sales, suggesting the possibility of operating under only one brand.

Based on research, it was concluded that the Pingo Doce brand had attributes which were valued by the customer, leading Jerónimo Martins to decide to capitalise on the strongest brand, thus preparing the conversion into Pingo Doce in the stores which, up to then, had operated as mini-hypermarkets (maximum of 2,500 sqm) under the Feira Nova brand.

In terms of stores, this process implied a whole process of internal reorganisation aimed at creating One Company/One Brand. This reorganisation, resulting from the merger of the central structures of Pingo Doce and Feira Nova, with the already existing shared functional areas, implied new, more integrated and consistent ways of working, but, simultaneously, more decentralised and focused on the reality of each region. It also allows focusing on new business to complement the Food Area: restaurants and take-away stores, petrol stations, entertainment and electronics, clothing and parapharmacies.

After the internal reorganisation, in March 2008 steps were taken to adapt the old mini-hypermarkets to the Pingo Doce model. A team especially allocated to the project implemented the first test in a store in Faro, which quickly showed positive results.

The store in Faro was chosen to test the new "Pingo Doce Mega" concept, seeking to offer the customer a modern store with a pleasant purchasing environment, optimised navigability, and decoration very focused on freshness, quality and price. In terms of space, an authentic fresh fruit and vegetable market was reproduced (with a substantially larger area than in a regular Pingo Doce store), as well as a wine section and bazaar area with their own specific environment and decoration, a flower shop, a coffee-shop and cake & pastry shop, a take-away and a restaurant called "Refeições no Sítio do Costume" (*Meals in the Usual Place*).

The results of this first test led to the introduction of small adjustments in the conversion model, which permitted advancing with the plan in the stores in Seia, Faro, Póvoa de Santo Adrião and Loures.

The fully converted stores have shown positive performance, with increased sales and average number of customers.

Finally, the remaining average-sized Feira Nova stores were re-branded during November and December, with the entire network having now been fully converted.

3.2. Group Investment Programme

Investments

At Jerónimo Martins, the year of 2008 was marked by the integration of the retail chain Plus in the Portuguese market on the 30th of April, and in the Polish market on the 1st of October.

The acquisition of these two markets was complemented by the organic expansion that followed its plan with the opening of 17 and 154 more Pingo Doce and Biedronka stores, respectively.

This expansion effort led to a total of 1,359 Food Retail stores in Poland and 343 in Portugal, by the year end.

Expansion also contributed as a growth factor for Recheio Cash & Carry in Portugal, through the opening of two new stores, including the acquisition of Companhia SCGR - Comércio por Grosso e a Retalho.

Furthermore, the Group developed new business areas, through: i) the opening of 45 new stores in the restaurants and services areas, pharmacies (Poland) and parapharmacies (Portugal) areas; ii) new stores under the brands New Code, Get and ElectricCo; and iii) the consolidation of the service provided in some stores through the integration of petrol stations.

	New Stores			Refurbished ¹			Closed Stores		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Retail Portugal ²	94	33	20	30	30	28	7	4	1
<i>p.m. Takeover Plus</i>	77			16			1		
Recheio ³	2	0	1	3	2	1	0	0	0
Biedronka	359	156	116	83	71	57	45	16	16
<i>p.m. Takeover Plus</i>	205						12		
Other Businesses	54	54	33	12	3	2	9	7	1

¹ Excluding Recheio, only includes the refurbishing that implied the closing of the food sales area.

² Including Pingo Doce stores in Madeira

³ Including Recheio store in Madeira

To ensure a solid sales growth platform in the Group's existing stores and to ensure the consumer satisfaction, Jerónimo Martins increased the investment effort in maintenance and remodelling of its stores and warehouses throughout the year.

This effort resulted in 104 million euros invested in Portugal and in 80 million euros invested in Poland.

Business Area	2008			2007		
	Expansion ¹	Others ²	Total	Expansion ¹	Others ²	Total
Retail Portugal	87,2	89,8	177,0	173,0	66,4	239,4
Stores	82,4	84,2	166,5	172,1	63,5	235,6
Logistics and Head Office	4,9	5,6	10,5	1,0	2,8	3,8
Cash & Carry	4,5	11,5	16,0	0,0	12,8	12,8
Madeira	1,6	3,2	4,7	2,7	6,0	8,7
Food Distribution Portugal	93,3	104,4	197,8	175,7	85,1	260,8
Biedronka	209,9	79,8	289,6	143,7	56,4	200,1
<i>p.m PLN '000</i>	737,9	280,5	1.018,3	541,8	212,5	754,3
Stores	193,2	52,5	245,7	140,4	40,4	180,8
Logistics and Head Office	16,7	27,3	44,0	3,3	16,0	19,3
Total Food Distribution	303,2	184,2	487,4	319,4	141,5	460,9
Takeovers (Plus e SCGR)	378,1	0,0	378,1	0,0	0,0	0,0
Manufacturing & Services	4,1	4,6	8,7	4,2	3,4	7,6
Total JM	685,4	188,8	874,2	323,6	144,9	468,5
% do EBITDA	188,3%	51,9%	240,2%	88,9%	39,8%	128,7%

¹ New Stores and New Distribution Centres

² Refurbishing, Maintenance and Others

Disinvestments

The monitoring and optimisation of the Group's network stores profitability was constantly analysed and followed, resulting in closing six food stores in Portugal and 33 stores in Poland.

At the same time, and according to the strategic plans concerning Plus acquisition, 13 locations were closed due to: i) store replacement, ii) closures already expected in the initial plan, or iii) anticipating the compliance with the remedies imposed by the Competition Authority.

With the aim of ensuring the rationalisation of the invested capital and the Group's assets profitability, the Group carried out the disposals of commercial galleries allowing to improve its efficiency and attractiveness, as well as an increase in the food stores traffic. At the same time, the physical spaces of six Food Retail stores in Portugal were also disposed of, but maintaining its business activity through sale and operational lease back contracts.

Finally, in compliance with the Strategic Plan foreseen in the joint-venture between Unilever and Jerónimo Martins, part of the Ready-to-drink Tea business under the Lipton brand was disposed to Pepsi Lipton International (PLI) followed by the signature of a distribution contract of these products in Portugal by Unilever Jerónimo Martins joint-venture.

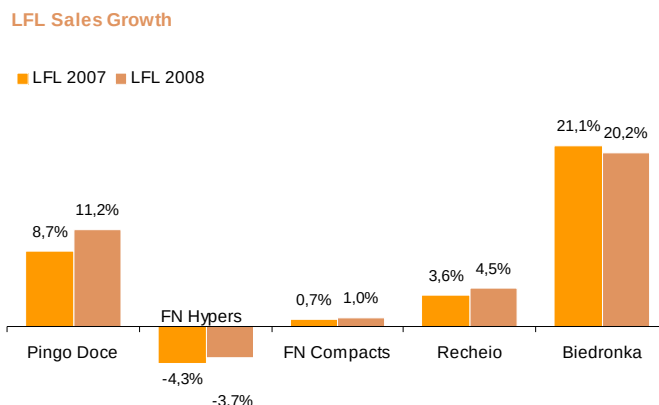
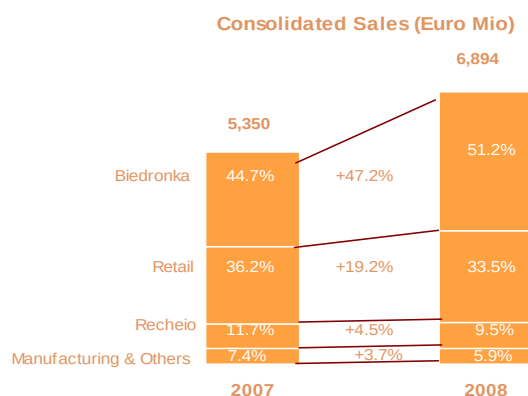
3.3. Consolidated Activity in 2008

Consolidated Net Sales

Consolidated Revenues

	2008		2007		Δ %	
	Eur Tho.	% total	Eur Tho.	% total	Zloty	Euro
Sales & Services						
Retail Mainland	2.503.354	36,3%	2.111.501	39,5%	n.a.	18,6%
Cash & Carry	654.484	9,5%	626.053	11,7%	n.a.	4,5%
Madeira	128.387	1,9%	123.265	2,3%	n.a.	4,2%
Poland - Biedronka	3.520.934	51,1%	2.392.282	44,7%	37,3%	47,2%
Manufacturing	253.868	3,7%	246.349	4,6%	n.a.	3,1%
Mkt, Repr. and Rest. Services	81.809	1,2%	75.908	1,4%	n.a.	7,8%
Consolidated Adjustments	-249.099	-3,6%	-225.680	-4,2%	n.a.	10,4%
Total JM	6.893.737	100,0%	5.349.678	100,0%	n.a.	28,9%
p.m. Retail Portugal (store sales)	2.310.199	33,5%	1.707.284	36,2%		35,3%

In 2008, the consolidated net sales of Jerónimo Martins reached 6,893.7 million euros, a growth of 28.9% (+24.4%, excluding the exchange rate effect) relative to 2007.

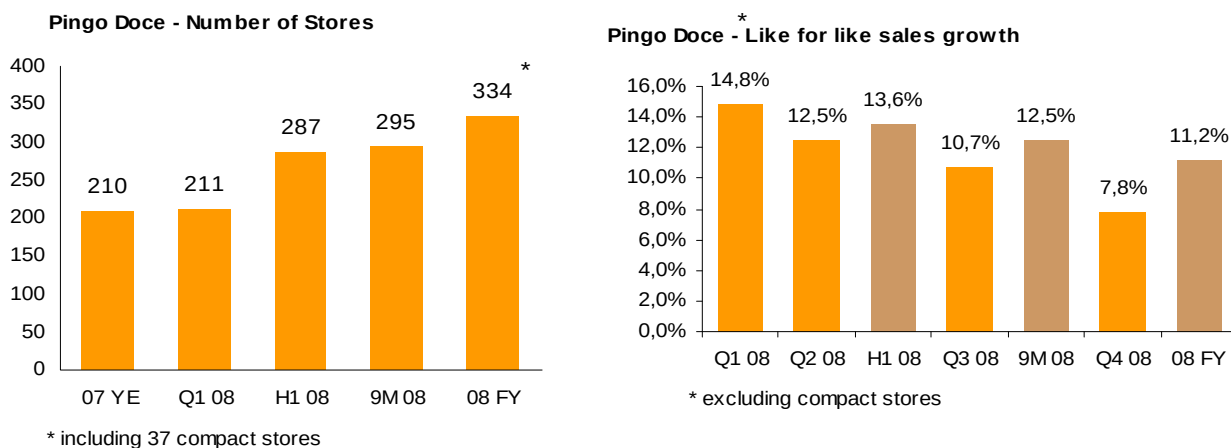


This performance is the result of: i) the strong like-for-like (LFL) growth above growth registered by the sector, reported by Pingo Doce and Biedronka; ii) the implementation of the organic growth plan for Pingo Doce and Biedronka; and iii) the successful integration in Pingo Doce and Biedronka of the former Plus stores acquired in 2008.

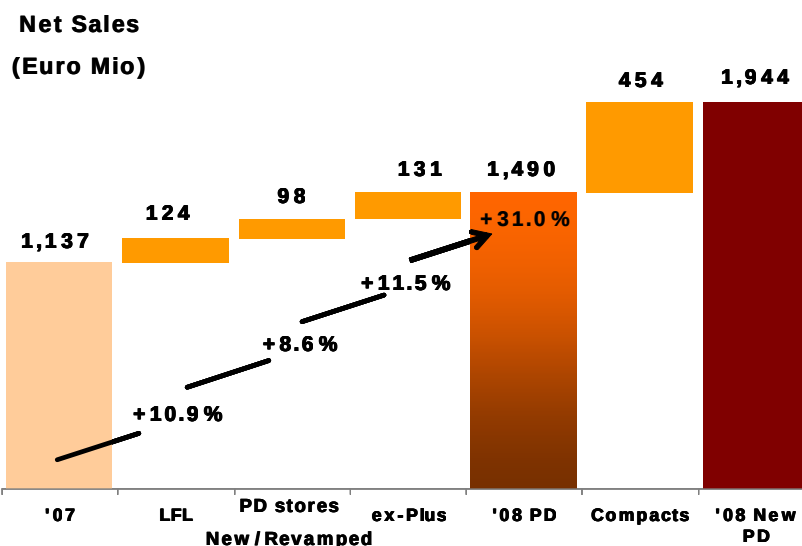
In the Food Retail sectors of Portugal and Poland, 2008 was marked by significant inflation in prices up to September, which slowed down significantly in the fourth quarter of the year.

In 2008, the Group's Food Retail activities in Portugal registered 19.2% growth in total store sales, as a result of the 6.0% growth in LFL sales and the increase in the sales area (+21.7% at the end of the year).

In 2008, **Pingo Doce** registered an increase of 11.2% in LFL sales, two-thirds of which reflects growth of volume.



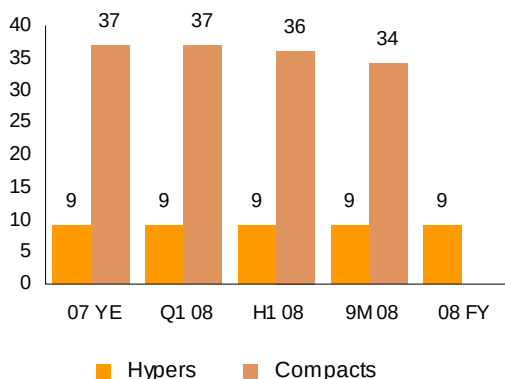
The growth in Pingo Doce sales, apart from LFL, also reflects: i) the implementation of the organic growth plan with 17 openings; ii) the adaptation to the Pingo Doce business model of Feira Nova's compact stores, of which five were profoundly remodelled; and iii) the integration of 77 former Plus stores acquired in May 2008, that contributed with 131 million euros to the sales of the Company. Of these stores, 16 were fully remodelled to Pingo Doce, with the rest being more lightly remodelled.



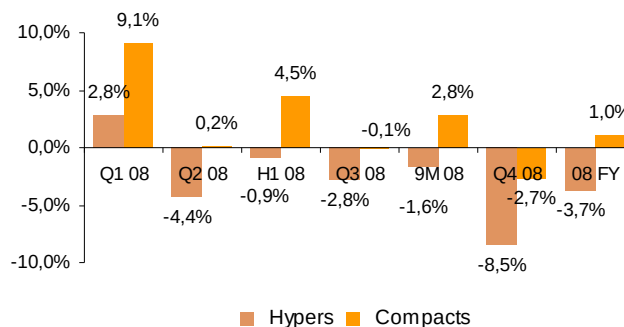
The year 2008 – full of challenging projects for Pingo Doce – was also the year when the Company implemented its new identity, with a new logo.

In **Feira Nova**, the reduced assortment in the non-food area was reflected in the LFL sales of the Group's hypermarkets and compact stores.

Feira Nova - Number of Stores

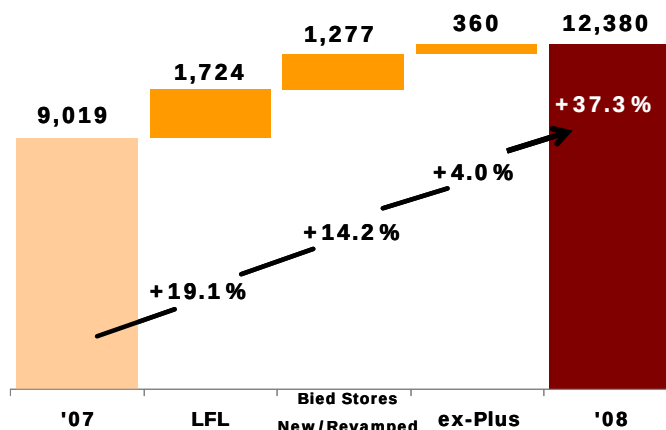


Feira Nova - Like for like sales growth



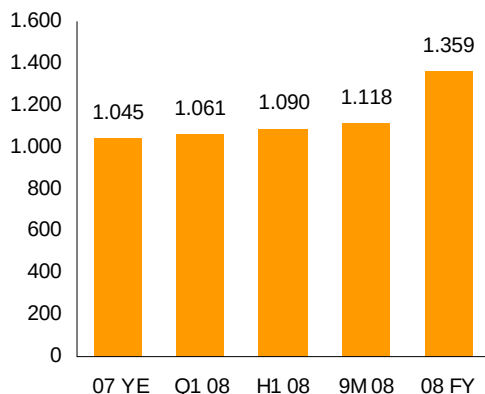
In Poland in 2008, **Biedronka** registered total growth in sales of 37.3% in local currency as a result of the 20.2% growth in LFL sales and the continued increase in the sales area.

**Net Sales
(PLN Mio)**

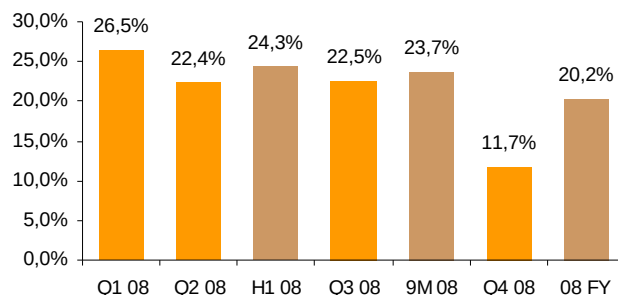


In the fourth quarter, the slow down in the LFL growth of Biedronka sales – which reached 11.7% - reflects the very significant slow down of inflation over the last two months of the year, with growth in volumes and market share similar to the ones registered during the first nine months of the year.

Biedronka - Number of Stores



Biedronka - Like for like sales growth

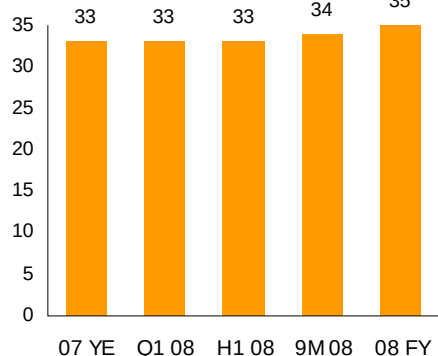


Biedronka opened 154 new stores in 2008, to which 205 Plus stores (acquired in October 2008) were added, contributing with 103 million euros (an average of 75 days of sales) to the sales of the Company. Biedronka ended the year with 1,359 stores.

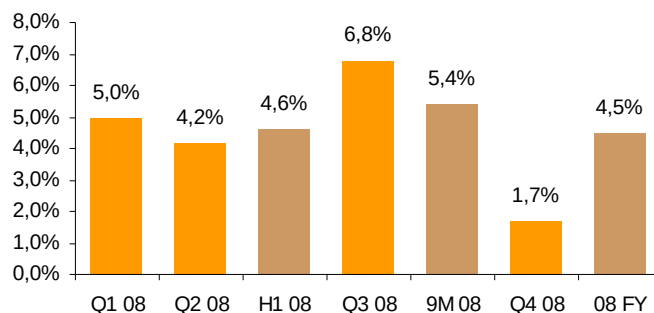
Recheio registered a very solid performance at the LFL sales level over the year, based on dynamic growth of activity in the HoReCa channel, as well as its gaining of market share in the traditional channel.

Throughout the fourth quarter of 2008, there was some slowdown in the activity of the HoReCa channel, which reflected market conditions over the last months of the year.

Recheio - Number of Stores



Recheio - Like for like sales growth



The Company's total sales increased 4.5% in 2008 in relation to the same period of the previous year, and apart from LFL growth, reflected the integration of a new store acquired at the beginning of November 2008.

In **Madeira**, as of the third quarter, LFL performance reflected the impact of different operators opening stores in a small market.

In **Manufacturing**, sales grew 3.1% in 2008, even considering the impact of the adjustment of pricing policies on the volumes of some categories. Also contributing to

this performance was the strong response from the Company's production units in supplying Unilever units in other regions. Unilever Jerónimo Martins continued to be equally attentive in its defence of its market share in key categories.

In **Marketing Services, Representation and Restaurants**, during the year sales grew 7.8%, accelerating significantly in the last months of the year, mainly reflecting the entry of three new represented brands during 2008, and the opening of eight new stores.

Operating Results

Consolidated Operating Results

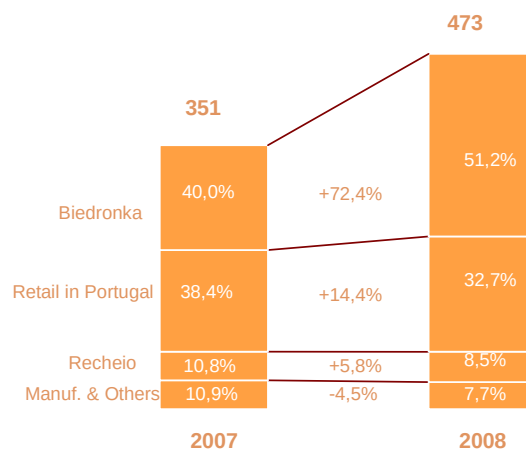
	2008		2007		08 / 07 Δ %
	Eur Tho.	%	Eur Tho.	%	
Net Sales & Services	6.893.737		5.349.678		28,9 %
Gross Margin	1.582.102	22,9%	1.224.754	22,9%	29,2%
Operating Costs	-1.109.129	-16,1%	-873.324	-16,3%	27,0%
EBITDA	472.974	6,9 %	351.430	6,6 %	34,6 %
Depreciation	-157.583	-2,3%	-126.721	-2,4%	24,4%
EBIT *	315.391	4,6 %	224.708	4,2 %	40,4 %

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

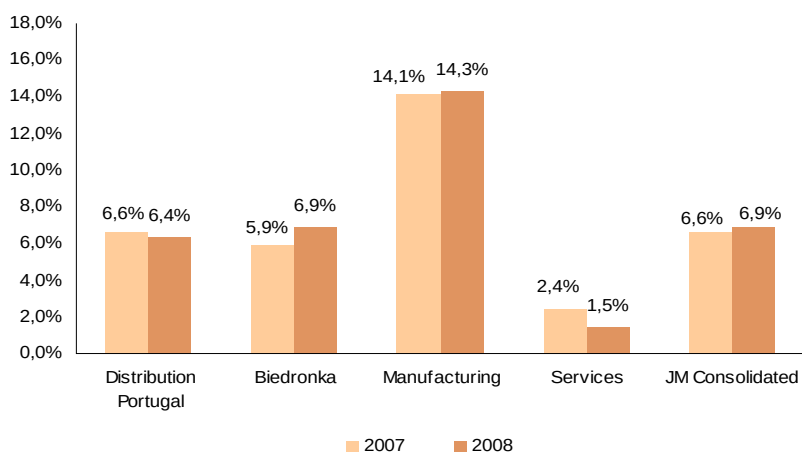
As expected, 2008 was the year when the scale reached by the Group's operations in Portugal and Poland started to be visible in the results of the business areas, leading operating cash flow (EBITDA) generated by the Group to grow more than sales.

In 2008, consolidated EBITDA reached 473 million euros, a growth of 34.6% in relation to the same period of the previous year. This performance was the result of the very positive evolution of most of the Group's business areas, which led the EBITDA margin to increase from 6.6% in 2007, to 6.9% in 2008.

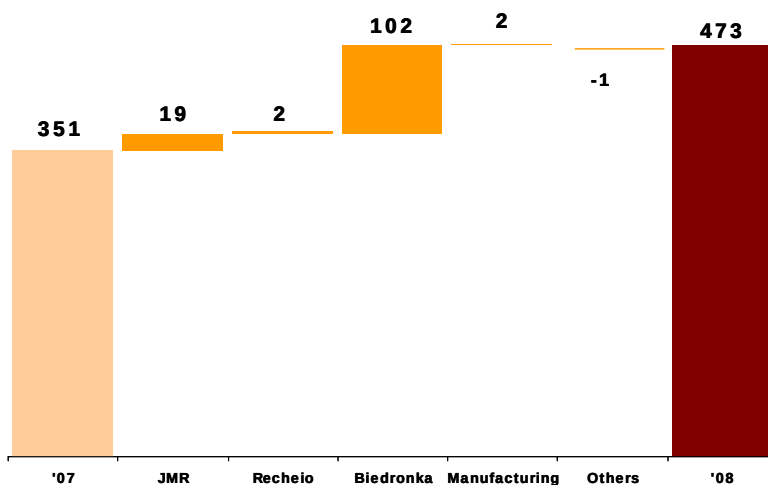
Consolidated EBITDA (Euro Mio)



EBITDA Margin



Consolidated EBITDA
(Euro Mio)



Food Retail Operations in Portugal registered solid operating performance, especially considering the demanding processes in which it was involved. EBITDA generated by this business area reached 154.5 million euros, a growth of 14.4% over the same period of the previous year.

The evolution of the EBITDA margin from 7.0% of sales in 2007 to 6.7% in 2008, essentially reflects the impact of the integration of the Plus stores as of 1st May 2008, which diluted the margin in that business area by nearly 40 basis points during the year.

In 2008, the growth of 72.4% in EBITDA at **Biedronka**, to 242.1 million euros, reflects the impact in sourcing and in the cost dilution of the strong LFL growth in sales, and the new scale obtained by an operation which ended the year with 314 more stores in comparison to the previous year. Although the integration of the former Plus stores since October 2008 has put some pressure on the Company's margin, the scale of the remaining operation has more than offset the effect of this integration, leading Biedronka to increase its EBITDA margin by 100 basis points, to 6.9% of net sales.

In 2008, the Company was responsible for 51.2% of the operating cash flow generated by the Group.

At **Recheio**, EBITDA grew 5.8%, a margin of 6.1% of sales, as a result of a very efficient business structure, capitalised on the sourcing power of the distribution operations in Portugal, allowing Recheio, the leader in this format in the country, to continue strengthening its market share.

At **Madeira**, the impact on sales of other operators opening stores in a very small market, combined with the Company's decision to increase the competitiveness of its operations in the local market, led to a decrease in the EBITDA margin in this business area from 4.6% in 2007, to 3.6% in 2008.

In 2008, **Unilever Jerónimo Martins** adjusted its pricing policies, reflecting the increase in prices registered in 2007 in raw materials fundamental to its activities. Measures to streamline costs were also implemented during the year, contributing to the Company's increased competitiveness. The increase in the EBITDA margin from 14.1% in 2007 to 14.3% in 2008, is already impacted by the disposal of part of the "Lipton – Ready-to-drink Tea" business, which represented a reduction in the Company's EBITDA margin of 50 basis points.

Net Result

Consolidated Results

	2008		2007		08 / 07 Δ %
	Eur Tho.	%	Eur Tho.	%	
EBIT*	315.391	4,6 %	224.708	4,2 %	40,4 %
Net Financial Results *	-85.337	-1,2%	-59.238	-1,1%	44,1%
Non Recurrent Items *	-7.943	-0,1%	22.296	0,4%	-135,6%
EBT	222.111	3,2 %	187.766	3,5 %	18,3 %
Taxes	-46.131	-0,7%	-36.857	-0,7%	25,2%
Net Profit	175.980	2,6 %	150.909	2,8 %	16,6 %
Minority Interests	-12.764	-0,2%	-19.648	-0,4%	-35,0%
Net Profit attr. to JM	163.216	2,4 %	131.261	2,5 %	24,3 %
EPS (euro)	0,26		0,21		
Cash Flow per share (euro)	0,55		0,42		

The net result attributable to Jerónimo Martins reached 163.2 million euros, a growth of 24.3% relative to the previous year, corresponding to earnings per share of 0.26 euros.

Consolidated financial results reached 85.3 million euros, reflecting: i) the increase in average debt due to the organic growth programme and acquisition of the Plus operations in Portugal and Poland; ii) the increase in the average cost of debt by 90 basis points (to 5.7%) in relation to the previous year; and iii) cost of interest rate hedging operations, mainly incurred during the first quarter, at the time of big turbulence in the financial markets.

Non-recurrent results, in the value of -7.9 million euros include, amongst others, capital gains relative to the sale of part of the "Lipton – Ready-to-drink Tea" business and some real estate in Portugal, as well as provisions for an incentive plan related to employee seniority. Also included in this value are the costs related to the integration of Plus in Portugal and Poland of 17.7 million euros, and the gains relative to the coverage of the acquisition of Plus in Poland.

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

The Financial Results presented in the table "Consolidated Results" include the Profit in Associated Companies as disclosed in the "Income Statement by Functions".

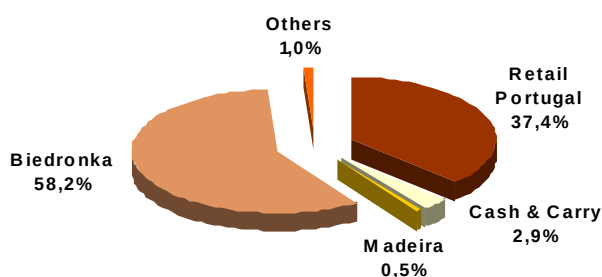
Non Recurrent Items include the Exceptional Operating Losses and Gains in Others Investments as presented in the Income Statement by Functions and the result from covering the operation for buying Plus in Poland accounted as net financial costs in the Income Statement by Functions.

Balance Sheet

Balance Sheet		(€'000)	
	2008	2007	
Net Goodwill	734.126	416.290	
Net Fixed Assets	1.967.459	1.750.509	
Net Working Capital	-1.065.131	-862.967	
Others	140.521	139.639	
Invested Capital	1.776.975	1.443.471	
Debt	946.018	712.730	
Leasings	101.659	79.426	
Accrued Interest & Hedging	21.811	51.447	
Marketable Sec. & Bank Deposits	-223.638	-264.337	
Net Debt	845.850	579.266	
Minority Interests	281.307	287.326	
Share Capital	629.293	629.293	
Retained Earnings	20.525	-52.414	
Shareholders Funds	931.125	864.205	
<i>Gearing</i>	<i>90,8%</i>	<i>67,0%</i>	

The evolution of invested capital reflects the implementation of the Group's investment programme of 874.2 million euros during the year, including the acquisition of Plus stores in Portugal and Poland.

Capex 2008



Of the total investment during the year, 78.4% was related to the expansion of the businesses, which once again was one of the Group's main priorities.

Consolidated net debt, at the end of the year, reached 845.9 million euros, raising the gearing to 90.8%. The increase in the gearing, which according to the Management's expectations, will decrease over next years, is linked to the acquisition of the Plus operations in Portugal and Poland and the maintenance of the Group's organic growth plan.

DEBT BREAKDOWN

		(€'000)	
		Maturity	
	2008	1 to 5 years	> 5 years
Long Term Debt	671.504	593.596	77.908
as % of Financial Debt	71,0%		
Maturity	3,6		
Bond Loans	270.000	270.000	
Private Placement	151.007	70.470	80.537
Fair value adjustment	-9.160	-6.531	-2.629
Commercial Paper	115.000	115.000	
Other LT Debt	144.657	144.657	
Short Term Debt	274.514		
as % of Financial Debt	29,0%		
Maturity	0,8		
Bond Loans	50.000		
Commercial Paper	117.000		
Other ST Debt	107.514		
Financial Debt	946.018		
Maturity	2,9		
Average Cost of Debt	5,7%		
Leasings	101.659		
Accrued Interest & Hedging	21.811		
Marketable Securities & Bank Deposits	-223.638		
Net Debt	845.850		
% Debt in Euros (Financial Debt + Leasings)	84,3%		
% Debt in Zlotys (Financial Debt + Leasings)	15,7%		

The evolution of net debt, which reached 845.9 million euros at the end of the year, reflects the investment plan implemented in 2008.

The average maturity of the medium and long term debt is 3.6 years.

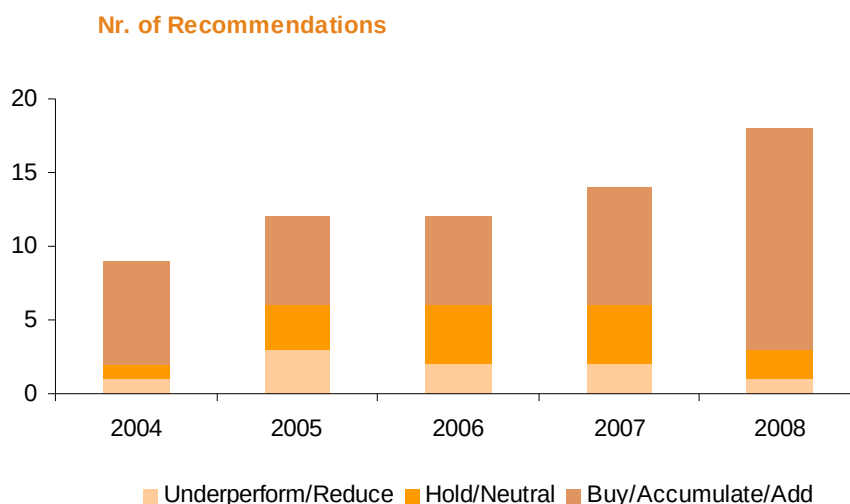
The debt in Zlotys represents 15.7% of the financial debt and leasings, and includes a long term loan contracted to finance the acquisition of Plus in Poland.

The financial leasing is essentially related to the leasing of store equipment and transport equipment.

The amount in treasury investments meant to satisfy short term cash commitments, among which there was a bond loan of 50 million euros which matured in February 2009.

Jerónimo Martins in the Stock Market

In 2008, three more research institutions started to cover Jerónimo Martins, and by the end of the year, a total of 18 analysts were writing reports on the stock.



In terms of stock market performance, Jerónimo Martins shares followed the general negative trend of the markets, although its performance was above that of the Portuguese market and above the average of its peers in the European market.

A significant increase was also registered in terms of liquidity, with an average daily trading volume which was 69.5% higher than in 2007.

JM SHARES PERFORMANCE

	2008	2007
Stock market Performance		
High (EUR)	6,40	5,59
Low (EUR)	3,22	3,43
Average (Closing) (EUR)	4,92	4,37
Closing (End of year) (EUR)	3,97	5,40
Market Capitalisation (31/12) (EUR 000,000)	2.498	3.398
Market Capitalisation Ranking / PSI-20	8º	10º
Average Stock turnover Ranking /PSI-20 *	8º	14º
Transactions		
Volume (1.000 shares)	468.826	275.512
Daily Average	336.790	132.400
Annual Growth		
PSI 20	-51,3%	16,3%
Retail Sector Average **	21,6%	13,7%
Jerónimo Martins	-26,5%	58,8%

* average volume x average share price

** includes Colruyt, Carrefour, Casino, Ahold, Metro, Delhaize, Tesco, Sainsbury and Walmart

Financial Performance 2004-2008

	(€' 000.000)				
	2008	2007	2006	2005	2004
BALANCE SHEET					
Fixed Assets					
Net Goodwill	734	416	385	384	301
Net Intangibles Assets	93	80	61	40	31
Net Tangible Assets	1.875	1.671	1.317	1.102	1.035
Financial Investments	73	61	92	82	218
Working Capital	-1.065	-863	-667	-547	-513
Long Term Assets	63	63	61	62	61
Income Tax Provision	-4	-1	-2	2	1
Deferred Taxes	8	18	26	43	48
Invested Capital	1.777	1.443	1.274	1.168	1.181
Net Debt					
Financial Debt	946	713	606	673	730
Leasings	102	79	47	30	25
Accrued Interest	22	52	26	5	16
Marketable Securities and Bank Deposits	-224	-264	-173	-211	-159
Minority Interests	281	287	275	251	228
Equity	650	577	492	420	342
INCOME STATEMENT					
Net Sales & Services	6.894	5.350	4.407	3.828	3.495
EBITDA	473	351	319	308	305
EBITDA margin	6,9%	6,6%	7,2%	8,1%	8,7%
Depreciation	-158	-127	-107	-100	-97
EBIT	315	225	212	209	208
EBIT margin	4,6%	4,2%	4,8%	5,4%	5,9%
Financial Results					
Net Interest	-65	-52	-39	-39	-42
Other Financial Costs/Income	-20	-7	-3	-7	-9
Non Recurrent Items **	-8	22	20	9	-7
EBT	222	188	189	171	150
Income Tax	-43	-26	-21	-16	-16
Deferred Tax	-3	-11	-17	-9	-3
Net Income	176	151	151	146	131
Minority Interests	-13	-20	-35	-35	-38
Net Income attr. to JM	163	131	116	110	93
Cash Flow	345	266	255	246	239
MARKET RATIOS*					
Total Shares	629.293.220	629.293.220	125.858.644	125.858.644	125.858.644
Own Shares	859.000	859.000	171.800	171.800	171.800
EPS (EUR)	0,26	0,21	0,92	0,88	0,83
Cash Flow per share (EUR)	0,55	0,42	2,03	1,95	1,90
Share Price at the Lisbon Stock Exchange					
High (EUR)	6,40	5,59	3,52	2,57	2,00
Low (EUR)	3,22	3,43	2,55	1,97	1,54
Average (closing) (EUR)	4,92	4,37	2,85	2,35	1,76
Closing at year end (EUR)	3,97	5,40	3,40	2,54	1,94
Market Capitalisation (31 Dec) (EUR 000.000)	2.498	3.398	2.140	1.598	1.221

* share price for the years 2004 to 2006 was adjusted by the stock split of May 2007

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

4. Business Areas Performance

4.1. Food Retail - Portugal

4.1.1. Food Retail – Pingo Doce and Feira Nova

Message from the Management

“For Retail in Portugal, 2008 was a year of major restructuring, which was the result of the internal merger of the Feira Nova and Pingo Doce Companies and the creation of an organisation better adapted to reality and completely designed for the challenges of the future. On an operational level, this merger led to the creation of a new and innovative store concept and the conversion of 37 mini-hyper Feira Nova stores into Pingo Doce.

Along with this challenge, there was also the acquisition of the Plus chain, marked by the integration of a new team of around 700 employees, and by the transformation of the 77 acquired stores into Pingo Doce stores, in record time.

2008 was a year of change beyond comparison, in which a new more effective and modern Pingo Doce Identity was implemented, where Freshness, Proximity and Quality are always present. Lastly, it was the year in which a new scale of operation was reached, which will dictate the strength of the brand and the chain of stores in the future.”

Mission

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

For Pingo Doce, 2008 was the culmination of a process of change and was marked by three main projects, as follows: i) the merger of Pingo Doce/Feira Nova, organisational structure and compact stores conversion, ii) the acquisition of the former Plus stores and iii) the launch of the new identity, which resulted in the consolidation of the Company's market position and its competitive advantages.

Pingo Doce / Feira Nova Merger

After the proven success of Pingo Doce's strategy, with a sustained growth in like-for-like (LFL) sales, in the number of customers and the average purchase, at the end of 2007 it became imperative to decide if a single, stronger brand would be well accepted by the market.

Therefore, a market survey was carried out, which showed that the qualities of the Pingo Doce and Feira Nova brands were very similar and also that the Pingo Doce format was the one closest to the ideal store.

In view of these results, Jerónimo Martins decided to convert into Pingo Doce brand, the stores with less than 2,500 sqm of sales area, thereby capitalizing on the heritage of the Pingo Doce brand.

This process took place in two separate stages.

In the first stage, a major internal restructuring took place, creating a unified organisation, centralising the operations, commercial, marketing, logistic and financial functions, among others; an organisation better adapted to reality and completely designed to respond to future challenges.

In the second stage, in March 2008, a multi-disciplinary team put in place a new store layout and ambience, adapted to the 2,000 sqm of a mini-hyper Feira Nova store. As the first experience of converting a Feira Nova into Pingo Doce, this resulted in a higher quality store which was quickly accepted by the consumer.

Following some fine-tuning and improvements to the tested concept, this was gradually extended to other mini-hyper Feira Nova stores – and the converted stores have performed positively, increasing their sales and average number of customers. Finally, between November and December, the re-branding of the remaining mini-hyper Feira Nova stores took place, so that the entire chain has now been converted.

Acquisition of the Plus Stores

Pingo Doce's acquisition of the former Plus stores was another milestone in the brand's expansion strategy in 2008.

In effect, the customers' strong acceptance of the Pingo Doce brand, its consistent market position and knowledge about this format's business model, enabled the Company to accelerate its rhythm of expansion, through the opportunity of buying Plus, so that it was able to make its presence known in new areas where it had not yet been present.

So, during 2008, 77 Plus stores that had been acquired were converted into Pingo Doce, in a two-stage process.

In the first stage, which required little investment, a review was carried out of the assortment, by introducing the Pingo Doce Private Brands, excluding the Plus brand articles and defining a mainly food assortment, and this model was adapted to 74 stores.

At the same time, in two pilot-stores, a total Pingo Doce conversion was tested, with the usual layout and focus on Perishables. This second model was more widely accepted, which proved that it was what the customer was waiting for. So at the end of the year, the second stage began, with the complete conversion of 16 stores into the standard Pingo Doce format.

New Identity

A new identity, reflecting the modernisation and growth of the Company, marked Pingo Doce last year. By creating the new Company identity, the idea was that this should lead to the consolidation of its position in terms of Quality, Freshness and Proximity at stable, low prices.

The new identity tries to transmit the values of the brand, through the direct interpretation of the colours, formats and types of lettering and messages presented.

The new logo can be interpreted as follows: the **green**, the Company's speciality in Perishables; the **black**, the quality that is always present in the products it sells; the mark that is **hand-written** and in chalk, proximity to the consumer; and the signature "It feels good to pay so little", in the shape of a smile, the low and stable price policy. This re-branding of Pingo Doce implied changes in the stationery, stores and uniforms, along with all, spaces and materials that use the brand.

2008 Performance

The main challenge in 2008 was not only to implement the aforementioned projects, but also to keep focusing on managing the operation. For this, once again the Pingo Doce chain was a success last year, as it reached a LFL sales growth for the year of 11.2%.

Pingo Doce sales (excluding converted compact stores) increased, in 2008, 31.0% against the previous year, fuelled by the LFL sales but also by the implementation of the expansion plan with opening of 17 new stores during the year and the integration of the 77 former Plus stores.

In 2008, Feira Nova mini-hyper stores were gradually converted into the Pingo Doce layout, whose development took place mainly during the last quarter. In this transitional year, this group of mini-hyper stores posted a LFL sales growth of 1.0% and a total growth of 7.8%.

The conversion of this chain of stores to the Pingo Doce brand was progressive but even so, received a substantially positive response from the customers, as seen from the evolution in the number of transactions which increased by 14.7% for the year.

Hypermarkets

In 2008, the Group's nine hypermarkets achieved total sales of 365.6 million euros, which is 3.7% down on the previous year. This fall in sales occurred chiefly in the last four months of the year, resulting from the deterioration of the economic environment and a decline in consumer confidence. Despite feeling the effects of this situation, particularly in the sales evolution of the non-food business, the performance of the Hypermarkets in terms of their contribution towards the earnings for the year, was quite positive.

New Business

The “New Business” area is responsible for developing the non-food area, which is complementary and boost the Food Retail activity in Portugal.

This area currently focuses its activity on the development of the businesses that were launched in 2007, like the “Bem Estar” stores (Health stores), the Petrol Stations and the “GET” stores (in the area of entertainment, culture and leisure).

The “Bem Estar” stores cover both a specific assortment of non-prescription medicines, articles for babies and pregnant women and dermo-cosmetics and oral care. The year of 2008 saw the opening of 11 new units so that the year ended with a total of 13 of these stores.

As far as the Petrol Stations are concerned, the partnership with Martifer continued to be developed and the image of the petrol stations was changed (due to the merger of the Feira Nova and Pingo Doce stores) and seven more were opened, so that the year ended with a total of 14 stations.

For the GET stores, 2008 was a time for furthering knowledge in this area and the opening of a 470 sqm store in Loures, so that the year ended with a total of four stores.

Outlook for 2009

After one year marked by change, 2009 will be a year for strengthening and consolidating Pingo Doce’s market position, with the main objective being to strength the brand’s values and maintain the strategic focus on three pillars, as follows: Perishables, Private Brand and a pricing policy based on “every day low prices”.

In operational terms, 2009 will be a year of evolution and conversion of the ex-Plus stores, so that the majority of these would be transformed into the Pingo Doce standard store.

Finally, following a year marked by internal re-organisation, an analysis will be made of the possibility of going ahead with the corresponding statutory restructuring, through the effective merger of Pingo Doce - Distribuição Alimentar, S.A. and Feira Nova Hipermercados, S.A., to reflect the new business organisation in Food Retail in Portugal.

4.1.2. Food Retail - Operation in Madeira

Message from the Management

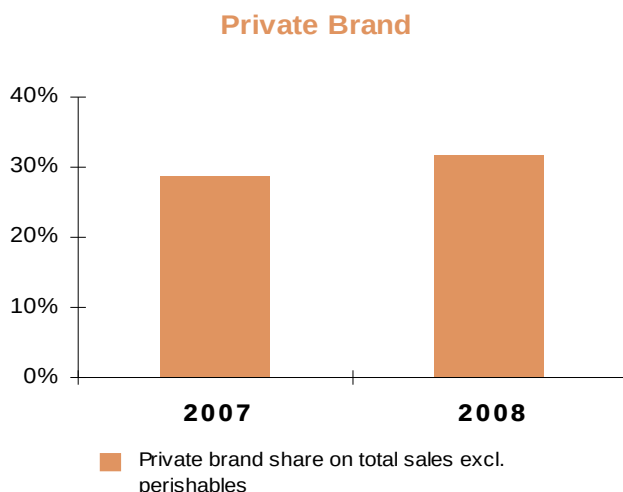
“The strategy defined for the business in Madeira is still focused on increasing market share through a competitive pricing policy, quality of Perishables and strong investment in the Private Brand and in innovative products and services.”

Mission

Provide Madeira families with the best food solutions, both in-home and out-of-home. Through the Pingo Doce chain, commercialise high-quality products at the best prices in the region, and meet the needs of the HoReCa channel and those of Traditional Retail through Recheio, offering them competitive quality, service and prices.

In 2008, Jerónimo Martins maintained its rhythm of investment in Madeira by remodelling the main store of the Pingo Doce brand in the region – Pingo Doce Anadia. This project, required the closure of this important unit for 40 days, with a negative impact on the brand's sales.

In 2008, for the fourth year in a row, continuous, Pingo Doce in Madeira presented a real price deflation. Pingo Doce's Perishables line, strategically identified as destination categories for which the Pingo Doce brand is well renowned for quality, continued to increase their weight in the Company's sales, now representing 54.1% of the total sales. At the same time, the Private Brand products increased their share in the sales of the Company.



2008 was also noted for the opening of four retail units by competitors, which brought greater competition and customer sharing in the region. Even so, Pingo Doce Madeira managed to practically maintain the same level of sales as the previous year, closing 2008 with 93.8 million euros sales.

In 2008, Recheio in Madeira posted an excellent sales performance, closing the year with a 19.5% growth, reaching 34.5 million euros. Thus Recheio consolidated its leadership in the segment and successfully took advantage of the investments carried out the previous year, which involved remodelling and certifying its store and establishing the basis of the business for future years, hence providing strong service for the hotel and restaurant sector.

Facing a market undergoing major change due to pressure in today's retail market, Recheio maintained a marked leadership position not only in the traditional market, but also in the HoReCa channel.

Together, the Group's two brands operating in Madeira saw their sales grow 4.2%, reaching 128.4 million euros.

Starting in 2008, the Pingo Doce organisation in Madeira began more consistently taking advantage of the synergies created at Group level, namely regarding the buying terms negotiated for JMR (Retail business in mainland). So a shared commercial management began, while the local organisation remained responsible for negotiating with small regional and national suppliers.

With a view to increasing efficiency and reducing transport costs, a series of projects were started up, of which the local production of Private Brands should be noted. The same degree of rigour applied to developing and certifying the Private Brands on a national level was imposed on a selection of local products with the potential for producing 50 references, which represent more than 20% of the current volume transported from mainland Portugal.

For 2009, one of Pingo Doce's main challenges in Madeira is to regain its sustainable sales growth and earnings, mainly through logistic and commercial improvements and in the stores' operation.

Recheio will maintain its strategy focused essentially on the HoReCa market, for which its offers suitable services and solutions.

The attention to specific regional needs, together with the high motivation of our team are essential to winning over more and more Madeira consumers.

4.1.3. Cash & Carry - Recheio

Message from the Management

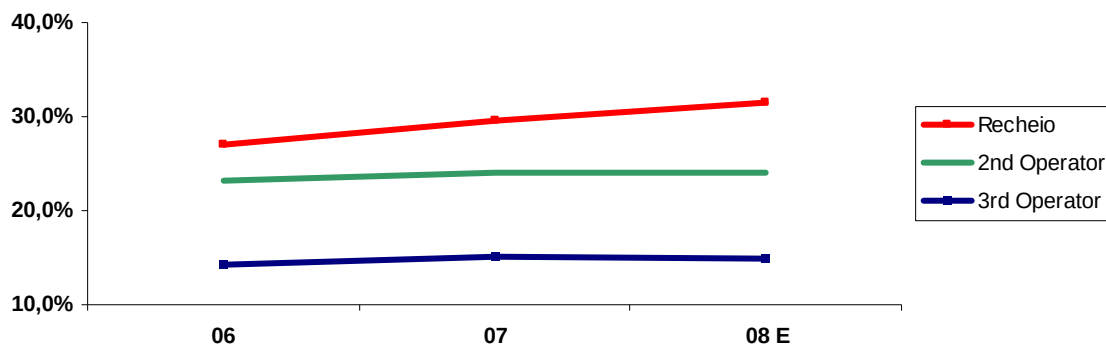
“Although Recheio’s operation focuses essentially on Restaurant and Hotel customers, it managed to be the Traditional Retail businesses’ preferred operator, which highlights our unusual resilient business model.

As a result of this strategy, the Company’s position as Portuguese wholesale market leader was reinforced, increasing the distance to all the relevant operators in the market.”

Mission

To meet all the needs of Traditional Retail customers and of the HoReCa channel. To give Recheio’s clients value for their money, through the focus on long-term relationships, offering each segment the best value solution for their needs. Recheio’s employees, with their motivation, competence and dedication, are the best building blocks for such relationships, whether with clients or suppliers. Focus on the client and on the Company’s efficiency is the best way to guarantee profitability and return on shareholders’ investment.

Market Shares*



* Internal estimates

Despite the difficulties which were characteristic of the year and which were heightened in the second half, in the majority of months, Recheio managed to post the best performance ever in sales terms.

Like for like growth was 4.5%, with the Company’s total sales growth reaching 4.5%. In 2008, Recheio maintained its operational cash flow margin, which totalled around 40 million euros, a growth of around 5.1% on 2007, values that are above the average for the sector.

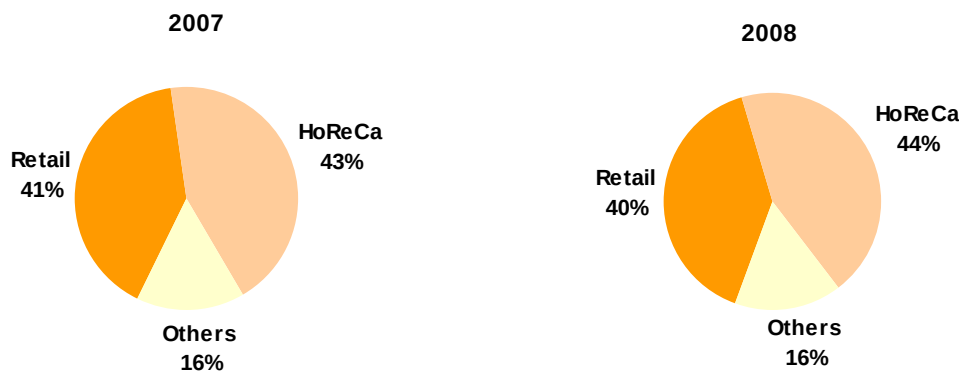
Last year was a year for the Company to return to expansion, which was achieved by opening two new units: one proximity store, in the centre of Lisbon, totally geared towards the Hotel Industry; the other is the result of the integration, on 4th November 2008, of one of the last big independent Cash & Carrys in the country – Santos Cavaco, in Santa Maria da Feira. Even so, the closure of two stores for remodelling that took place almost at the end of the year, balanced out this growth by expansion.

2008 was also the year in which the Company decided to reinforce its commitment to serving the Hotel Industry, by completely remodelling Vila do Conde, Aveiro and Albufeira stores.

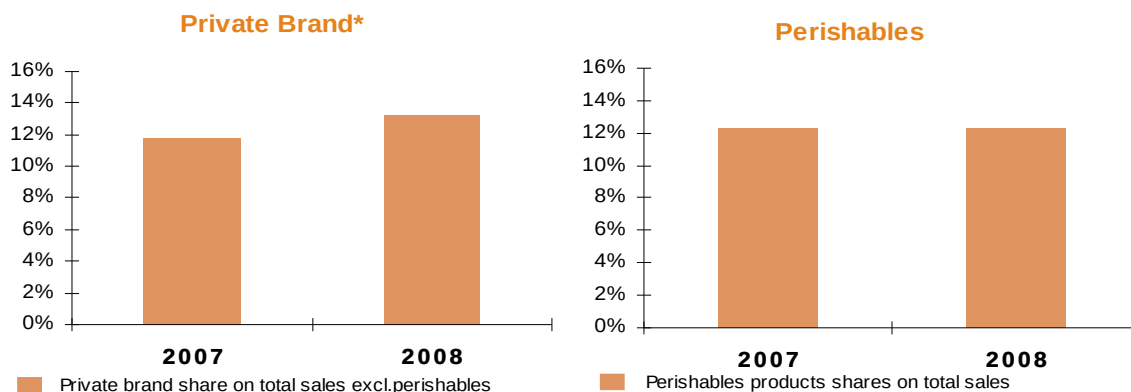
The significant investment is in line with Recheio's position as the most complete partner of the Hotel and Restaurant business professionals, thus investing priority on Perishables sales areas, notably the fresh fish, butchers, fruit and vegetables and dairy product departments.

This commitment, which is to be accentuated, also becomes more notable in the operation of Food Service platforms, two logistic structures operating in the wholesale markets in Lisbon and Porto and which exclusively serve restaurant and hotel clients, thereby increasing the weight of this sector within the Company's total sales.

Sales per Segment



In its commitment to guarantee the best prices and highest quality, of note last year is the significant sales progression of the Private Brand products and Perishables, which reached market shares above 10%.



(*) – Includes MasterChef and Jerónimo Martins Exclusive Brands

With regard to Human Resources, in 2008 Recheio carried out one of the most comprehensive technical training programmes in the areas of: customer care and service; machinery and fork-lift driving; the Food Safety Board's competencies and skills; waste separation; emergency and evacuation plans; food health and safety in the meat sector and sanitation of the departments; with this ambitious programme covering 98% of the entire staff.

After being the first Distribution Company in Portugal to be HACCP certified, Recheio has also pursued an ongoing training programme in Food Safety and technical conditions for the sanitation, transport, storage and sale of Perishable foods, therefore ensuring the renewal of its certification.

4.1.4. Functional Departments for the Food Distribution in Portugal

With the objective of maximising scale and synergies and sharing know-how, the Group's Food Distribution operations in Portugal share a fundamental group of services provided by the Departments of Sourcing and Private Brand, Logistics, Quality Control and Environment, Financial Services, Information Technologies and Market Research.

Sourcing and Private Brands

Sourcing

The objective of this Department is to generate value for the Group and its Operational Divisions through: i) creation of know-how in the key areas of competitive differentiation - Perishables and Private Brands; ii) leveraging the Group's negotiating capacity, through the establishment of agreements with the main manufacturers; and iii) developing a programme of business synergies with selected partners.

In 2008, Perishables Sourcing Department implemented significant strategic changes in its procurement policies. The co-operation and commercial relationship between production and its supply sources was strengthened, thereby reducing the degree of intermediary intervention through the creation of shorter and more efficient supply chains. This new policy gave rise to new supply sources, as well as to new business opportunities for opening some unexplored markets, which broadened Jerónimo Martins' sphere of operation.

On an internal level, a merger of the commercial structures of the Pingo Doce and Feira Nova chains took place in order to: optimise the negotiation process, value a greater scale and prepare for the integration of the Plus chain. At the same time, it was necessary to reconsider procurement with a view to creating greater efficiency and improved quality linked to quantity, in order to guarantee the competitiveness demanded by the market.

Both with regard to negotiation of the Manufacturing brands and the actual development of the Pingo Doce brand, the focus was essentially on establishing partnerships with credible suppliers that are receptive to innovation and at the same time able to respond to the new dimension of this Brand in developing the following objectives:

- Eliminate intermediary processes, leading to the development of an efficient and effective supply chain, as mentioned, thus ensuring the best quality at the best price;
- Complement the assortment with products to satisfy new customers, especially in categories where new trends have been identified and where the launch under the Pingo Doce brand revealed winning projects;
- Improve the implementation of logistics optimisation processes, namely in terms of transport and display boxes.

Private Brands

The current weight of the Pingo Doce Private Brand products is 41% of the chain's total sales. While at Recheio, the penetration of sales of the Masterchef brand is 13.2%.

Currently, there are around 3,400 Private Brand product references at Pingo Doce. In 2008, 743 new were launched.

The cases of the recent launch of new ranges of frozen pizzas and juices demonstrate the credibility and trust that the Private Brand products have reached with the consumer. Everything indicated that the penetration of the Private Brands would be difficult and slow but exactly the opposite occurred, as in the third month after being launched, they were already comfortably leading their respective categories. No less important was the fact that these launches caused both these categories to grow, by capturing new consumers for these markets.

The success of the Private Brand programme validates the chance to invest, although it equally increases the responsibility towards the consumers, as it becomes necessary to surprise them with more and more innovative offers of unquestionable value.

Logistics

This Department's mission is to support the elements of the Group's distribution chain that make a difference, namely: Innovation in its concepts, Leadership in Perishables and investment in the Private Brands. In the management of the Purchasing, Storage and Transport activities, Logistics tries to minimise the Total Logistics Cost, contributing towards an ever faster response to the consumers' needs, with ever higher levels of quality.

In the Logistics area, 2008 saw the implementation of plans which aim to face up to the sharp growth recorded in the Jerónimo Martins retail operations over recent years, with the launch of guidelines for a logistics reorganisation plan aiming to support the greater dimension that the operations will have in the future.

In the same way, last year is marked overall by the acquisition of the Plus stores and by a considerable increase in the total volume of goods moved. In order to meet the service/quality standards defined for the business, it was also necessary to adapt the Physical Infrastructure and Organizational Structure of the logistics operation.

As far as the Physical Infrastructure is concerned, a new operation in Alcochete was set up, in a total area of approximately 25,000 sqm, which aims to support the needs of the stores situated to the South of the Tagus, with regard to Non Perishable products.

As far as the Organizational Structure is concerned, there was reinforcement in the number of employees working in all the warehouses, including Middle Management, with new warehouse managers. This decision to reinforce the teams responded to the growing needs felt with the increase in volumes moved and even so, enabled costs per unit moved to remain at the values forecast.

The ongoing objective of the Supply Chain – to generate more value at lower cost – came about in 2008 through reinforcing the amount of cross-docking operations, essentially in the light bazaar area. Therefore, the receipt of goods was intensified based on the EAN UCC128 standard, thereby ensuring the correct application of the standards related to food legislation, and particularly to the traceability of food products.

Finally, communication and integration with suppliers was reinforced via the JM Direct platform (business to business project with suppliers). In this context, there was an increase in the number of suppliers using the JM Direct/B2B portal, which led to a 70% reduction in paper invoices, an 85% reduction in costs by centralising invoicing and using non-paper invoices, and a 38% reduction in filing costs compared to the paper version.

Currently, the Logistics Department supports its activities using the following physical platforms:

Distribution Centres	Area (sqm)	Description
Azambuja Distribution Centre	48,000	Non-Perishable Products, Heavy and Light Bazaar, Fruit and Vegetables, Meat, Dairy Products, Cold Meats, Fish and Salt Cod
Guardeiras Distribution Centre	12,500	Non-Perishable Products and Just-in-Time Products (JIT), Light and Heavy Bazaar
Modivas - Vila do Conde Distribution Centre	24,900	Fruit and Vegetables, Meat, Dairy Products, Cold Meats, Fish and Frozen Food, Non-Perishable Products and Salt Cod
Vila Nova da Rainha Distribution Centre	10,000	JIT Non-Perishable Products, JIT Light and Heavy Bazaar
Laúndos - Vila do Conde Distribution Centre	12,000	JIT Non-Perishable Products, JIT Light and Heavy Bazaar
Alcochete Distribution Centre	25,000	JIT Non-Perishable Products and Salt Cod
MARL - Outsourcing	4,000	Frozen food

It should be noted that the process of redesigning the logistics network for the coming years was concluded, which encompasses the reorganisation of the current physical structure and new logistic warehouses. The objective is to support a new scale of operations and, at the same time, improve overall efficiency and functionality.

The logistics network that has now been approved will enable a review of the transport policy to be made, in order to make more efficient use of the fleet and to increase the sustainability of the operation (by reducing the kilometres covered and adopting less polluting solutions and technologies).

Quality Control

The objective of this Department is to promote the ongoing improvement of the Quality and Food Safety systems of the Group's Operational Companies in Portugal, in order to meet the current and future requirements of its customers.

In 2008, the Quality and Food Safety Department reinforced its control of Perishables purchasing specifications, both in a sensory and analytical context, as well as the monitoring of the best hygiene, labour and production practices of its operations.

There are teams dedicated to each region and to the production activities, as well as specialized teams in the area of Perishables, which has reinforced the follow-up of the whole supply chain. Also with the customer in mind, a new IT application was developed and implemented for the Recording, Handling and Management of Complaints.

Regarding the implementation of the quality system for the development of the Private Brand products, the following improvements were made in 2008:

- Reinforcement of the product sensory evaluation, incorporating the information received from the consumers;
- Increase in the monitoring of the Private Brand suppliers, both through audits and follow-up visits, and through the significant increase in laboratory tests on the products supplied;
- Reorganisation of the team in order to have specialised staff per category;
- Reduction of the complaints response time, thereby promoting an improved customer service;
- Development of high quality convenience products/solutions, especially in the area of ready meals;
- Focus on the development of nutritionally healthier products.

For 2009, process optimisation and efficiency has been targeted, supporting the requirements for growth of the Companies and of new business areas. Therefore, the priorities are as follows: greater focus on the Perishables area, industrial licensing of the kitchens and bakery centres, and promotion of healthy choices and purchases by the consumers.

In the development of the Private Brand products, 2009 will also be a year for further recommended improvement, in order to lay down standards of recognised quality for this type of product. This improvement will be achieved through increased team efficiency, stronger partnerships with suppliers and the ability to "listen" to the customer.

Financial Area

The Financial Division of JMR includes the Accounting and Reporting Department and the Controlling Department.

Apart from participating in defining JMR Group's strategy, it is responsible for ensuring its implementation with regards to producing relevant management information and to budget control, and for complying with the statutory, legal and tax requirements of all the companies which are part of the Food Retail in Portugal.

It is therefore JMR Group's Financial Division's responsibility to:

- Produce all the individual accounting documentation of the Companies in the Group, which once consolidated are later reported monthly to both the Shareholders: Jerónimo Martins and Ahold;
- Ensure the production of the necessary management information for correct and timely decisions to be made at all levels within the organisation;
- Together with the Jerónimo Martins Operations and Finance Departments, guarantee the financial resources and their functionality in JMR;
- Define the allocation of resources to different projects and tasks within the financial area.

In this Division, 2008's activities were also marked by three very important events at JMR:

- The organizational restructuring which, apart from the huge change in the way the financial division was previously organized, implied the adaptation and unification of all management information (including the planning and reporting structure), the creation of reports for new businesses and preparation for the new information analysis clusters for the entire chain of stores (per region and according to sales area);
- The acquisition of Plus Discount - Supermercados, Lda. and then the merger, by its incorporation into Pingo Doce;
- The conversion of the compact stores, which began invoicing under Pingo Doce.

Information Technologies

The objective of this Department is to develop and provide information processing systems to the Operational Divisions, according to their business objectives, and to use the most secure and efficient technology, thereby contributing to operating improvements.

In 2008, the integration of Plus formed the main project for the Information Technologies Department (ITD). This project required a great deal of planning and preparation which resulted in the integration of 77 of this Brand's stores in the space of just three days. This operation was crucial for the proper control of all business procedures, as it enabled all transactions to be recorded straight away on the Jerónimo Martins information technologies. This project was concluded when the Plus central systems were deactivated and their accounting system was transferred from Germany to Portugal.

Throughout 2008, support was also given to the Group's entire expansion plan, according to the set objectives and contemplated not only the opening of new stores but also new business areas. In the second half of the year, the conversion of the Feira Nova compact stores into Pingo Doce stores began, which required a significant amount of effort in re-setting the parameters of the various information technologies.

Last year, projects in the areas of Finance and Human Resources were also started, with the objective of increasing administrative efficiency, which should bear fruit in 2009. With regard to operational efficiency, focus was also maintained on developing automatic replenishment processes in the stores.

The ITD's priorities in 2009 will be to carry out projects for improving operational and administrative efficiency and reducing costs.

Market Research

The mission of the Market Research Department is to be the best partner of Feira Nova, Pingo Doce, Recheio and Lidosol in the supply of information regarding the market and consumer, and incorporating it into the business, identifying opportunities and giving each Company a picture of the market.

As an area of support to decision-making, by supplying information, this Department supported the conversion of the Feira Nova chain of stores into Pingo Doce, the integration of the Plus stores, and the re-branding of Pingo Doce, thereby dedicating a significant part of its work to monitoring these projects.

This dynamic activity, together with that of the competition in an unfavourable economic environment, led to the intensified monitoring of the consumer market.

Due to the investment in new businesses, 2008 was also a year for supporting decision-making in this area. As a matter of fact, the creation of a separate business unit within the Company for Non Food business, led to various specific projects being developed for this area, notably the reformulation of the handling and supply of market information on Textiles, Electronics, Entertainment and Culture, as well as studies carried out involving, above all, store concept and assessment of the competition.

Special attention was paid to the area of monitoring the competitors' prices and two projects were started in 2008: Reformulation of the Price Monitoring System and the Purchasing Simulation Project.

Apart from the above-mentioned projects, of note also is the consolidation of projects that began in 2006 and 2007, like the consumer tests on Private Brand products.

To this effect, more than 350 Private Brand tests were carried out with consumers, the objectives of which were:

- To support the launch of products – acceptance and benchmark comparison;
- To validate product reformulation;
- To test the consistency for formulating existing products.

Due to introducing new regular monitoring areas, the number of tests carried out increased in 2008 by more than 15% against 2007. The projects initial priority was in food products, although in 2008 conditions were met to broaden the activity to non food products, and so it is probable that in 2009 there will be a substantial increase in the number of tests carried out in this area.

A final note goes to the maintenance of the Jerónimo Martins internal portal – My.JM – which enables staff to quickly access up-to-date information on the market, the competitors and the consumer; and also the monthly newsletter, for internal information, on the Market and Consumer, which enables the staff to have a quick view of key indicators on the market's evolution.

4.2. Food Retail - Poland

4.2.1. Biedronka

Message from the Management

"Despite the economic slowdown, the Polish Food Retail market grew around 6% in 2008. The market consolidation that took place over the year drove a growth of 40% in the sales of the 20 main Polish retailers. Despite recent consolidation operations, the market is still very fragmented and there is a large number of small family businesses, therefore Modern Retail has a much lower market share in comparison with other Western European countries.

In this context, Biedronka took an important step when it reinforced and strengthened its position as leader in a very competitive market, through organic growth, complemented by the acquisition of the former Plus stores in Poland.

Management remains confident about the future, knowing they that can rely on the team spirit of its employees and business partners."

Mission

To offer a limited range of carefully selected, very high-quality products, in order to satisfy clients' daily requirements, at an everyday low price. All employees should ensure that the Company works with supreme efficiency and at low cost.

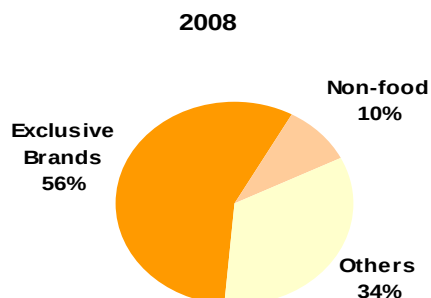
In 2008, the Polish Food Retail market was affected by the global economic situation, especially during the second half of the year. The world crisis had repercussions on the Polish economy, and the Government lowered its forecast for GDP growth; even so this was well above the growth forecast in this indicator for the majority of European Union countries.

Once again, Biedronka's strategy, focused on quality at every day low prices, operating efficiency, and proximity to the consumer through an aggressive expansion policy, proved to be the most appropriate for the reality of the market and for the strengthening and competitiveness of the Company as the Food Retail leader in Poland.

The reinforcement of Biedronka's strategic positioning led to growth in like-for-like sales of 20.2%, which together with the organic expansion of 154 new stores, the closure or replacement of 33, and the acquisition of 205 Plus stores (12 were closed before the year end), resulted in a total sales growth in local currency, of 37.3% compared to the previous year.

The focus on quality, differentiation and innovation of the assortment continue to be important strategic pillars, consistent with the actions that began in previous years. Another of the Company's strategic pillars was the development of a unique assortment of Perishables, based on the quality and success of its local partners.

Biedronka Net Sales Breakdown



The ongoing launch of new products and the development of new categories strengthened the competitive advantage of the assortment, also based on the development of the exclusive brand and aided by in&out campaigns, which helped to maintain the Polish consumer's preference for Biedronka.

At the same time, the trusting relationships that resulted from establishing solid medium and long term partnerships with suppliers, allowed for healthy and sustainable development to be pursued for increased competitiveness, having created the conditions for increasing market share in most of the categories.

Despite the highly competitive market and the competitors' aggressive promotional activities, Biedronka reinforced its "every day low price" policy.

In keeping with the trust shown by its clients, the Company began including nutritional information GDA (Guideline Daily Amounts) on its Private Brand products, advertising it with promotional campaigns directed at the consumer.

Communication in the stores was reinforced using flyers, merchandising posters and a clear message: "Every day quality at low prices", which was complemented by optimisation of the store layout.

On the other hand, for external communications the preference was for TV ads, enabling complete geographical coverage of the 1.359 Biedronka stores. The innovative and entertaining nature of the advertisements was given prominence in the KTR Polish Advertisement Contest, where one of the ads came in third place, and received a bronze statue for the category of commercial advertisements for retail and public services. The same advertisement was also awarded by the journalists.

The process of acquiring the Plus stores began in December 2007 with the signing of a preliminary agreement with the Tengelmann Group. During 2008 the acquisition was subject to analysis by the Anti Trust Authority, and was approved at the end of September 2008. Plus began operating under Biedronka's control on 1st October 2008. In just seven weeks, 193 stores were integrated into the Biedronka chain.

Apart from integrating the former Plus stores and opening 154 stores within the organic expansion programme, Biedronka also carried out 83 refurbishments and ended the year with a further 216,802 sqm of sales area in comparison with the previous year.

Finally, a new Distribution Centre was opened in Lubin, to replace the previous one, and the Plus Distribution Centre was refurbished to fit Biedronka's logistic operations and the Supply Chain standards. With this, 30,559 sqm of warehouse space were added. It should also be noted that Biedronka's fleet was reinforced with another 291 modern trailers and in order to increase transport effectiveness, GPS devices and Auto IDs were introduced.

In 2008, various Supply Chain projects were developed in order to increase efficiency and productivity and also to attain a better supplier service and optimise the loading and unloading process.

During last year, considerable improvements were also made to the store front office and back office systems. These were as follows: i) a system for recording entrance into the central and regional offices was introduced; ii) training sessions were supported by the new SAP module; and iii) a new 20-terabyte server was installed to respond to the increase in data to be stored.

In the administrative areas, electronic procedure systems were developed, as well as automatic report systems, thereby guaranteeing greater productivity and operational control.

Quality is one of Biedronka's strategic pillars. Quality control includes audits on the suppliers' plants, through permanent laboratory testing, as well as tests on the existing assortment and on new products. Nutritional information was introduced on the product labels, which enabled consumers to make a more appropriate choice, based on the nutritional values shown.

Human Resources continued to be one of the Company's main priorities, as it is one of the areas that guarantee the competitive advantages of its business model. In order to ensure the development of its employees' skills, in 2008 the programmes at the training schools were extended to reach over 7,000 employees, the equivalent of over 1,500,000 training hours.

Taking into consideration the projects underway, and despite the economic slowdown forecast for the coming months, Biedronka's management maintains its confidence in its project, keeping focus in its organic growth plan – 159 new stores expected in 2009 – and in its competitiveness in Polish market.

4.2.2. Apteka Na Zdrowie

Following the partnership agreement signed in February 2006 with the National Association of Pharmacies (in Portugal), in order to study the viability of developing a line of pharmacy retail businesses in Poland, the first pilot store was opened in this country at the end of 2006, to which four more were added in 2007.

As anticipated at the beginning of 2008, the positive signs received from the pilot tests that were carried out, led to the decision to increase the size of the chain of stores. Therefore, in 2008, 14 stores were added to the existing ones, which solidified the draft business model, its specific characteristics and its suitability to the Polish market.

All 19 pharmacies are located inside Biedronka stores, although in separate and independent facilities, in accordance with the Pharmaceutical Law in force in Poland.

4.3. Manufacturing, Distribution & Services and Restaurants

4.3.1. Manufacturing – Unilever Jerónimo Martins

Message from the Management

“As foreseen last year, the second half of 2008 clearly brought Unilever Jerónimo Martins accelerated growth.

Cost rationalization, careful monitoring of raw material evolution and a pricing policy tailored to cover the various segments of the public and distribution channels, as well as innovative projects, were a fundamental contribution towards strengthening the position of various strategic categories.

The good performance trend recorded in the main categories is a sign that the Company is well prepared to transform the challenges that 2009 is expected to bring, into opportunities.”

Mission

“Adding Vitality to Life. Everyday we satisfy our customers’ needs with brands that help them feel good, look good and get more out of life.”

In 2008, in a very economically challenging environment, Unilever Jerónimo Martins showed a positive performance, both in sales and earnings.

The Company, which operates in a diversified group of markets that in the first half of the year grew in volume but decreased in value, managed to increase its market share in a fair number of categories, although in others it was difficult to stop the growth of the retailer’s Private Brands.

Part of the success achieved was the result of focusing on the development of new offers with a good quality-price ratio and in line with market trends. Therefore, particular care was paid to monitoring the exponential increase in cost of raw materials and packing materials, which with some effort was successfully softened by cost reduction exercises, the surplus being reflected in the final prices. The clear acceleration in earnings in the second half of 2008 should be understood not only as the consequence of a like-for-like weaker period the previous year, but above all, as the fruit of implementing strict management control measures on prices, margins and structural reorganisation.

Food Unit

The Food Business Unit reported a 4.6% growth in sales compared with 2007, as a result of the strong performance in most of the categories, but especially in the soup and condiment category.

The margarine category received special help from the "Why Margarine" campaign, which had a scientifically well supported pedagogical effect regarding the benefits of this product against animal fats.

Equally, 2008 was marked by strong investment in the soup category ("Year of the Soup"), for which various activities were developed, namely the launch of fresh, light and rich in vegetables soups, redesigned packaging of the dried soups, a strong advertising campaign on television and occasional events for customers, which turned out to be an absolute success, showing a growth in the sales of that category of 8.7%.

The Iced Tea reacted well to the ongoing development of the retailer's Private Brands after being seriously affected by them in 2007.

In 2008, the launch of soya spreads, Becel Gold, Vaqueiro Bechamel and Linea soups are also of note.

The Manufacturing plants recorded a particularly positive performance during the year, notably i) the efficient integration of the increased production of margarines which arose from transferring the production from Spain to Portugal, ii) the high level of satisfaction of over ten European markets served by bouillon plant and iii) the significant increase in production at the olive oil blending and packing plant, in response to the exceptional increase in sales to Brazil.

Home and Personal Care Unit

The Home and Personal Care Unit managed to defend its leadership position, posting a growth of 2.5% against the previous year.

A special note should be made to the accelerated promotional activity of all this unit's competitors, to which Unilever Jerónimo Martins reacted wisely and managed to adequately balance volume, turnover and profitability.

Also of note are the launches of CIF Actifizz, Sun Green Power, Axe Dark Temptation and Organics *Explosão Brilho*.

The Sacavém Manufacturing plant had a particularly positive performance, which was flexible in its response to the constant promotional campaigns from the competition.

This year there was a strong focus on the main segments of home and personal care, resulting in growth figures unseen since 2004.

Out-of-Home Consumption Unit

In 2008, the Out-of-Home Unit posted a growth of 0.3%, having benefited from the positive performance of the Food Solutions.

The Ice-cream category was particularly affected by the weather conditions during the Summer, which was cool and wet, so that in 2009 various activities are planned for effectively fighting against retailer's Private Brands.

Olá remained focused on the market by intensifying its launch of new products for children and teenagers such as Girlie 2, Lemonissimo and Shoots, as well as new

items for adults within the Magnum, Cornetto and Solero brands. For the In-Home Segment, there were new flavours from Carte D'Or and Vienetta, and the launch of Magnum, Cornetto and Girlie 2 Multipacks.

The ice-cream plant managed to increase its European market coverage and increased its production for other Unilever units.

Overall, 2008 was a positive year preceding one which is believed to be full of challenges, although there will not be any changes to the priorities already defined. The growth mix will probably be different, lower in price terms and higher in volume.

The determination to put in place reductions in administrative, commercial and production costs will be greater than ever in 2009.

4.3.2. Services, Representations and Specialized Retail

Jerónimo Martins Distribuição de Produtos de Consumo

Message from the Management

“Jerónimo Martins Distribuição de Produtos de Consumo (JMD) attained a sales growth of 3.2% in 2008, a year which was marked by the launch of a series of important represented brands in the Food Area, another Private Brand, as well as the re-launch of the Cosmetics Division, as from the second half of the year.”

Mission

To build leadership positions in the Portuguese market, for the brands represented, sustained by excellent standards of service at very competitive prices.

Food Division

As this is the Company's main division, 2008 was a very important year with the launch of two new represented brands: Truly and Sunquick, in the confectionary and concentrated juice areas, and the launch of another Private Brand, “Malaki”, a frozen wild shrimp.

All the brands represented by JMD, showed considerable growth during 2008, except Canderel, due to the continued growth and considerable weight of the Private Brands in this segment of the market. For 2009, there will be a continued search for high potential represented brands and the business of the represented brands launched in 2008 will be consolidated.

Cosmetics Division

Last year was marked by the strategic redefinition of the cosmetics division. The representation of two new brands: Cellcosmet & Cellmen – geared towards the pharmacy channel - and The Different Company – towards the selective perfumery channel -, brought a new potential to this division.

Equally, in 2009, there will be a continued search for high potential represented brands, especially in the pharmacy and parapharmacy channel.

Caterplus

2008 was characterised by a double digit growth at the beginning of the year, but by a particularly difficult second half, given the economic environment and the credit problems in the market, which are affecting the Company's clientele. However, it closed the year in line with the previous year.

In 2009, Caterplus' redefined strategy will be put in place, as well as the restructuring of the Company's commercial team, aiming to develop this business area in the short term.

PGJM

Having consolidated the power of its Brands' in 2008, once again PGJM showed its enormous ability to adapt to adverse market conditions. The result was a growth in sales of 5% and the best year since its creation.

It is expected that 2009 will bring considerable commercial challenges to the Company, given the difficulties foreseen in the economic environment, but which can be turned into opportunities if there is a consumer transfer from the selective channel to the mass market channel.

Jerónimo Martins Restauração e Serviços

Message from the Management

"In 2008, Jerónimo Martins Restaurant and Services consolidated the foundations of its growth, having implemented an ambitious programme of expansion, remodelling and innovation of its current restaurant concepts.

Thus, it launched the first Casual Dining Chili's concept, which received a good reception from the consumers."

Mission

To identify, develop and implement Specialised Retail and restaurant concepts whose value proposals meet the Group's profit criteria.

The new restaurant businesses of Jerónimo Martins Group (not complementary to the Distribution area) are located within this Company. As this is a new area for the Group, the Company has focused on the process of learning this new activity, and on fulfilling the outlined launch plan.

In light of this, the Company closed 2008 with 59 stores of differing concepts.

Jeronymo

This Brand was one of the most dynamic in 2008, as can be seen both through the remodelling of the chain of stores acquired from other entity in 2007, and in the opening of new units – of note is the opening of the first street unit in Telheiras – so that Jeronymo closed the year with 15 Kiosks and 10 Coffee Shops.

Olá

Olá is the brand with the greatest number of stores in the ice-cream segment, and it intends to maintain and consolidate its current leadership position. In 2008 three units

were opened and two existing street stores were closed. The Brand currently owns 32 stores and has five franchised stores, for a total of 37 units.

Ben & Jerry's

This concept has been slower to start up than initially expected, and thus while its acceptance by the Portuguese consumer remains uncertain; the pilot programme will be continued, with just one store in Lisbon. Along with the brand holders, alternatives that facilitate better adaptation to the Portuguese reality remain to be analysed.

Subway

Subway was an interesting pilot project but it did not reach the Group's expectations for this business area, and therefore is no longer one of the Group's investment priorities for 2009. It has been decided to close the business and convert the three existing spaces into other Jerónimo Martins Restauração e Serviços concepts to be developed during 2009.

Chili's

In October the first restaurant of this brand in Portugal was opened (Casual Dining segment), in association with Brinker International. The preliminary results are in line with the Group's expectations. In 2009, the opening of a second unit in the Greater Lisbon area is foreseen.

Hussel

In 2008, Hussel, a specialised chocolate and confectionary retail chain, continued to be recognised by its clients for the quality and innovation that has characterised its operation in the Portuguese market.

Last year, the chain's sales posted a 7.8% growth, helped by the very positive evolution of the average purchase value, as well as the Company's investment plan, which involved the opening of two stores and the implementation of a remodelling programme covering another four.

Hussel ended 2008 operating a total of 23 stores.

In 2009, innovation, within the context of the Brand business model, will continue to be the key theme of the brand's strategy, which hopes to open another two stores in the Portuguese market.

5. Outlook for 2009

5.1. International Macroeconomic Environment

Economic Perspectives

Most experts predict recession scenarios for the group of developed economies for 2009. However, there is still great uncertainty regarding the lasting period and extent of the recession.

In the International Monetary Fund (IMF) projections released in November 2008, the group of developed economies presents an economic contraction in the order of 0.3% for 2009. In this scenario, the greatest effects of the economic crisis are felt in the economies of North America (-0.7%), the United Kingdom (-1.3%), Germany (-0.8%), and Spain (-0.7%).

In January 2009, the European Commission (EC) presented much more pessimistic economic projections for the Euro Zone, with the possibility of an economic contraction of 1.9%. In this scenario, the recession in France, Germany and Spain is close to values of about 1.8%, 2.3% and 2.0%, respectively.

Unemployment is the most feared result of the worldwide recession as well as of the European recession, and it can reach alarming levels in some countries of the Euro Zone. According to EC projections, the unemployment rate in the Euro Zone may reach levels above 9%, with France, Germany and Spain approaching values of 10%, 8% and 16%, respectively.

The crisis will result in public accounts deficits in the Euro Zone at remarkable levels in the order of 4%, due to the estimated 1% impact of the economic recovery plans being considered, and to the direct impact of lower economic growth, whether due to increased expenses related to unemployment, or through lower revenues, estimated at 3%.

Gradual and modest recovery is predicted to begin in mid-2009, but effective recovery will depend on implementation of the Government economic recovery plans and on the sound functioning of the financial markets. According to the EC, 17 countries adopted bank rescue plans, amounting to 300 billion euros in recapitalisation programmes, 2.4 billion euros in loan guarantees, and the interest rate has fallen to historic lows, but this facilitated access to credit must be transferred to the real economy in order for the recovery to be felt.

Regarding the North American economy, some specialists consider that the largest economy in the world will require more time to recover since its imbalances are more profound than those of the European Union.

The emerging economies should continue to register signs of economic slowdown due to the current international crisis. According to IMF projections, the group of emerging economies should grow by approximately 5%. However, growth for the group of economies of Central and Eastern Europe should be between 2.0% and 2.5%, with Russia presenting a sharp fall in economic growth, decreasing from values above 6.0% in 2008 to between 3.0% and 3.5% in 2009.

Financial Markets

According to specialists, one of the essential conditions for the stabilisation of the financial markets and recovery of confidence is the narrowing of the spreads in credit rates. However, this will only occur when the process of deleveraging and liquidation of portfolios comes to a close.

According to specialists, Shareholder Indices have become more stable since October 2008, but volatility should persist in 2009, above all because the market may still be faced with the sale of assets by financial institutions in the process of deleveraging their portfolios.

The lack of confidence and possibility of downward revisions in result projections, caused by the deterioration of the macroeconomic indicators and aggravation of financing costs, amongst others, continue to weigh negatively in the outlook for the future appreciation of the market.

Monetary Policies

The Central Banks throughout the world are synchronised in conducting more expansionist monetary policies and are organised to inject the necessary liquidity into the market. However, they are unlikely to be as aggressive as the American Federal Reserve (FED), which dropped the reference interest rate in the North American economy to virtually 0% at the end of 2008, where it is expected to remain until the end of the year, according to a panel of specialists from Reuters.

The downward revision of the macroeconomic scenario, in early 2009, and the sharp drop in inflationary expectations may lead the European Central Bank (ECB) to carry out more pronounced decreases in the reference interest rate, after having lowered it to 2% in January 2009. The ECB reference interest rate may thus reach 1%, with a reversal in the downward trend being expected to begin in 2010.

With investor and financial intermediaries' confidence at very low levels, the Dollar continues to be a currency of refuge, but since the market discounts identical drops in growth rates in the United States and Euro Zone, as well as the convergence of monetary policies, this leads to a rapid narrowing of the interest rate differential.

Furthermore, according to the panel of Reuters specialists, the exchange rate of the Euro against the North American Dollar should average 1.30 in 2009, and also show a tendency to decrease in relation to the value registered on 31st December. On a longer term, it is pertinent to question when more positive signs will appear in the North American economy, and if the market will continue to use the Dollar as surety.

Finally, the projections of a group of banks indicate that the exchange rate of the Euro against Poland's Zloty will be between 3.70 and 3.90, also showing a tendency to fall relative to the exchange rate reported on 31st December. However, the specialists recognise that that this projection is uncertain, and that volatility may continue in 2009.

Energy and Non-Energy Raw Materials

The prices of the main non-energy raw materials continue to fall, “pushed” by the strong deceleration in international trading in volume and unfavourable macroeconomic scenarios. According to the IMF, the projections for 2009 point to a decrease of almost 20% in the average price of global transactions of non-energy raw materials.

The price of oil is one of the great unknowns in 2009. Since the record high reached in July 2008, the price has fallen 70%, and registered accumulated losses for the year for the first time in seven years.

The general consensus of the largest investment firms for 2009 places the average price of a barrel of petroleum around 45 to 50 dollars per barrel, but these projections do not rule out short-term uncertainty.

Under a broader scenario, the forecasts of the International Energy Agency indicate that the price of oil may triple over the next few years with the recovery of the global economy and in light of the geo-political tensions remaining on the horizon.

Inflation rates are expected to fall in 2009, and deflation may even be reported in some sectors of the economy. The IMF has projected an average inflation rate of about 1.4% for the group of developed countries.

Factors of Macroeconomic Uncertainty and Volatility

At present it is not known how the economies will react to the recovery plans implemented by Governments, and if additional measures will be necessary.

It is also premature to predict when the financial markets will stabilise, and when there will be signs of an upturn in investor confidence.

Currency evolution may continue to show signs of strong volatility in accordance with the climate of uncertainty hovering over the economic indicators and evolution of the financial markets.

On the demand side, the declining levels of confidence and worsening of the unemployment rate are the main factors creating pressure on consumption, although it is not possible to predict the real effects which may be registered in markets and companies. However, the decreases in interest rates and reduced inflation rates may have an offsetting effect on the purchasing power of those who remain in the labour market.

5.2. International Sector Trends

The medium and long term trends set by Jerónimo Martins in its strategy (see the "Strategy: Integrated Vision of Sustainable Development" chapter) remain valid, both on the supply and demand side.

However, in order to combat the economic crisis and factors of uncertainty and volatility in 2009, efforts towards adjustment should continue to be present in the strategies of the Food Distribution companies.

One of the main questions during the year is related to the trends towards consolidation in mature markets, which are experiencing stronger pressure due to the economic crisis. Developing markets will also continue to offer consolidation opportunities, with it being expected that the Traditional Retail will continue to offer opportunities for the growth of Modern Food Distribution, and that international companies which are not achieving the desired returns will continue to streamline their asset portfolios.

Acquisition opportunities do exist, but the current financial market environment is not favourable to the implementation of larger merger and acquisition operations, and hence it is uncertain if large operations will actually be carried out in 2009, and which financing mechanisms companies may use for this purpose.

For the same reasons, international expansion should evolve cautiously in 2009, with companies focusing their investment efforts above all on markets where they are already present and where they need to strengthen their position.

The pressure on corporate results, combined with a global macroeconomic environment of contraction and uncertainty, currently leads companies to define investment plans which are more cautious than those implemented in the last decade.

Merger and acquisition operations, as well as international expansion, require a funding capacity which should be leveraged with credit. In this regard, companies are being pressured by more demanding and selective financial markets, not only in terms of cost of capital, but also relative to guarantees associated to the solidity of balance sheets and planning capacity.

The weak levels of economic confidence and deterioration in purchasing power caused by increased unemployment, both in mature and developing markets, will continue to pressurise prices.

To guarantee their returns on investment, companies are forced to be extremely careful with their assortment, and to continuously seek to foster efficiency at all levels of the value chain. Optimisation of structures and processes, outsourcing of secondary activities and productivity gains from new technology will continue to be a priority.

In turn, suppliers will be pressured by the Food Distribution companies with expectations to adjust transfer prices, as long as price trends in raw materials and energy markets point in that direction.

Those companies whose economic-financial situation is not solid will have less competitive ability to adjust to this environment and to meet financial market requirements. Scenarios of merger and acquisition and greater market consolidation in the Food Industry also offer a strong possibility to happen.

5.3. The Outlook for Portugal

Economic Perspectives

According to the most recent estimates of the Bank of Portugal, the Portuguese economy will contract by 0.8% in 2009, and show some signs of recovery in the following year. However, the European Commission is much more pessimistic regarding the performance of the Portuguese economy in 2009, projecting an economic contraction of about 1.6%.

The Portuguese economy has had serious structural problems for a number of years, which were aggravated by the impact of the crisis, above all due to the high exposure of its exports to economies such as Spain, France, the United Kingdom and Germany, which are also being significantly affected with the crisis.

According to the European Commission's projections, in 2009 unemployment in Portugal may be close to 9%, which will be the highest it has been in the last 23 years. The greatest component of unemployment continues to be structural, and results from problems at the level of company organisation, weak competitiveness, underdeveloped technological modernisation and unskilled human resources.

In similarity to what may happen in other countries in the Euro Zone, this year the national public deficit may rise above 4%. This, combined with the economic contraction, may lead to increased public debt to values to 70% of Gross Domestic Product, a figure which the Government has already admitted. The crisis is not only weakening the economy, it is also significantly deteriorating company and individual default levels. This unfavourable economic scenario led Standard & Poor's to lower its risk rating of Portugal, based on the evolution of the country's budget and financial policies.

Specialists consider that recovery of the Portuguese economy will be one of the slowest in the European Union. The country's excessive debt level will pressurise the Government to act, and structural unemployment will take time to be overcome. In turn, companies are facing particularly difficult conditions in renegotiating their credit, and investor confidence will remain weak.

Modern Food Retail Market in Portugal

Given the economic scenario outlined for Portugal and high level of family indebtedness, in 2009 consumers are expected to continue to be highly rational in their expenditure, which places formats that are focused on food areas – and those which are more price competitive – in a favourable position.

On the supply side, a continued level of commercial aggressiveness is expected. However, the effects of the economic situation on consumption may lead to more aggressiveness amongst market players.

It is also natural that new opportunities for market consolidation may arise. Some international companies, pressurised by the macroeconomic environment and by strategies to rationalise their asset portfolios, may consider a scenario of leaving the national market. However, current financial market conditions may not facilitate these consolidation processes.

At the same time, organic expansion and licensing should show signs of a slowdown although some companies are still announcing expansion plans for the country.

Wholesale Food Market in Portugal

On the demand side, the activity of independent retailers is projected to continue to diminish during 2009, both in terms of value as well as number of companies. Any possible increase in commercial aggressiveness in the Modern Food Retail Sector will be determinant in further aggravating the existing trends in Traditional Retail.

The HoReCa channel should continue to grow clearly above inflation, following medium to long term trends. Nevertheless, the effect of the economic crisis on out-of-home food consumption is still highly uncertain. In this context, companies offering quick meals at competitive prices are in a more favourable market position.

Overall, the activity of these two markets should lead to positive growth, albeit modest, in overall demand in terms of value.

On the supply side, companies will face greater pressure on price due to the effects of the economic environment both on the expenditure on meals at home and out-of-home. Food Retail prices will thus become an increasingly important reference in food consumption in general, and either the HoReCa channel or the Traditional Retail channel will take it into account.

During 2009, wholesale companies whose economic-financial situation is more fragile and cannot survive under the competitive pressure may leave the market. However, those companies which remain in the market may register stronger growth as a result of the leave of the former.

5.4. The Outlook for Poland

Economic Perspectives

Specialists project that the Polish economy will grow between 1% and 4% in 2009. These expectations reflect the climate of economic retraction forecast for the group of economies of Central and Eastern Europe, and existing uncertainty regarding growth expectations for 2009.

Investment is one of the indicators showing greatest retraction in the projections, falling from 13% growth in 2008, to values between 4.7% and 6.7% in 2009. These values are explained by the lack of investor confidence and deterioration in access to credit. The decrease in investment growth is expected to be reflected in less favourable developments in the labour market, and unemployment growth rates may return to double-digits.

Less favourable expectations in the labour market and evolution of salaries will place greater pressure on purchasing power, leading to lower growth of internal demand and less pressure on prices, so that the inflation rate may fall below 3%.

The Monetary Policy Board lowered the interest rate to 5% in January 2009, but it should continue to cut interest rates to counteract the strong trends of economic slowdown.

The appreciation of the Polish currency is one of the great unknowns for 2009, and although the specialists indicate that the exchange rate of the Euro to the Zloty should remain between 3.70 and 3.90, it is likely to be volatile.

Modern Food Retail Market in Poland

In light of Poland's macroeconomic scenario, consumers are expected to continue to be very rational in their expenditures on food, showing preference for the discount formats.

The specialists also consider that, due to the domestic and international macroeconomic environment, during the year, more market consolidation may occur on the Polish market. International companies, pressurised by the macroeconomic environment, may begin to streamline their asset portfolios, including Poland. Local companies, which still represent a significant percentage of the market, may be forced to review their economic-financial situation, and to assess if they have conditions to remain competitive.

Finally, the organic growth of most companies should be more contained due to the difficulty in accessing credit, which does not yet show signs of change.

5.5. The Outlook for Jerónimo Martins Business Activity

In the current macroeconomic environment, Jerónimo Martins will continue to pursue its growth strategy with a financially prudent approach to protect the solidity of its balance sheet and the profitability of its assets.

Keeping gearing ratio within the desired parameters is one of the main priorities for 2009. Hence, the Group will invest selectively in projects with the greatest potential to create value.

In a year marked by a difficult macroeconomic environment, the continuous attention to market developments, the anticipation of risks and the flexibility to adjust plans are essential mechanisms to manage in an environment of uncertainty and volatility.

In turn, the Companies will continue to remain focused on strengthening their business models in order to remain competitive in the market, protect their profitability ratios, and sustain their like-for-like growth.

Food Retail Business in Portugal: Pingo Doce

Pingo Doce has three main priorities for 2009.

First and foremost, the Company will continue with its differentiation strategy to deliver like-for-like growth at values above those registered in the market, and in this

way, strengthening its relative position. And in this context, the new business projects recently launched play an important role.

On the other hand, the consolidation of the integration processes of the stores purchased from Tengelmann in 2008, and the Feira Nova stores with less than 2,500 square metres under the Pingo Doce Banner, should reinforce the Company's capacity to grow in terms of turnover and profitability.

Finally, the investment in expansion and in the development of new projects should be very selective in order to protect the cash flow generated by the Company. During the year, investment will be channelled towards the opening of five to ten new stores, and to remodelling 20 former Plus stores.

This year will also be directed to operation consolidation, since the fairly high rate of organic growth registered in recent years did not allow for organizational growth consolidation.

Wholesale Business in Portugal: Recheio

The priority of Recheio continues to be the sustained growth in the supply of the HoReCa channel and the maintenance of a leadership position in the supply of the Traditional Retail.

In 2009, Recheio will pursue its strategic goal of being the most competitive and well-prepared company in Portugal supplying the HoReCa channel.

To do this, it will continue to invest in training and development of the operational area, in reinforcing the Perishables business and in developing integrated meal solutions.

The Company also intends to continue strengthening its competitiveness and to be a leader in cost management in the wholesale market.

The study of new growth opportunities in supplying the HoReCa market in Portugal is also one of the priorities for this year.

Food Retail Business in Poland: Biedronka

Jerónimo Martins will continue to invest in organic growth and in reinforcing its position of leadership in Food Retail in Poland, continuing the pace of organic expansion registered in recent years. In 2009, Biedronka plans to open 150 new stores and refurbish 80 to 100 stores.

Sustaining its position of leadership in terms of price is another major priority of the Company. Biedronka is enjoying the effect of economies of scale resulting from the strong growth in the number of stores, and also continues to pursue objectives to improve operational efficiency ratios. Building new operational regions to accommodate the organic growth is another priority.

Growth in like-for-like turnover will continue to be sustained by the growth of the Polish economy, even though deceleration is expected. Since the Company holds a strong competitive position through its quality-price relationship, this allows for

optimism on the maintenance of its growth ratios. Even tough, it will continue to dynamise its assortment with the launch of new products and services.

Manufacturing and Services in Portugal: Unilever Jerónimo Martins, Jerónimo Martins Distribuição de Produtos de Consumo and Jerónimo Martins Restauração e Serviços

In the Industrial area, investment in leading market brands, both in terms of price as well as innovation, continues to be a major priority for the business. The restructuring process that led to the creation of a single Company and to portfolio rationalisation, eliminating brands with little leadership potential, should allow the Company to continue to protect the profitability of its assets and reinforce the market share of the brands currently comprising its portfolio.

Jerónimo Martins Distribuição continues to attempt to provide sustainability for its portfolio of represented brands, while Jerónimo Martins Restauração e Serviços continues to study business opportunities in the Food Service sector, and to strengthen its growth plan in this area.

Development of New Business

Jerónimo Martins will continue to study alternatives to develop its asset portfolio within the current scope of its mission, pursuing its growth strategy.

Reinforcing the average portfolio profitability and sustaining growth rates while having a solid balance sheet and a conservative risk profile continue to be strategic goals.

The Group's attention continues to be focused, as a priority, towards geographic diversification in the Food Distribution area, but growth opportunities in other areas of the food world will also be analysed.

However, alternatives for geographic expansion will be assessed in light of the current macroeconomic environment, which presents various risks and opportunities that must continue to be duly evaluated.

Once again, Jerónimo Martins forecasts another very demanding year, characterised by an unfavourable environment which is also surrounded by uncertainty. However, the Group continues to take on ambitious objectives, being confident in its robust portfolio and in its management capacity to face more demanding environments.

Sources:

IMF World Economic Outlook, November 2008; European Commission, Eurostat; Reuters; BPI Economic and Financial Studies, December 2008; Bank of Portugal Economic Bulletins, Autumn and Winter 2008; Portuguese Ministry of Finance; Portuguese Catholic University Thematic Reports – NECEP/CEA FCEE; National Statistics Institute; General Department of Economic Activity; National Bank of Poland Economic Bulletins; Polish Ministry of Finance; Central Statistical Office (GUS); Citigroup; Citibank Handlowy; BRE Bank; IG Market; Planet Retail; Deloitte; TNS; Nielsen; DBK; Girasic; PMR; APED; Uniarme; AREST; CIES.

6. Events After the Balance Sheet Date

Up to the conclusion of this Report there was no relevant event to highlight.

7. Results Appropriation Proposal

In the financial year 2008, Jerónimo Martins, SGPS, S.A. declared consolidated profits of 163,215,958 euros and a profit in individual accounts of 26,991,547.53 euros.

The Board of Directors proposes that the net profits be applied in the following manner:

- Legal Reserve 1,349,577.38 euros
- Retained Earnings 25,641,970.15 euros

In accordance with the policy of dividend distribution announced several years ago, and described in “Dividend Distribution Policy” included in the Corporate Governance, the Board of Directors proposes a distribution to Shareholders of 69,127,764.20 euros, an amount which corresponds to 42.4% of consolidated net profit, and which is to be taken from the free reserves available for distribution.

This proposal represents a **gross dividend payment of 0.11 euros per share**, excluding own shares in the portfolio.

Lisbon, 5th March 2009

The Board of Directors

8. Consolidated Management Report Annex

INFORMATION CONCERNING STAKES HELD IN THE COMPANY BY MEMBERS OF THE BOARD OF DIRECTORS AND STATUTORY AUDITOR AS AT DECEMBER 31st, 2008

(As provided in article 447 of the Portuguese Commercial Companies Code and under the terms of sub-paragraph b), paragraph 1 of article 7 of the Portuguese Securities Market Commission - CMVM - Regulation n° 24/2000)

BOARD OF DIRECTORS

Members of the Board of Directors	Held on 31.12.07		Increases during the year		Decreases during the year		Held on 31.12.08	
	Shares	Bonds	Shares	Bonds	Shares	Bonds	Shares	Bonds
Elísio Alexandre Soares dos Santos ²	100,355	-	10,000	-	22,000	-	88,355	-
José Manuel da Silveira e Castro Soares dos Santos	-	-	-	-	-	-	-	-
Luís Maria Viana Palha da Silva	-	-	-	-	-	-	-	-
Pedro Manuel de Castro Soares dos Santos	198,305	-	-	-	-	-	198,305	-
António Mendo Castel-Branco Borges ¹	-	-	-	-	-	-	-	-
Artur Eduardo Brochado dos Santos Silva	7,680	-	-	-	-	-	7,680	-
Hans Eggerstedt ¹	19,700	-	-	-	-	-	19,700	-
Nicolaas Pronk	-	-	-	-	-	-	-	-
Rui Manuel de Medeiros d'Espiney Patrício ¹	-	-	-	-	-	-	-	-

¹ they also belong to the Audit Committee.

² the 10,000 shares were bought on 29/05/2008, at a price of 4.63 euros each; the 22,000 shares were sold on 07/08/2008, at a price of 5.60 euros each.

STATUTORY AUDITOR

As at December 31st, 2008, the Statutory Auditor PricewaterhouseCoopers & Associados, SROC, Lda., did not hold any shares and bonds of Jerónimo Martins, SGPS, S.A. and had not made any transactions with Jerónimo Martins, SGPS, S.A. securities.

LIST OF SHAREHOLDERS WITH QUALIFYING STAKES AS AT DECEMBER 31st, 2008

(Under the terms of articles 447 and 448 of the Portuguese Commercial Companies Code and for the purposes of section e), paragraph 1 of article 6 of the Portuguese Securities Market Commission – CMVM - Regulation n° 11/2000 and in the terms of the Portuguese Securities Code)

Shareholder	N° of shares held	% Capital	% of Voting Rights ¹
Sociedade Francisco Manuel dos Santos, SGPS, S.A.			
Directly	353,054,454	56.103%	56.180%
Asteck, S.A. ²			
Directly	62,929,500	10.000%	10.014%
Ameriprise Financial Inc ³			
Directly	135,404	0.022%	0.022%
Through Threadneedle Asset Management Limited	13,276,971	2.110%	2.113%
Through Threadneedle International Limited	1,941,176	0.308%	0.309%
Total Attributable	15,353,551	2.440%	2.444%

¹ % Voting rights = No. Shares Held / (Total No. JM shares – Own shares)

² Under the terms articles 16 and 20 of the Portuguese Securities Code (CVM), the stakes held by Asteck, S.A. must be attributed to Heerema Holding Company Inc., which has a 100% holding in that Company.

³ Under the terms of articles 16 and 20 of the Portuguese Securities Code (CVM), we hereby inform that the Companies Threadneedle Asset Management Limited and Threadneedle International Limited are held by the Company Threadneedle Asset Management Holdings Limited. We also inform that the Company Ameriprise Financial Inc. hold the Company Threadneedle Asset Management Holdings Limited.

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1. Relevant Facts of the Year

January

- Recheio creates the heading "Ecology" in the magazine "Notícias Recheio" (Recheio News), following the environmental awareness training of customers in the HoReCa channel;
- Fima renews certifications in the Integrated Quality and Environmental System in accordance with ISO (International Organization for Standardization) Standards 9001:2000 (Quality) and ISO 14001:2004 (Environment);
- Launch of Sun Green Power, an environmentally friendly dishwasher product.

February

- Pingo Doce starts charging two cents per plastic bag in Madeira, reducing plastic bag consumption by 80% in comparison with the previous year;
- Once again Biedronka celebrates the Day of the Sick by offering gifts to young patients in three Polish hospitals;
- Biedronka launches the informational campaign "Polish Products Every Day", encouraging the consumption/purchase of products manufactured in Poland;
- Lever facilities simulate an emergency situation, with the support of the Volunteer Fire Brigade of Sacavém.

March

- Development of HACCP Food Safety Systems applicable to the industrial production of meals in the central kitchens of Pingo Doce and restaurants, encompassing the validation of preparation and cooling processes in central kitchens, and the expiry dates of the foods produced in those kitchens;
- Olá and Lever renew certifications of the Integrated Quality, Environmental and Safety System in accordance with ISO 9001:2000 (Quality), ISO 14001:2004 (Environment) and OHSAS 18001:1999 (Safety) Standards.

April

- On International Earth Day, Biedronka launches the environmental campaign "Let's take care of our environment" regarding good practices for correct use of water and energy;
- Victor Guedes renews certifications of the Integrated Quality, Environmental and Safety System in accordance with ISO 9001:2000 (Quality) and ISO 14001:2004 (Environment) Standards;
- Fima installs automated capsule-making machinery in stock cube production, with a positive impact on Quality and Food Safety;
- The Lever factory obtains a 99.3% in the enzyme audit conducted by Unilever, revealing a high degree of compliance with the requirements defined for the occupational health of operators;
- Ben & Jerry's joins the Lisbon Town Hall, Quercus and Carbon2Oxygen in the event "Lisboa pelo Clima" (Lisbon for the Climate).

May

- Pingo Doce and Feira Nova join the Food Bank's new Food Collection Campaign, and Jerónimo Martins is the Group that contributes the most to the institution within this Campaign;
- Pingo Doce launches the Programme "Mediterranean Flavours";
- Certification by the HACCP Food Safety System according to Standard DS3027:2002 was renewed by the Ruda Śląska, Wyszaków, Kostrzyn and Grudziądz Distribution Centres, covering the areas of stock management and distribution of food products (*Fast Moving Consumer Goods*);
- Olá signs a protocol with the Sesimbra Town Hall to improve conditions of accessibility to the beaches of this municipality for handicapped people and/or people with reduced mobility;
- Training activities on Environmental Procedures, encompassing more than 100 maintenance service providers for Pingo Doce, Feira Nova and Recheio;
- Jerónimo Martins again participates in the "Aprender a Empreender – Junior Achievement" initiative, with 59 volunteers lecturing in different schools, reaching a total of 1,205 students.

June

- Pingo Doce, Feira Nova and Recheio implement a new IT application to record, handle and manage complaints;
- Launch of a heat-sensitive label for vacuum-packed Pingo Doce chicken, providing objective information to the consumer regarding maintaining the cold chain, and providing the consumer with a more informed and safe purchasing process;
- The restaurants "Refeições no Sítio do Costume" and "Espaço +" develop menus with healthier food options;
- Biedronka initiates the collection of used batteries from customers in all stores;
- Biedronka organises activities on the International Children's Day for all its employees' children, up to the age of 12;
- BRC (British Retail Consortium) again certifies Fima's stock cube production;
- For the second consecutive year, Unilever Jerónimo Martins participates in the March Against Hunger, part of the World Food Programme, contributing with donations of money and goods, and the volunteer participation of its employees;
- Annual Private Brand Convention, with the presence of the main Private Brand suppliers, on the theme "Continue to innovate, lead the market and exceed the consumer's expectations".

July

- Launch of Pingo Doce Private Brand recycled toilet paper;
- Pingo Doce and Feira Nova support the Environmental Awareness Campaign by APED - Associação Portuguesa das Empresas de Distribuição (Portuguese Association of Distribution Companies);
- Biedronka starts charging 0,07 złoty per plastic bag, and collects waste paper from all of the Company's offices in Poland;
- Unilever Jerónimo Martins obtains the highest rating ("A") in a Quality Audit conducted by Unilever;

- Victor Guedes installs automatic timers on the lighting system at its warehouses and in its meeting rooms;
- The Olá factory concludes the replacement of 60 outside hanging lamp fixtures in its equipment renovation project, seeking better efficiency and lower energy consumption.

August

- Integration of the operating teams of the Plus Company and their training in Food Health and Safety.

September

- Pingo Doce launches a new reusable bag, encouraging consumers to reuse bags;
- The Olá factory concludes the replacement of 160 lights in production rooms in its equipment renovation project, seeking better efficiency and lower energy consumption;
- The Olá factory makes improvements to pipes in the ammonia refrigeration system, in the area of thermal insulation, thus minimising energy losses;
- In partnership with the Association for Animal Protection, Biedronka launches, once again, the campaign "Help Animals in Winter".

October

- Pingo Doce and Recheio retain their certifications in Management Systems according to the NP EN ISO 9001:2000 Standard, regarding the Development of Private Brands and Post-Launch Product and Supplier Follow-Up;
- The Pingo Doce store in Loures installs the illumination of inside spaces by tubular-transport solar light systems;
- Unilever Jerónimo Martins promotes Safety and Environmental Week 2008, a one-day event at each factory;
- Unilever Jerónimo Martins participates with a speaker in the 11th Logistics Conference of APLOG, with the theme "Good Practices and Food Safety in the Supply Chain";
- Unilever Jerónimo Martins invites its employees to participate in an environmental survey, under the scope of the initiative "It's Our Commitment";
- Award of the first 245 diplomas for equivalency with the ninth year of schooling, within the scope of the Government initiative New Opportunities, and the internal programme "Learn and Develop".

November

- Pingo Doce and Feira Nova participate in the Food Collection Campaign for the Food Bank;
- Recheio retains its certification in the HACCP (Hazard Analysis and Critical Control Point) Food Safety System, in accordance with the *Codex Alimentarius* CAC/RCP-1-1969, Rev.4 (2003) encompassing 26 stores and two Food Service Platforms;
- João Gomes Camacho, S.A. retains its certification in the HACCP (Hazard Analysis and Critical Control Point) Food Safety System, according to the *Codex Alimentarius* CAC/RCP-1-1969, Rev.4 (2003);

- Biedronka joins a project intended to promote awareness and teach customers how to adequately read nutritional information on product labels, holding press conferences and distributing informational leaflets in stores;
- Fima installs a sealing and lid-placing system on margarine tubs, which is a significant improvement in the area of Food Quality and Safety.

December

- Biedronka opens its first ecological store, incorporating new technologies such as heat exchangers (60% reduction in energy consumption for heating), reducing valves (20% reduction in water consumption) and new insulation panels;
- Pingo Doce and Feira Nova launch the campaign "Spend more time playing, it is more important than you can imagine", which, with the support of a child psychologist, notes the pedagogical importance of toys through advice and maxims;
- On its internal communication portal Jerónimo Martins creates an area to release policies, documentation and indicators on the environment and occupational health and safety for the Distribution Companies in Portugal;
- Jerónimo Martins participates with a speaker at Green Festival in Estoril, Portugal, on the subject "Case Studies: Packaging and the Environment";
- In partnership with Fujitsu and ACAPO, Jerónimo Martins develops an innovative solution for labelling in Braille, to be implemented in a group of stores, making information available to the blind and those visually impaired, in this way promoting more participation in an active life;
- Jerónimo Martins sponsors the second and third albums of the CD project of the composer and teacher, Luís de Freitas Branco.

2. Jerónimo Martins and Sustainable Development

Sustainable Development as the paradigm of our activities.

"A socially responsible company assesses the impacts of its decisions not only in the short term, but also in the medium and long term, knowing that sooner or later it will be judged by the good or bad consequences of its actions in terms of its profits, and also by its social and environmental record." ¹

Jerónimo Martins exists for over 215 years and has a sustained growth record, which is the direct consequence of a professional, rigorous and innovative management that believes that direct dividends for the Shareholders are just as important as the interests of the other stakeholders and the impact of its activities on the environment.

The Group assumes its role in the economic and social development of the communities it serves, pursuing the creation of sustained value as a paradigm of action and basing its business model on a bent toward learning and improving and attaining ambitious results at three different levels: Profit, People and Planet (Triple Bottom Line).

This vision is transversal to all the areas of activity and throughout Jerónimo Martins' history it has given rise to simple but innovative initiatives. It is also a vision systematised into a management philosophy which is extended to the conduct models of all its Companies.

Jerónimo Martins is aware that the behaviour of an organisation is nothing more than the sum of the individual behaviour of all those who work there and, therefore a Code of Conduct is in force, with which all employees in Portugal and in Poland are compelled to comply, and which is available on the institucional website, at www.jeronimomartins.pt.

This Code provides essential guidelines on the sustained development of the Group, such as obeying current legislation; respect for the principles of non-discrimination and equality of opportunity; environmental concern; business transparency; and integrity in relations with the designated stakeholders: customers and consumers, Shareholders and potential investors, employees, suppliers, official entities, regulatory and local authorities, local communities, NGOs and associations.

Other mechanisms for ensuring good practices are also implemented, such as the Supplier Code and the Customer Ombudsman.

For the dissemination of and compliance with these Codes of Conduct, Jerónimo Martins established an Ethics Committee which, since 2003, has impartially and independently monitored this matter. This Committee may be contacted by any employee to clarify questions about the Code, or to communicate any irregularities within the Group, by internal electronic mail to [Comissao Etica JMH/JMH/JMARTINS](mailto:Comissao_Etica_JMH/JMH/JMARTINS). Equally, any employee or any other stakeholders, who don't have specific communication channels with the Group, may also contact the Committee, by post, to Remessa Livre 52673 – EC Campo Grande – 1721-972 Lisbon, and by outside electronic mail to comissao.etica@jeronimo-martins.pt. The Ethics Committee's activity is presented in the chapter on Corporate Governance, of this Report.

¹ Alexandre Soares dos Santos, Chairman of the Board of Directors of Jerónimo Martins, in the magazine for middle and senior Managers, "Workout", No. 6.

Being aware that the design of sustained development is based on an ongoing learning process, Jerónimo Martins is a member of several Associations promoting the implementation of socially responsible practices, such as Business Council for Sustainable Development (BCSD) Portugal and RSE Portugal (Portuguese partner of CSR Europe). The Group is also a Signatory of the Letter of Commitment to the Millennium Objectives, and it has voluntarily submitted to the 10 Universal Principles outlined in the Global Compact, which is an initiative of the former Secretary General of the United Nations, Kofi Annan.

With regard to sharing experience, it should be noted that Jerónimo Martins also took part in several forums and conferences, which shall be described further on.

This chapter provides information on the policies and activities of the Group in the areas of sustainability related to Consumers, Employees, Suppliers, Food Safety, Environmental Management, and Patronage in 2008.

3. Commitment to our Customers

Customer satisfaction is the pillar of success of our business.

The ongoing study of the consumers' necessities and expectations and the permanent gauging of the customers' level of satisfaction are determining factors in the strategic definition of the assortment of competitive, quality products and services in the Jerónimo Martins Companies.

Listening to the customers and consumers on a regular basis and in all the businesses, through questionnaires, studies and customer enquiries, based on statistically relevant samples of the right dimension, enables gaps to be detected and supports strategic decision-making, with subsequent repercussions in the variance in the Marketing Mix of the Companies' brands.

At the same time, the Group Companies offer direct communication channels between the consumer and the Organisation, enabling the customers' opinions, suggestions, perceptions and expectations to be collected and analysed. This system contributes towards receiving direct information from the consumer, in order to resolve some conflicts and equally importantly, to obtain different perspectives on the evaluation of the stores and the products and services offered, becoming a source of ideas for developing innovative solutions.

In order to implement this system, Jerónimo Martins counts on the co-operation of the Customer Ombudsman and the Customer Services of its Companies, the activities of which will be presented further on. Based on the information collected by these services, numerous employees working in different areas and Group Companies are contacted, in order to contribute towards improving the products and services available, and thus to obtaining high levels of customer satisfaction.

Jerónimo Martins and its Companies try to satisfy the real needs of their customers as part of their commitment to them, by offering quality products and services at extremely competitive prices, in pleasant stores, with a personalised, reliable and quick service. Apart from that, by actively listening to their customers, they are able to identify new demands and market opportunities, such as noticing the consumers' growing concern about maintaining a healthy lifestyle, which is the basis for the work that has been carried out by the Group Companies over the last few years.

Planning the assortment of products that contribute towards a Healthy Food diet, and that are accessible to the whole population, is made through the co-operation between various suppliers and the Group departments and Companies by: i) changing the composition of the current products and developing new Private Brand products; ii) ongoing improvements, aiming at excellence, on the quality of the Perishables; iii) supplying information to the consumer; and iv) the service provided in the store or in the previously mentioned communication channels.

By getting to know and satisfying the current needs of its customers and working towards anticipating their future needs, Jerónimo Martins aims at ensuring the sustainability of the businesses in the medium and long term.

3.1. Customer Ombudsman

Through its Companies, Jerónimo Martins maintains a transparent relationship with its customers, involving them and valuing the contacts that are made, the knowledge of their needs and expectations, and the inquiry into the level of satisfaction regarding the products and services it sells.

In this context, several communication channels were created that are accessible to the customers and consumers, such as the Jerónimo Martins Customer Ombudsman and the Customer Services of the Group Companies.

The Jerónimo Martins Customer Ombudsman was created at the end of 2005 and represents a pioneering milestone in Food Distribution in Portugal. This is an entity that independently and impartially defends and promotes the legitimate rights and interests of Pingo Doce and Feira Nova consumers, independent from the Customer Services offered by these Companies. Equally, the Customer Ombudsman carries out a key role in implementing the Group's commitment to dialogue and transparency, as set out in the Jerónimo Martins Code of Conduct, as well as in balancing the power between the Companies and the customer.

The Customer Ombudsman has its own team and enjoys total independence in carrying out its functions, being responsible for the following:

- Analysing and assessing customer complaints and suggestions, with the ability to meet with them whenever deemed necessary;
- Resolving conflicts between customers and the Companies, with decisive authority (except in cases in which the decision involves disciplinary or structural issues with indemnity implications, which are subject to ratification by the respective Executive Committees);
- Defining and publicising the implementation of set measures, by developing actions and projects in partnership with the Companies, aiming to defend and protect the interests of the employees and customers, namely in the area of nutrition, among others.

The Ombudsman may be contacted by electronic mail, at provedoradocliente@jeronimo-martins.pt, or by telephone, on 808 209 920, on working days, from 9 a.m. to 6 p.m.

In 2008, there was a 30% increase in the number of contacts to the Ombudsman in comparison to the previous year, which, on the one hand, is a reflection of the growth in the Group's chain of stores and, on the other hand, the growing importance that the customers place on the existence of communication channels with the Banners.

The complaints and suggestions presented by the customers who, this year, showed a high emotional involvement with the Banners, were assessed by the Ombudsman after the due consultation with the customers, stores and other departments of the Banners involved. In general, the Ombudsman's recommendations were quickly implemented, apart from those that involved changes of procedures to improve the service provided and the prevention/eradication of new complaints, which naturally constituted a longer process.

The Ombudsman's Nutrition Team was especially proactive in matters linked with nutrition and health of the customers, as described later, drawing the attention of the

Banners to the need to provide healthy alternative foods, as well as training for associates and accessible nutritional information, enabling the customers to make informed purchases, as well as guaranteeing food safety and product quality.

The Ombudsman also took the initiative in the processes relating to the complaints book, to make recommendations and contact customers whenever opportune. In doing so it was able to count, as usual, on the prompt collaboration of the Customer Services and the Legal Department, among others.

3.2. Customer Services

The Customer Services, which are part of the Group Companies' Marketing Departments, are a privileged channel for customers to present their complaints and suggestions and to quickly and directly obtain an answer to their questions, whenever that is not possible directly in the stores.

In Portugal, the customers of Pingo Doce, Feira Nova and Recheio can contact these Services by electronic mail and by telephone (contacts available on the Companies' websites) on working days, from 9 a.m. to 8 p.m.

In 2008, the contacts made with the Customer Services revealed that the customers are highly involved with the Jerónimo Martins Banners, and are very keen to propose aspects for improvement or development to raise the level of service provided in the stores. Last year, more than 27,000 contacts were made to the Customer Services of Pingo Doce and Feira Nova, corresponding to an increase of 29% against 2007. This evolution also reflects the expansion of the chain of stores of the Group's Banners.

In Poland, the Biedronka Customer Service is accessible by telephone, e-mail, letter or fax and last year around 16,000 contacts were recorded. In the Manufacturing area (Unilever Jerónimo Martins), there was a total of 21,186 contacts, corresponding to an increase of 25% against the previous year. These contacts are made electronically and using the 20 telephone numbers available, which are publicised on all the packages of the products sold and also on the websites of the brands.

The close relationship between the Companies and their customers assumes even greater importance in the day to day activity of the business, namely with in-store pro-active explanation and communication of some decisions and measures taken by the Companies, whose benefits to the customer are not so obvious.

3.3. Healthy Nutrition

Jerónimo Martins considers the defence and promotion of public health to be part of the social responsibility of the economic agents. That is why it assumes a decisive and inevitable role in the defence and promotion of a healthy lifestyle, through the commitment to help its customers make the correct food choices, placing more and more importance on nutritional issues and on changing their eating habits.

In society today, we are seeing an increase in the intake of animal products and an excess of salt, sugar and saturated fats, with serious damage to health. Also the spread of fast food and pre-prepared meals, which use preservatives and other additives in their preparation, associated to the growth of a sedentary lifestyle, have

also contributed towards the increase in obesity, and consequently, to the associated illnesses, such as cardiovascular diseases and diabetes, among others.

Being aware of these realities, the Group Companies have been carrying out an ever more pro-active role in this area, by alerting the consumers to nutritional and health issues, and providing a variety of useful information and healthier products at more accessible prices.

Nutritional Work

The Group's Nutritional Policy is based on three fundamental principles:

- To provide clear and complete information on the nutritional value of the products and on the way the consumers can positively contribute towards their health;
- To make the food choices offered by the Group Companies healthier and more accessible;
- To make an active and healthy lifestyle simpler and more attractive.

In light of this Policy, the following actions by the Nutritional Team, in co-operation with the Group Companies, are highlighted in 2008:

- Development of the Programme "Mediterranean Flavours" by Pingo Doce, with "Mediterranean Food" being the guiding model for providing healthy choices. This diet recommends greater consumption of vegetables, fruit, cereals, pulses and dairy products, preferably low in fat, and reduced consumption of meat, especially red meat, giving preference to fish and poultry;
- Preferential use of olive oil as a fat to be added when preparing the meals sold in the restaurants "Refeições no Sítio do Costume", at the Group Companies' Take Aways and in the "Espaço +" (employees' canteen in the central offices);
- Elimination of partially hydrogenated fat and reduced salt content in the bakery products used for production in the stores of the Group's Banners;
- Development of menus with healthier food options in the restaurants "Refeições no Sítio do Costume" and "Espaço +";
- Inclusion and highlight in the assortment of the stores of the Group's Banners of a range of food products for special groups such as lactose and/or gluten intolerant;
- Internal training and awareness sessions took place on issues regarding nutrition and health, namely through the participation in the Well Being Week and in the heading "Nutrition" in the internal magazine "A Nossa Gente" (Our People).

Innovation and Development of Private Brand Products

Investment in Private and Exclusive Brands has been one of the strategic points for leveraging the differentiation of the Group's Banners. At the beginning of the '90s, Jerónimo Martins led the way in Private Brand products, as the first Portuguese company to launch products with its own Banners' brand, as opposed to "white products", in use at that time. In the middle of the same decade, it was innovative once again with the introduction of Private Brand Perishables.

In a second stage, the Group chose to build a strategy of transversal brands, specialised in different areas, to be used by the Companies in Portugal, aiming to increase competitiveness and quality through the effects of scale. For the non food areas, the brands Skino and Essentya were developed in the Personal Care area; b.Sensy, in the Oral Hygiene area; Ultra Pro, in the Cleaning Products area; ActivPet, in the Animal Produce area; Home 7, Auto 7, Office 7, Brico 7 and Electric Co, in the Bazaar area. The Pingo Doce brand was the one chosen for the Food area, as it was already strongly associated to it. In the area of Bulk Retail, the MasterChef brand was created and developed to also satisfy the needs of the HoReCa channel.

The strategic pillars of the Group's Private Brands are based on the innovative offer of an extremely attractive value for money proposal, through which excellent quality products are developed at substantially lower prices than those practiced by the leading Manufacturing brands.

It should also be noted that the differentiation in the assortment presented by the Group Banners, with a view to attracting more customers and obtaining their loyalty, is embodied by the launch of innovative Private Brand products that are researched and developed by partners with vast experience and reputation in these areas. This work has led to the democratization of products, which due to the prices practiced, were considered to be inaccessible to the majority of the Portuguese population and even considered to be luxury goods (e.g. smoked salmon). This democratization brought clear benefits to the consumers, as they were able to access higher quality products without incurring significant expenditure.

Jerónimo Martins is committed to excellence regarding the Quality and Food Safety of all the Private Brand products it sells. The development of a Private Brand product involves a systematized series of stages, going from the clear definition of the product to be developed, the sensory, nutritional and/or laboratorial evaluation of several alternatives, and the study and approval of supplier contractual terms, up to the approval of the packages and labels, just to quote a few of the most important ones. Along with high levels of demand regarding the product's technical specifications, only manufacturers with advanced Quality and Food Safety Systems are accepted.

Following their launch, the products are still submitted to pre-planned analytical control, depending on their degree of risk, on the supplier and the variation in the raw materials at source, achieved through laboratory tests (chemical, physical and microbiological), carried out by independent entities, as well as through regular sensory analyses.

As proof of the rigour and professionalism of the above-mentioned process, it should be noted that in 2007, Pingo Doce and Recheio Cash & Carry were the first companies worldwide, in the Food Distribution area, to certify their Private Brand Development Process and Post-Launch Product and Supplier Follow-Up.

As mentioned, the commitment to respond to the consumers' expectations obliges the Group to carry out research not only on their current needs, but also on their future ones. Therefore, apart from offering quality products on a level with the best brands in the market, at much lower prices, Jerónimo Martins intends to be positioned in this area as a benchmark retailer on an international level, leading new challenges, namely with regard to the development and implementation of a Nutritional and Food Safety Policy that facilitates the choice and adoption of Healthy Nutrition.

This concern has led the Group to define a three-year Plan, in partnership with various suppliers, and in close co-operation with its Quality and Food Safety Department and

its Nutritional Team from the Customer Ombudsman, in order to make a careful and responsible reformulation of its current Private Brand products.

This Plan includes:

- The reformulation of the Private Brand products, based on technical recommendations for improving their nutritional profile and sustainability, without loss of flavour, through the development of formulas with healthier compositions and ingredients, leading to:

- Gradual reduction in the level of salt, sugar and fat in all the products;
- Complete removal of potentially allergenic colouring in the Pingo Doce Private Brand yoghurts;
- Implementation of best practice in choosing ingredients and raw materials.

- Improvement in the quality of information contained on the Private Brand product packages and labels, beyond the existing legal and EU requirements, making it clearer and more complete, in order to facilitate the customer in making a responsible choice, including:

- Presentation of relevant nutritional information, on the front of the packages;
- Information on the Daily Reference Values (DRVs);
- Inclusion of the parameters "Trans Fatty Acids" and "Equivalent in Salt" in the nutritional information;
- Written suggestions on the packages, on healthier ways of preparing meals;
- Inclusion of the expiry date after opening the product.

- Development of Private Brand pre-prepared meals, including fresh doughs, without flavour enhancers;

- Development and launch of innovative Private Brand alternatives such as pre-prepared vegetables for soups and salads, snacks with vegetables (e.g. carrots in sticks), sliced fruit (e.g. apple and pear), organic bread and meat, ranges of food for consumers with cholesterol problems, soya drinks (for lactose-intolerant consumers) and also products for diabetics and those with high blood pressure.

Excellence in the Quality of Perishables Offered

The objective of the Jerónimo Martins Banners is to be the benchmark for quality and innovation in Perishables within the modern Distribution market, in Portugal and in Poland.

In this context, the Group's Sourcing area for Perishables made a strategic evolution in its Purchasing Policy for this type of products in 2008. This new strategy is based on three fundamental objectives:

- To obtain greater competitiveness, by eliminating intermediaries in the supply chain, and thereby being able to offer better prices to consumers;
- To ensure greater control over the supply chain, with the possibility of directly planning and controlling the volumes to be purchased and the subsequent improvement in the service level to the stores and to the customer;
- To look for new markets offering products unknown or little exploited until now, as a differentiating factor in the market.

With the objective of being closer to the original production sources in the upstream supply chain, this strategy aims to create shorter and more efficient supply chains, by eliminating intermediaries with little added value. On the other hand, the implementation of this new strategy leads to more detailed and deeper knowledge of the markets and Perishables, namely of the different existing varieties, the best purchasing sources and seasons, so that the Group is more selective and careful in the products it offers to the consumer.

This change in purchasing policy means that Perishables can be offered that were up to now unknown, or little publicised, which is an important differentiating factor in the market, and also enables products to be traced to their respective origin with greater quality control throughout the whole supply chain, affecting Quality and Food Safety. Examples are the RAF Tomato, Sweet Grapefruit, Sweet Onion, Line-caught Chilean Hake and Seedless Grapes.

Awareness of Healthy Nutrition

Making society aware of the benefits of Healthy Nutrition requires sharing simple and clear knowledge.

Therefore, throughout 2008, the Jerónimo Martins Banners, in co-operation with the Group's Nutrition Team, developed various actions aimed at the customers, including:

- In May, Pingo Doce launched a Programme called "Mediterranean Flavours". The idea of this Programme, with the slogan "Tastes Good, Does Good", is to publicise simple and accessible Mediterranean recipes, making it easier to take up this style of eating. The recipes, which are organized into strongly graphical and informative leaflets, highlight the benefits of this type of diet, by using a language that is simple and accessible to everyone. The leaflets also include information on the list of ingredients, nutritional information per portion and a comparative guide with the Daily Reference Values (DRVs) for men and women;
- Through its magazine "Notícias Recheio" (Recheio News), aimed at the HoReCa channel, Recheio publicised recommendations on the importance of Quality and Food Safety, promoting healthy nutrition and specific ways of carrying it out;
- Biedronka participated in a joint project with business associations, official entities, other Distribution chains and producers that are market leaders, with the goal of promoting and teaching the customer to correctly read the nutritional information on product labels. Therefore, press conferences have been held and informational leaflets have been delivered in stores;
- In the store layout of the Jerónimo Martins Banners, highlights were created for products such as snacks made of sliced fruit and vegetables, available in the Fruit & Vegetable Section;
- The Group's Banners invested clearly and transparently in customer awareness and training regarding the assessment of characteristics that determine the quality of some Perishables, such as Octopus Without Fattening and Fish Without Glazing;
- In the stores, specific areas dedicated to food products for special groups such as gluten and/or lactose intolerants, thereby contributing towards strongly publicising them;

The change in the labels of the Private Brand products began, making the relevant nutritional information clearer and more perceptible to the customer.

4. Commitment to our Employees

A Business for People, made by People.

For Jerónimo Martins, people are really important. The Group's history goes back more than 215 years and its employees, through their behaviour, attitudes, knowledge and skills, have always been the main foundation of Jerónimo Martins, and are currently a differentiation factor in an ever more global and competitive market.

So, through defining sustained and innovative Human Resources Policies, the Group tries to meet, and even surpass, the personal and professional expectations of those who give their best towards the success of the business.

4.1. Who are We?

Jerónimo Martins is "A business for people, made by People".

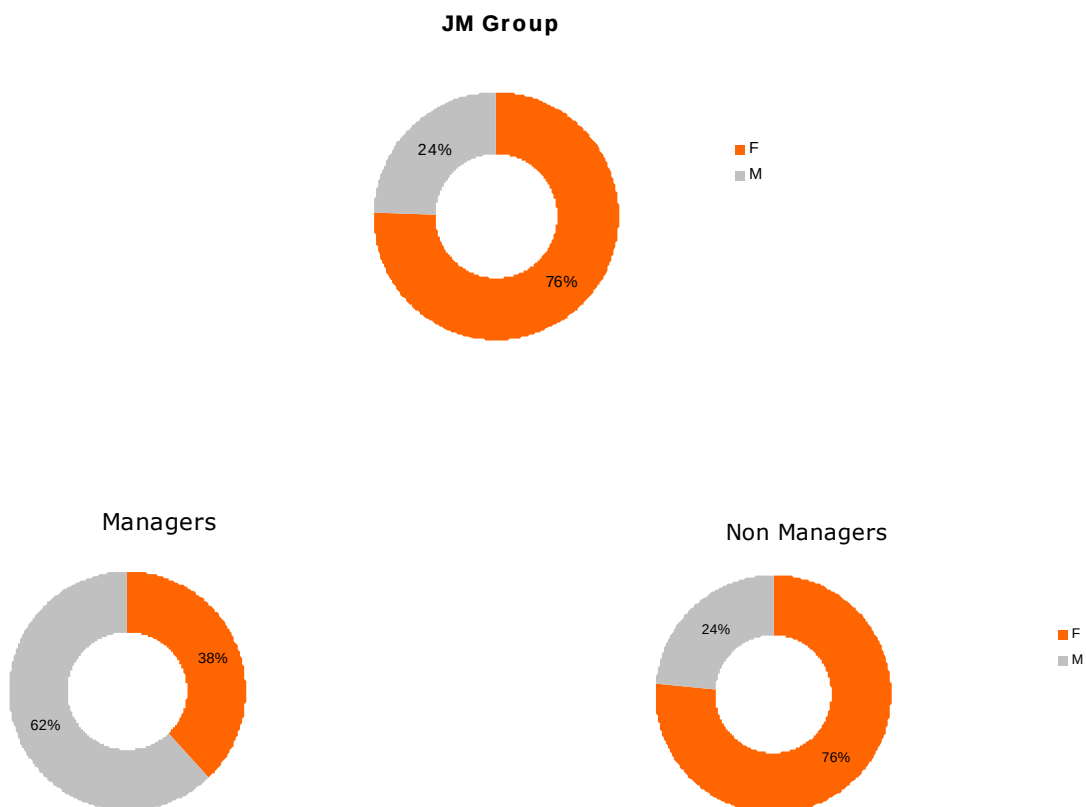
In this context, and due to the ambitious Expansion Plan that was implemented in 2008, last year proved to be a period of great dynamics in terms of strengthening the Group's human capital, by creating more than 12,000 jobs in Portugal and Poland, within an overall team in the two markets of more than 53,000 people, made up, among others, of Middle and Senior Management (2% of the total), and a young and dynamic Operational Team.

Breakdown of the Jerónimo Martins Human Resources

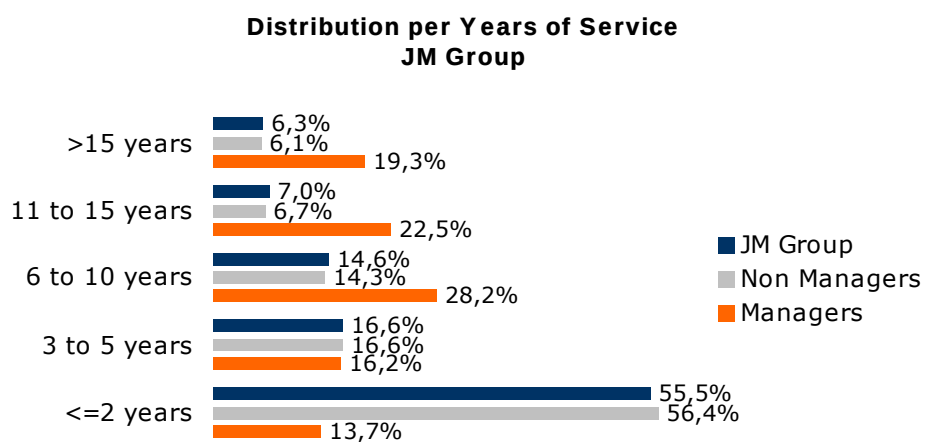
Total number of Employees as of 31st December 2008

2008	Holding	Distribution Portugal	Distribution Poland	Manufacturing and Services	TOTAL
Managers	42	446	303	243	1,034
Non Managers	27	22,842	28,169	1,303	52,341
TOTAL	69	23,288	28,472	1,546	53,375

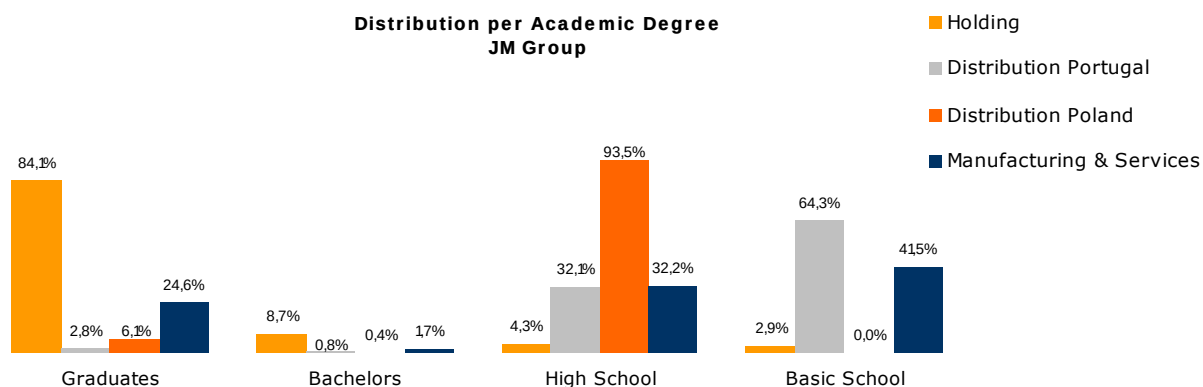
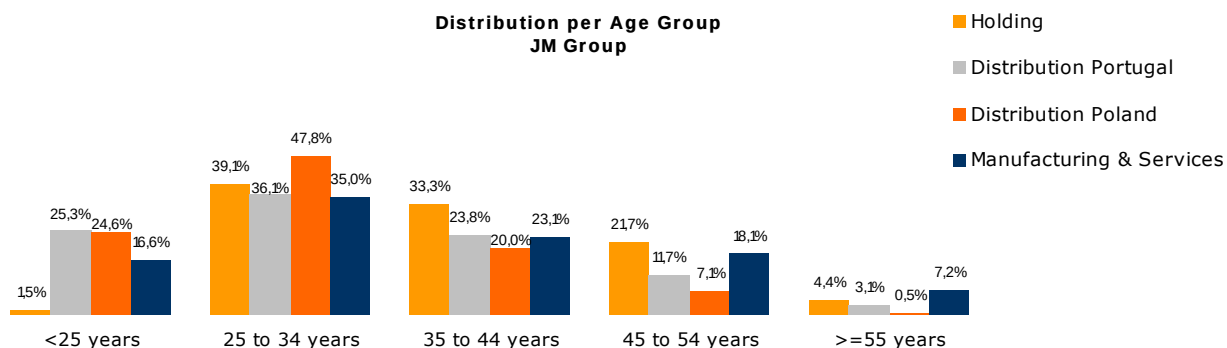
Breakdown of the Group's Employees per Gender as of 31st December 2008



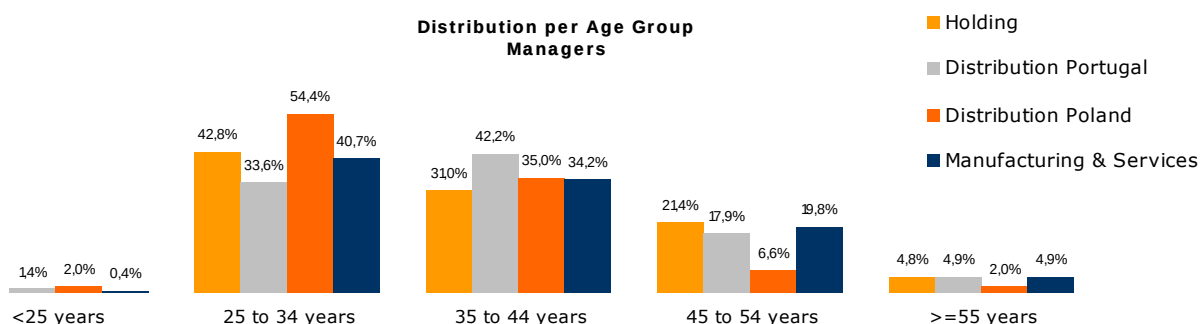
Breakdown of the Group's Employees per Years of Service as of 31st December 2008

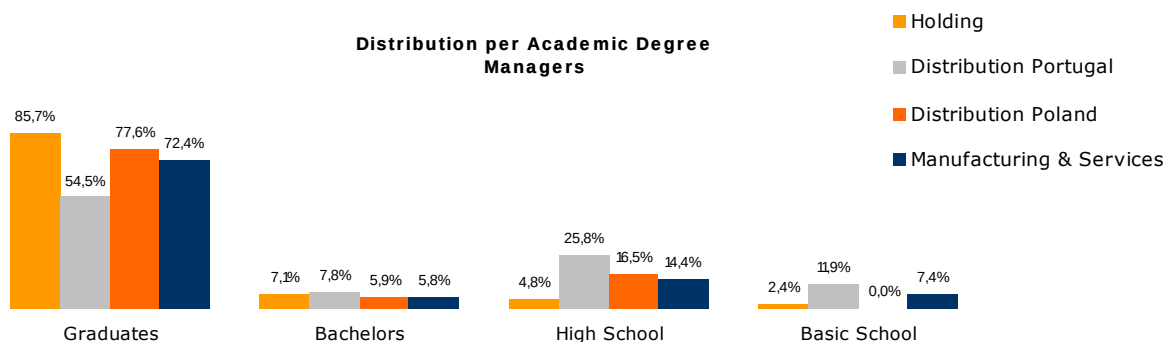


Breakdown of the Employees per Age Group and Academic Degree as of 31st December 2008

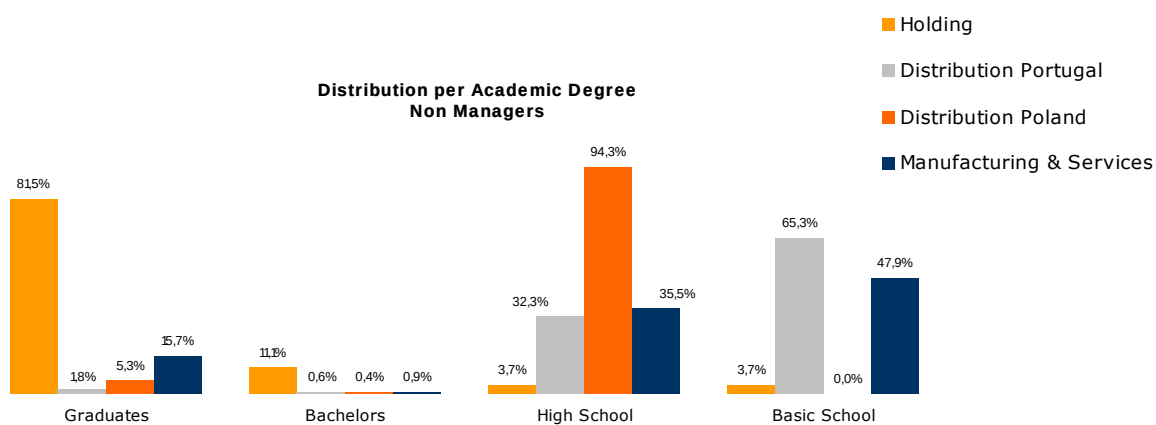
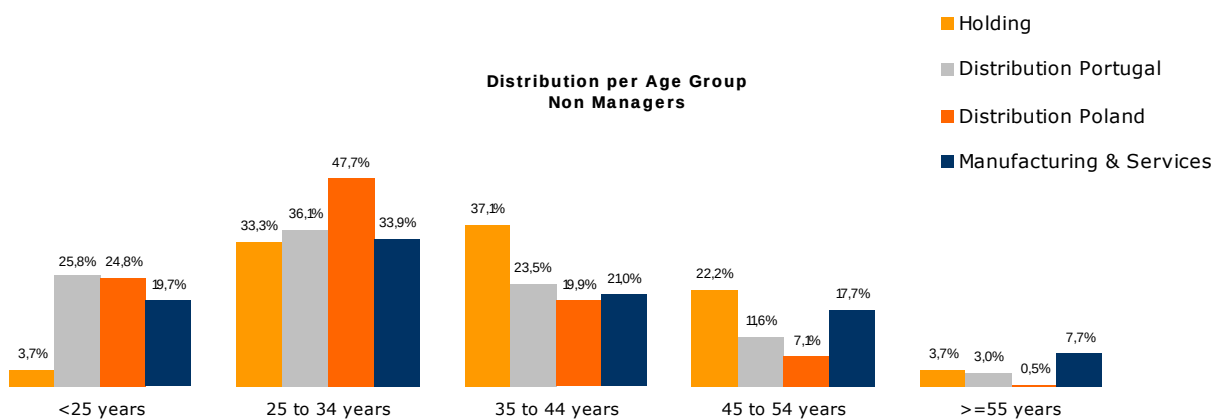


Breakdown of the Managers per Age Group and Academic Degree as of 31st December 2008



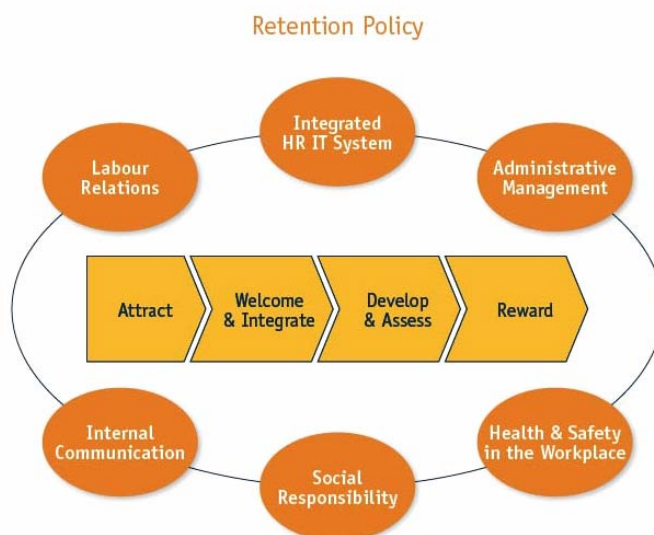


Breadown of the Non Managers per Age Group and Academic Degree as of 31st December 2008



4.2. Building the Future with Each Employee

Human Resources Management is transversal and multi-disciplinary, so the different areas join each other and work in an integrated way in order to guarantee employee retention.



Attract, Select and Integrate

In the countries where it operates, Jerónimo Martins takes on the obligations and skills inherent to its position as an employer with a high number of employees. The Group knows that in order to build a sustained future, it needs people with adequate skills and high standards of ambition and strict ethics.

Therefore, in 2008, the Company used both internal and external recruitment as an effective instrument for organizing, strengthening and reinforcing its teams and thereby guaranteeing an effective response to the strategic needs of the business.

Recruitment	No. of Employees Recruited	No. of Trainees	No. of Employees Through Acquisitions
Managers	48	38	15
Non Managers	27,550	-	2,376
TOTAL	27,598	38	2,391

Internal Recruitment

Within the Group, internal recruitment is a privileged instrument in Talent Management, promoting the mobility and the personal and professional development of its employees, while reinforcing the motivation of the teams and it has contributed towards the high levels of retention among the Management.

Last year, the restructuring of Pingo Doce and Feira Nova on the one hand, and the integration of Plus on the other, gave a high number of employees the opportunity of beginning new roles in different teams. It should be noted that this successful process required all employees to show a great degree of ability to adapt to change.

External Recruitment

To attract the best talents from the market, Jerónimo Martins uses multiple communication channels and recruiting instruments, favouring the press and the use of Executive Search, the latter being for the selection of key positions within the Group.

External recruitment is also obtained through direct contact with candidates from the most prestigious universities and through strengthening the Group's link with these teaching establishments.

Recruitment and Integration Programmes

For the above, Jerónimo Martins has many employee recruitment and integration programmes, which are:

Reception for Management

This standard Integration Programme, which is compulsory in the employee's first month in his or her new role, is a two-week, full-time programme, and covers all the Portugal Distribution Companies. Its objective is to inform the new arrivals of Jerónimo Martins' values, culture, mission, objectives and teams, while promoting networking and sharing of knowledge among the employees of the Group.

The Programme is followed up at different levels: the various business areas of the Companies make systematised presentations available, the immediate Managers make sure that new employees are integrated properly and, finally, the Human Resources Department promotes a series of meetings between the employees and their management, thereby ensuring that the integration objectives have been met.

"Trainees" Programme

The first edition of the Trainee Programme goes back to 1988 and is currently carried out in Portugal and in Poland. It aims to guarantee the sustainability and future of the Organisation in the mid and long term, with regard to the management and reinforcement of the talent of its human resources, for which this Programme has proven to be essential.

The Jerónimo Martins Trainees go through a strict recruitment process, which ends in a "Selection Panel", including members of the Board. The integration Programme for those selected lasts one year and focuses on training and knowledge on all the business areas. During that period the Trainees carry out roles in the commercial, logistics, operational and support areas of the business.

In 2008, the Programme included an exchange between the Portuguese and Polish teams, who for the first time had the opportunity of getting to know the business and operation of both regions. At the end of the Programme, the two teams participated in a Team Building activity, which contributed towards reinforcing their group' values and spirit.

This year, 19 Trainees in Portugal and 23 in Poland finished their training and were integrated into the various Companies in different areas of responsibility such as Logistics, Store Operations, Commercial and Marketing. Seven Trainees with qualifications in Journalism, Business Management and Economy were recruited for Manufacturing.

For Operational Teams: Pingo Doce and Biedronka

In order to integrate the Plus employees, various initiatives were developed in Portugal and Poland according to specific criteria, which culminated in several meetings taking place and in the creation of a specific Welcome Kit provided to all of them, and for which various communication items were developed expressing the values that drive the existence and activity of Jerónimo Martins.

Training

In order to give several students their first contact with the job market, during 2008 the Group offered several curricular and professional work experiences in its different business areas in Portugal and Poland, which were carried out in the central offices, within the stores and the plant, and supported these students in developing their work.

Train and Develop

Training is more than a management instrument, it is an essential investment in the employees' new knowledge and skills development, and enables the Group to be prepared to respond to new and more complex challenges in the future.

In order to carry out its employee Development Policy, the Group has created a series of training entities that support the development of the human resources in the Portuguese and Polish markets.

2008	Training Indicators
Total No. of Sessions	23,331
Total No. of Training Hours	1,973,712
No. of Training Hours per Employee	37

Distribution Portugal

Jerónimo Martins Training School

The formation of the Jerónimo Martins Training School, in 2005, as well as its certification as a training entity within the National System for Quality and

Accreditation, witnessed, in 2008, the strategic importance that the Group places on reinforcing the skills of its employees.

This school currently has five training points distributed around the country - Braga, Aveiro, Alverca, Lisbon and Faro. The structure of this School has a total of 47 permanent employees and also counts on a group of internal and external trainers comprising more than 275 specialists in various areas.

2008 was marked by the reinforcement and alignment of the training offered by the Jerónimo Martins Training School, which resulted in reformulating or creating 153 new courses, geared towards the business, namely in the following areas:

- Perishables;
- Health and Safety in the Workplace;
- Food Health and Safety;
- Technical Training;
- Behavioural Training.

To meet the transversal needs for training and for the structural projects, various programmes of medium and long duration were developed, that encompasses a group of complementary modules and enables the trainees to acquire skills that are essential for the business.

Perishables School

The Perishables School is part of the Jerónimo Martins Training School and has definitely contributed towards consolidating the Pingo Doce and Feira Nova Companies' market position as "Perishables Specialists". Considered a strategic training area, the Perishables School has a team made up of specialised trainers, who guarantee the ongoing training of the Butcher's, Fishery, Bakery, Fruit and Vegetables, Cold Meats, Take Away, and Plants and Flowers professionals.

Along with the work carried out by the Jerónimo Martins Training School, during 2008, Jerónimo Martins continued to invest in the development of the management and leadership skills of its Managers, by maintaining partnerships with the most prestigious universities in Portugal. The Group also contributed towards the attendance of MBAs and post-graduation courses in different specialist areas, as a way of developing skills, and compensation and recognition of the contribution of the employees' performance towards the results of the business.

Distribution Poland

Biedronka Academy

Biedronka pursues the strategic values of Jerónimo Martins and has its own training system founded on the Academy concept, which it continued to develop in 2008.

Directed to different kinds of public, depending on the level of qualifications and experience of its employees - from Junior to Senior Manager - the Management Academy gives courses of medium and long duration which are aimed at sharing best practice and furthering management concepts adapted to the business. Apart from the Management Academy, throughout 2008, new formats were developed, due to their specific technical nature, through the Finance Academy, the Logistics Academy and the Human Resources Academy.

Distribution in Portugal and Poland

Training Abroad

Broadening horizons, sharing experiences outside work, and contacting a wide range of social and economic realities are determining factors for the development of Jerónimo Martins Managers.

Therefore, the Group's Board of Directors is constantly concerned with encouraging its Middle and Senior Managers to participate in seminars, congresses and conferences abroad, whose topics reflect new trends in the area of Distribution and Food Service, worldwide.

Equally, on an ongoing basis, in 2008, many employees had the opportunity of attending courses at institutions like Insead (in France), Harvard University and Kellogg University (in the United States), and London Business School and Cranfield University (in the United Kingdom).

Assess and Reward

In competitive organisations it is important to favour not only results, but also the way they are attained. That is why the balance in the Group between quantitative results and behavioural skills is essential for the processes of internal recognition.

Therefore, in 2008, Jerónimo Martins introduced a structured assessment of key behavioural skills in its Management performance assessment system. The proficiency shown on acquiring this series of skills is a determining factor for the Management to reach their expectations in terms of professional development.

Together with the assessment, the Reward Systems and Policies, which are crucial for motivating the employees, are in line with the strategy, practices and values of Jerónimo Martins.

Performance Assessment

The Performance Assessment Process has the main objectives of contributing towards the sustained improvement of the performance of the employees and serving as a basis for attributing performance bonuses, and includes two components: Self-assessment and Assessment by the Manager.

For the employee, it is important to reflect on their performance throughout the year and on their motivation, aspirations and development needs, and so the Self-assessment requires these thoughts to be systematised. On the other hand, it is up to each manager to identify the strengths and areas for improvement of each employee, challenging them to develop in accordance with Jerónimo Martins' strict and demanding culture.

Remuneration and Benefits Policy

As a benchmark employer, Jerónimo Martins understands that attributing a fair remuneration is a crucial factor in promoting excellent performance and is an integral part of its social responsibility. Therefore, it is the Group's practice to continually review and adjust the Compensation Policies of its Companies.

Therefore, last year, maintaining a competitive remuneration system was once again a reality, keeping the positive distance in relation to the minimum national wage in both countries where the Group operates.

Simultaneously, Jerónimo Martins provides its employees, both in Portugal and in Poland, with social benefits that go far beyond the set legal requirements.

In this context, Health Insurance is offered to all Group Managers, as well as a Service Bonus to all the Distribution employees in Portugal: employees with a legal service record of five or more years receive Life Insurance, once they reach 10 years' service they join the Pension Fund and on reaching 15, 25 and 40 years' service, receive a special reward.

Information Management

In a world of constant change, the accessibility and quality of information are determining factors for Jerónimo Martins to reach its ambition, mission and objectives.

Implementation of an Integrated Human Resources Management System

In 2008, the Group believed it essential to implement an IT solution which would enable it to effectively manage and integrate the Human Resources processes, specifically the Recruitment, Training and Development processes.

Therefore the "INOVARH: Invest in knowledge; Invest in People" Project began, covering the Distribution and Services Companies in Portugal - a system whose implementation intends to guarantee more appropriate and prompt Human Resources processes.

4.3. Transversal Areas of Intervention

Internal Communications

Organised internal communications are vital for a Group with Jerónimo Martins' characteristics. In fact, an Organisation with around 53,000 employees and whose success is imminently related to the way in which the teams are tuned to a common objective, requires clear, simple and swift communication, reaching all employees, at the various levels in the Organisation.

Transversal and integrated sharing of knowledge within the Group is, therefore, essential for guaranteeing that the values and culture of Jerónimo Martins, as well as its Companies' strategies, are correctly perceived by its employees.

For this purpose, depending on the pre-established objectives, the Group uses the following communication instruments or tools:

My JM Portal (Intranet)

The My JM Portal is a communication instrument, transversal to all Jerónimo Martins Companies in Portugal and enables access to various information and facilitates and

boosts knowledge from different areas of the Group, while providing services in the different functional areas of the Organization.

Internal Magazines

There are, in the Group, various internal magazines, namely: i) the magazine "A Nossa Gente" (Our People), a quarterly publication, with more than 24,500 copies, aimed at Distribution employees in Portugal; ii) the magazine "Aos Olhos da Lei" (In the Eyes of the Law), monthly disclosed at My.JM Portal; and iii) the magazine "Nasza Biedronka", a quarterly publication, with almost 25,000 copies, aimed at the employees of the Biedronka chain in Poland.

Management Meetings and Operational Meetings

The Meetings for Presenting Results and Presenting Strategic Plans, which have a high impact on the activity of Jerónimo Martins and, therefore, also on its employees, involve the participation of the Chairman of the Group, the members of the Executive Committee and more than 600 Managers, both in Portugal and in Poland. These meetings are then sub-divided into Regional Meetings, with the presence of all the Operational Teams.

Personalized Messages

Often, throughout the year, personalized messages are sent to the Group employees, with the objective of announcing important decisions or the implementation of relevant measures, explaining certain projects, informing about the Organization's performance, or even giving thanks for work carried out. These are signed by the Board of Directors, thereby creating a closer link of dignity and respect for each employee.

Lunches with the Chairman of the Board of Directors

This initiative, called "Meetings – Dialogues, Thoughts and Experiences", is one in which the Chairman of the Board has quarterly lunches with young, high potential managers from Jerónimo Martins, with a view to sharing and discussing the most interesting current topics and the future of the Group.

Audio-visual Production

Whenever deemed relevant, films are made about the life of the Organisation, which are intended to be a documentary proof of the remarkable moments in the life of the teams of the various Jerónimo Martins Companies, as well as a means of sharing strategy, culture and collective values amongst the employees of the Group.

Social Responsibility (Internal Aspect)

This area's Mission is "to contribute towards improving the quality of life of the employees of Jerónimo Martins and their families, in Portugal and in Poland, especially the underprivileged employees, by creating Human Resources Practices and Policies that promote their well-being and motivation, contributing towards the sustainable development of the Group".

Although Jerónimo Martins' activity on this level has always been governed by ethically and socially responsible principles, in which supporting the underprivileged is one of the Board's main concerns, 2008 saw the creation of an internal area of Social Responsibility in Portugal, geared exclusively towards the employees of the various Companies of the Group.

Therefore, this area has sought to implement priority measures concerning the employees' health, education, well-being and leisure, while at the same time, trying to further their involvement and that of their respective families, in the life of the Organisation.

So, in 2008, the following actions were carried out:

Portugal

Learn and Develop – New Opportunities Initiative

Since September 2007, Jerónimo Martins has been offering all its employees with less than 9th or 12th grade schooling, the opportunity of attending, during working hours, the internal programme "Learn and Develop", which is part of the Government "New Opportunities" Initiative. To date, 3,500 employees have joined this programme and last October, the first 245 certificates equivalent to the 9th grade of schooling were granted.

Plan for Developing Corporate Partnerships

With a view to offering all Jerónimo Martins employees a series of discounts and special conditions for acquiring products and services in the areas of health, education, well-being and leisure, banking, insurance, among others, in 2008 around 35 national protocols were renegotiated, signed and disclosed, which provide benefits to the employees of the Group and their respective families. The area of Social Responsibility will continue to develop this corporate partnership policy, aiming to build a network of nationwide benefits, with competitive advantages compared to the market.

Health Week

Entitled "For Your Health", a series of check-ups were organized, covering blood pressure, glycaemia, cholesterol, carbon monoxide, melanoma, as well as eye check-ups. In addition, workshops were also organised covering topics such as "Healthy Hair", "Infantile Obesity and its Prevention", "How to care for your Skin", and "Healthy Cooking". Finally, the employees were given the opportunity of trying cookery classes, make-up courses, acupuncture sessions, massages and gymnastics at work.

During Health weeks:

- 2,560 check-ups were carried out;
- 7,700 healthy products, as well as 3,157 meals of the same type were offered, based on the Mediterranean Diet;
- There were 230 participants in the workshops, massages, and gymnastics at work sessions.

Jerónimo Martins Accessibility Study

In order to integrate physically handicapped employees more easily, identifying the level of difficulty in accessing the stores, difficulty in moving within them and the possible necessity to adapt the existing work stations and infrastructures, a study on the Accessibility of the Pingo Doce and Feira Nova stores was carried out, in conjunction with Associação Salvador. As a result of the study, this Association will select the most easily accessed stores, in order to include them in the portal "portugalaccessivel.com".

Institutional Protocols

- With the institution Entrajuda, with the objective of recruiting and professionally integrating people who are economically and socially underprivileged and who are being helped by social institutions that are partners of Entrajuda;
- With the Employment and Professional Training Institute (IEFP), with a view to promoting the professional integration of handicapped people, thereby contributing towards resolving the employment problems that affect these citizens in particular;
- With ACAPO (Portuguese Association of the Blind and Visually Impaired), through whose protocol 20 visually-impaired employees were hired as telephonists, both in the stores and in the Jerónimo Martins central structure.

Social Support for Employees and their Families

Following on with the Group's social support policy, during 2008, various employees with low economic resources were given support, either through the purchase of certain equipment required for their daily lives, or through the concession of financial help. At the same time, at the employees' request, Jerónimo Martins also guarantees the monthly purchase of essential food products for a group of underprivileged families.

Nurseries

The Group has two nurseries that are available to its employees: the first, at the Azambuja Distribution Centre, has space for up to 100 children of between four months and five years of age; the second, at the Braga Recheio Store, has space for 20 children of between four months and three years of age. At both of these, employees may enrol their children to attend completely for free, subject to availability, and the hours are extended in order to meet the different working hours that exist.

Transport

Throughout 2008, Jerónimo Martins guaranteed the transportation of more than 250 employees in Azambuja, Vila Nova da Rainha and Guardediras, to their place of work.

Other initiatives were also developed for employees:

- Back to School Campaign: Based on the scenario of the financial effort that families have to make with the return to school, in the month of September, the Group employees were given a discount on school equipment, IT equipment, clothing and footwear, in the Pingo Doce and Feira Nova stores.

- An Adventure in Campo Grande: A one-day educational activity was organised for children of employees from the central structure in Campo Grande, aged between 6 and 12, which was made up of maths workshops and visits to the Lisbon Oceanarium, among other entertaining activities.
- For a healthier mouth: During Oral Health month (October), 120 packs of toothpaste and toothbrushes were handed out to the children who attend the Group nurseries.
- Enjoying Christmas feels good: Jerónimo Martins contributed toward this festive season with the family by providing outings to the circus for more than 3,500 employees and their families; it offered more than 10,000 vouchers for the purchase of toys for employees' children up to the age of 12, and presents for around 1,123 children.
- Presents at Christmas too: In the sharing spirit of Christmas, an internal Volunteering Campaign was launched, aimed at all the employees who do not belong to the Operational structure. Through this action, the Jerónimo Martins employees offered their time, after work and at weekends, to help the teams from the stores in their tasks of re-stocking and gift-wrapping, among others. This action took place throughout December, covering around 90 stores in Portugal and with the participation of around 450 employees (i.e. a participation rate of about 80%).

Poland

Children's Day at Biedronka

All the Distribution Centres employees' children, up to the age of 12, were invited to participate in picnics, with various artists, a variety of competitions and entertaining children's activities. On the same date, the Biedronka stores employees' children spent the day at their parents' workplace, and received various gifts. For the Central Office employees' children, a small party was given with clowns and magicians.

School Pack

In 2008, 1,100 employees' children, at school starting age, were offered back-packs full of school equipment.

Holiday Camp

440 employees' children from economically underprivileged families and 20 children from the Catholic Social Institution - Caritas, spent two summer weeks at holiday camps, where they were able to enjoy all the sporting activities and entertainment that had been prepared for them.

Programme for Assistance to Handicapped Children

The Programme for Assistance to Handicapped Children was created with the objective of responding to the needs of Biedronka employees' children with physical and mental limitations and last year supported 87 children, whose parents, for various reasons, requested the Company's help.

Christmas Packs

During the Christmas season, packs with Christmas products and Biedronka shopping vouchers were offered to the employees and to their children up to the age of 12. Christmas parties for the employees and their families also took place.

Check-ups

Within the check-up policy in force at Biedronka, 14,887 women and 4,400 men benefitted from having preventative medical exams, such as mammograms and cervical smears, among others for the women, and prostate exams, among others for the men.

Maternity kit

This programme supports the Biedronka employees and their respective families at a special moment in their lives, by offering products for new-born babies.

Individual Social Support

After analysing the requests that Biedronka received, and following the social support policy established by the Group, various employees were given support during 2008.

Labour Relations

The Labour Relations area has set its mission to promote and guarantee the compliance with labour legislation, collective work contracts applicable to the sector, internal regulations, standards and procedures of the Group, as well as to promote and maintain a stable social climate within the Organisation. Therefore, this area's basic concerns lie with encouraging social dialogue, conciliating private and professional life and respecting trade union freedom.

Health and Hygiene in the Workplace

The objective of the Health and Safety in the Workplace area is to contribute to the improvement of the working conditions and to the satisfaction of employees, through the development of a group of processes, best practices and policies that, ensuring compliance with the law, contribute to the reduction of accidents' figures.

The year of 2008 marked the creation of a new internal organisation model in this area, showing the commitment of the Group in continually and effectively improving the employees' working conditions. Thus, regarding the Distribution area in Portugal, the Health and Hygiene in the Workplace (HHW) team and the Management of these Services were reinforced. In Manufacturing, the Safety certification was maintained, according to the OHSAS 18001:1999 standard, at the Lever and Olá units.

Activity Plan

In accordance with the Annual Activity Plan defined for 2008, and which is intended to be reinforced in 2009, the main concerns in this area were to:

- Decrease work accidents and reduce their frequency and severity;
- Identification and continuous assessment of the risks in the workplace;
- Develop new training contents for Health and Safety in the Workplace;
- Promote employee awareness initiatives in this area;
- Carry out emergency simulations;
- Disclose working standards and instructions to the employees;
- External disclosure of the Group's Best Practice regarding Health and Safety;

- Inclusion of awareness articles and information on this topic in the "A Nossa Gente" magazine and in the "Notícias Recheio" magazine.

Accident Figures

In terms of accident analysis, it was noted, in comparison with 2007, a decrease in the severity and frequency figures in the Group's Companies, which means that there was a reduction in the number of accidents and their severity for a higher number of work hours.

	Frequency Figures	Severity Figures
Distribution Portugal	35.28	0.55
Distribution Poland	28.17	15.56
Manufacturing	6.72	0.17

The values of these figures cannot be compared with each other, due to the different environment that surrounds Distribution and Manufacturing. The figures regarding Poland were calculated in compliance with the Polish legislation.

Occupational Health

Jerónimo Martins complies with the legislation in force, by guaranteeing that its employees' health is adequately checked, regarding the risks to which they are exposed in their work, through its Occupational Health Services.

In this way, the Group encourages employees to carry out the legally established health exams, which check their levels of physical and psychological aptitude for carrying out their activity, as well as any repercussions that this may have on their health. Another initiative to which Jerónimo Martins has continued to give special attention is the availability of the flu vaccine for the employees in Poland and in the Azambuja and Guardéiras Warehouses.

Some Occupational Health Indicators

Occupational Health	Recruitment Medical Exams	Periodic Medical Exams	Occupational Health
Distribution Portugal	841	1,571	2,064
Distribution Poland	15,171	5,012	697
Manufacturing & Service	765	528	4,414
TOTAL	16,777	7,111	7,175

5. Commitment to our Suppliers

Creating value through partnerships of trust.

As mentioned, Jerónimo Martins commends a business model based on rigour, innovation and transparency, systematically adopting a stance of permanent learning and improvement, which is essential for pursuing sustained development.

Within the framework of this business model, the Group's suppliers are an essential part in building the distinguishing value propositions of the Banners and are the basis for the success of Jerónimo Martins. The development of commercial relationships, based on high ethical principles, on dialogue, on sharing values and a common strategic vision, with lasting gains for both parties, is a determining factor for the healthy continuation of the business.

Therefore, for Jerónimo Martins, the selection of business partners plays a decisive role and obeys strict criteria and very demanding processes. The process for choosing suppliers requires a search of the national and international market, with a view to finding partners that offer excellent quality, reliability and efficiency in the supply chain, who are financially robust and who search for and guarantee continuous improvements in performance, as well as innovation in the products supplied.

In order to know the Group better and to grasp the compulsory compliance guidelines, the suppliers selected must know and accept the Jerónimo Martins Group's Supplier Code of Conduct, which contains precise guidelines with regard to obeying the law; environmental protection; product quality and safety; and labour legislation, namely regarding Health and Safety in the Workplace, Non Discrimination, Remuneration and Working Hours; thereby ensuring that they share the same set of ethical principles as the Group.

By building long-term relationships, based on reciprocal communication and transparency and defending the interests of both parties, proper planning and investment in the respective businesses can be carried out, as well as fair negotiations in accordance with ethical principles, reflecting the cost structure of each partner and thereby obtaining the best cost price. This is the only way to offer quality products at competitive prices that are accessible to more people, and to be a leader in innovation and contribute towards economic development and growth in general.

5.1. Suppliers Selection

The process for selecting suppliers obeys strict and demanding criteria, as various parameters are assessed in an impartial way, including:

- The market conduct of the supplier, the organisation's culture and its alignment with the set of ethical principles expressed in the Code of Conduct which is disclosed to the employees and in the Jerónimo Martins Supplier Code of Conduct, namely concerning labour, the Environment and the quality and safety of the products;
- A shared common strategic vision and a business model that is compatible with the policies of Jerónimo Martins;

- Presentation of high economic, environmental and social credentials, which mirror financial health, productivity and cost efficiency and the capacity to add value, while ensuring the quality, safety, reliability and effectiveness of the products supplied or services provided;
- Compliance with the requirements demanded by Jerónimo Martins regarding production, food quality and safety, the Environment and sales performance;
- Available production capacity, ability to adapt logistics to the Group requirements, to invest and to promote technological development and innovation, while at the same time ensuring ongoing improvements in the performance of the products and services provided;
- Price construction based on actual cost structure, plus a reasonable sales margin;
- The supplier's nationality, as in equal circumstances, Jerónimo Martins prefers to choose local suppliers, in order to boost economic growth in the regions where it operates;
- Preference for suppliers who already work with the Group, as long as these remain technologically up-to-date and have competitive prices;
- Availability and willingness to co-operate on projects in partnership with the Group, in making dynamic reciprocal training sessions aimed at promoting greater food safety, better environment or further food health and innovation.

According to these parameters, among others, the best, duly accredited suppliers are selected to work with the Group Companies, on a long-term perspective, and with the objective of always guaranteeing the customers consistent standards of excellence and quality in the selection of products.

The Jerónimo Martins suppliers are, in the majority, suppliers of goods, namely Perishables, Private Brand and Manufacturing Brands. However, it should be noted that there are several service suppliers, recognised by the Group for their specialised know-how, who are associated to: operational activities, such as transporting valuables, security, cleaning and maintenance; to Marketing and Development activities, like PR and advertising agencies, consultants and market research and business intelligence companies; to building and refurbishing infrastructure activities; and to financial management activities, such as banks and insurance companies, among others.

Given that Food Distribution represents the bulk of the Group's activity (more than 90% of its sales), the relationship between Jerónimo Martins and its suppliers of goods is highlighted below.

5.2. Relationship with our Suppliers

Sales growth is a strategic pivot for creating value in the Group's current business portfolio. This growth is directly related to each Banner's ability to attract more customers to its chain of stores and for the latter to satisfy more needs, thereby increasing the customer's average purchase. Competition in terms of price is a determining factor in the ability to attract customers, given that the consumer is more rational on food expenditure and the competitive dynamics of the markets are more and more aggressive.

Therefore, the Group's Banners are permanently focused on obtaining increases in productivity and cost efficiency in order to be able to invest in price, while ensuring a healthy balance between sales and profitability. Following the same market logic, the

suppliers with whom Jerónimo Martins works must also be prepared to offer competitive commercial terms.

The constant change in market conditions obliges Jerónimo Martins to have a dynamic management, based on co-operation with its suppliers and high standards of loyalty and transparency. It is only through sharing knowledge and developing projects that lead to greater innovation, efficiency and productivity that it is possible for both parties to have a perception of the areas for improvement, in order to significantly reduce costs and explore new business opportunities in the future.

In the commercial relationship between Jerónimo Martins and its suppliers of Perishables, Private Brand and Manufacturing Brands, the following actions were carried out in 2008:

- Joint purchases, at net prices, for various Group brands and Banners, with the objective of exploring synergies and economies of scale in the high volume categories or in those where the products are scarce, by establishing agreements with polls of suppliers;
- Regular negotiation of commercial terms in line with raw material market evolution, growth in volume and sales, product rotation and market sales price variation;
- Development of joint projects with the Group Companies for cost optimisation;
- The Annual Private Brand Convention took place for the second year running, with the presence of the main Private Brand suppliers, on the theme "Continue to innovate, lead the market and exceed the consumer's expectations". At this convention, various topics were covered, from worldwide food, to the future performance and prospects of Private Brands;
- Implementation of the Jerónimo Martins Group's Supplier Code of Conduct, with a view to all the Group suppliers signing it, thereby committing themselves to running their businesses honestly, with integrity and in compliance with the law in the countries where they operate.

In order to pursue these objectives, stable commercial partnerships have been developed with various suppliers who share the same responsible vision in the areas of Sourcing of Perishables and development of the Private Brands, thereby optimising the ability to generate synergies, competitiveness and added value, on a long-term perspective.

Through co-operation and mutual support, these areas intend to guarantee the maintenance and development of the following: i) offer of high quality ranges at very competitive prices; ii) innovation at more accessible prices; and iii) promotion of autochthonous breeds and demarcated region and controlled source products.

As an example of this type of partnership, it is important to mention two innovative projects that were developed in 2008 in the area of Perishables: The Veal Project and the Fish Market Project. Both of these were directed at developing direct relations with upstream suppliers in the supply chain (producers and ship owners), thereby eliminating intermediaries, and obtaining greater profitability for both parties on the one hand, and greater control over production and capture on the other, as well as over compliance with the set rules. This type of relationship makes it possible to reinforce the offer of more accessible, fresher and better quality products to the consumer.

Apart from this, through the Group's concession of help and technical support to these suppliers in developing their activity, as well as through celebrating contracts which

ensure product flow, price and payment, it was possible to establish a closer relationship with them and increase mutual trust.

With regard to the Suppliers of the Manufacturing Brands, from the many manufacturing brands available in the market, the commercial departments of the Group Companies have tried to select, on the one hand those that add value to the assortment available in the stores, and on the other hand, those that offer more competitive edge and who optimise the results of the category. Other relevant criteria are also taken into consideration, namely those regarding market share and penetration rates, as well as levels of investment in innovation and price positioning. In equal circumstances, the commercial terms may be decisive.

In the Logistics and Supply Chain areas, the majority of the Jerónimo Martins suppliers deliver goods centrally to the Group's central warehouses.

The following activities were developed in this area in 2008, in conjunction with the suppliers, with a view to improving operational and logistic efficiency:

- Renegotiation of logistic terms of delivery, as well as logistic flow, in order to optimise service levels to the stores, logistics costs and working capital. There are written contractual terms for all Group suppliers, including food quality and safety, environmental and social requirements;
- Review and redefinition of the supply processes, optimising transport flow and that of the distribution of goods to the stores, ensuring that products are available and supplied on a timely basis, as a consequence of the acquisition of the Plus operations and of the integration of further central warehouses;
- Optimisation of the upstream and downstream supply chain service fault reporting;
- Optimisation of the process for sending and communicating purchase forecasts to suppliers;
- Increase in the number of automatic cross-docking operations, which aim to simplify the process of reception and logistical handling;
- Joint processes for assessing the size of the product purchasing units of measure;
- Joint processes for minimizing out of stocks on the shelf;
- Development and implementation of a joint project with a transport accessory operator, with a view to obtaining operational synergies in the handling and separation of empty containers (boxes and palettes), reducing stock levels and the costs of transport involved.

With regard to Invoicing and Treasury, payments to the suppliers of Jerónimo Martins are made on a regular basis, throughout the month, in accordance with the payment time and conditions negotiated with each supplier.

During 2008, the offer of the Confirmed Payment System (CPS) was extended to include a significant number of the suppliers in the Distribution area in Portugal. Through CPS, the Group confirms to a certain financial institution the amount that it will pay the supplier at a future date, in accordance with the negotiated payment deadline.

Based on this information, the financial institution offers the supplier the possibility of immediately receiving the amount confirmed, with a discount corresponding to the period for which the supplier is anticipating the funds. Supplier payments through this system represented 35% of the total payments to trade suppliers in 2008, thereby

allowing them to be financed at the same costs as those supported by the Group in the financial market.

5.3. JM Direct Project

The Group Companies have been jointly developing projects with their suppliers, which aim at simplification, automation, optimisation and cost reduction in the whole supply chain.

In this context, of note is the JM Direct project, launched in 2004 with the objective of creating an integrated management platform for the Group's relationship with its various business partners.

JM Direct is a tool that was developed to support the exchange of information and the management of business procedures between the suppliers and Jerónimo Martins, in Portugal, in which all the information on the supply chain and inherent processes are included, namely: planning, pricing, orders, returns, receipt of goods planning, receipt of goods, sales, stocks, promotions, current accounts, and proof of payment.

Along with this, any query of a financial, logistic or commercial nature is now carried out through the message centre on the JM Direct portal, the answers being supplied by the respective areas of support.

This platform is currently the suppliers' preferred interface for its relations with Jerónimo Martins and the most direct form of contact with all the Group's areas and services. At the end of 2008, the JM Direct portal presented a supplier user rate of 84%, corresponding to 83% of the Group's turnover in the area of Distribution in Portugal and to 66% of the suppliers with electronic invoicing.

The implementation of this platform also led to a 70% reduction in paper invoices, an 85% reduction in costs associated to centralising invoicing and consequently, to a 38% reduction in the costs of filing papers, of consumables and travelling between the parties.

This high user level was reached as, since the project began, a rapid, clear and transparent response was assured to the partners of the Group, which led to winning the trust of all those involved, both internally and externally, namely regarding the day to day handling of recurring issues in the running of the business.

The use of the platform is carried out via the Internet, making it easily accessible to suppliers. In 2008, over 7,000 contacts from suppliers were recorded through JM Direct, and 90% of the information transmitted between suppliers and Jerónimo Martins was concerning the Financial area (Invoices) and Payments (Treasury).

In order to provide the necessary support, both regarding the use of the Portal and the implementation of electronic invoicing (non-paper invoicing), through the configuration of the infrastructures and validation of electronic documents, the team responsible for the JM Direct project is given support by a Helpdesk team, both of which are available to respond to requests from suppliers via e-mail or over the telephone.

With this Project, the Group and its partners obtain important gains, namely:

- Increase in the online exchange of information, aiming at greater efficiency and effectiveness in the business;
- Vertical integration of processes;
- Increase in supply chain efficiency;
- Increase in the straight level of availability;
- Increased sales;
- Simplification of processes and reduction in costs;
- Satisfaction of the end customer.

As it is a real time interface with the SAP system, the JM Direct portal also enables possible faults in the delivery of messages to any business partner of Jerónimo Martins to be fixed, each supplier being able to consult the status of the orders. Equally, in the other direction, any partner of the Group may validate the reception of documents and the availability of payment of their current account, among other information.

For further information on the highlights regarding relations with suppliers in 2008, we suggest reading the texts in chapter I of this Report about "Relationship with Stakeholders".

6. Quality and Food Safety

Maximum quality and food safety from the source to the consumer.

6.1. Policies and Certifications

A key factor to the success of Jerónimo Martins' operations, the Quality and Food Safety Policies are a crucial component in the strategy of Distribution Companies in Portugal and Poland, and of Manufacturing.

Thus, the Group works to continually improve its performance in terms of Quality and Food Safety, with the aim of accompanying scientific and technological progress in this sector, and also of meeting the current and future needs and expectations of its customers.

The commitment and contribution of all of Jerónimo Martins' employees is very important in attaining this objective, as they are individually and collectively responsible for the Quality and Food Safety of the products that are produced and commercialised by Jerónimo Martins.

Reviewing and updating the Quality and Food Safety Policies, and the consequent changes in processes, are therefore one of the Organisation's commitments as it seeks greater efficiency.

Jerónimo Martins' concern and also the excellence of the work performed in these areas, through its Quality Control and Food Safety department, have been continually recognised by independent entities through the assignment and/or renewal of several certifications to the Group's Companies.

Therefore, in 2008, Jerónimo Martins' Companies renewed and maintained their certifications in Quality (Standard NP EN ISO 9001:2000), Hygiene and Food Safety (HACCP – according to Standard DS3027:2002 and/or the *Codex Alimentarius* CAC/RCP-1-1969, Rev.4.2003), Environment (Standard NP EN ISO 14001:2004), and Safety (Standard OHSAS 18001:1999). Also of note there are the BRC (British Retail Consortium) certification in the production of Fima's Stock Cubes, and the certification of the Quality Management Systems by the SGS ICS, according to standard NP EN ISO (International Organization for Standardization) 9001:2000, regarding the activities of "Development of Private Brands and Post-Launch Product and Supplier Follow-Up" at the Companies Pingo Doce and Recheio Cash & Carry.

Quality and Food Safety Policy

The Group's Quality and Food Safety Policies are based on rigorous compliance with legal and regulatory requirements, and on values such as integrity, loyalty, honesty, trust and transparency.

At the same time, Jerónimo Martins understands the importance of these policies in offering high-quality products to the consumer, through which it intends to: i) guarantee the quality and safety of the products offered, from the source to the consumer; ii) develop information and response mechanisms to customers; and iii) meet the consumers' future needs.

The partnership and cooperation relationship with suppliers, service providers, authorities and the scientific community, as well as monitoring and optimising internal processes and the continuous training of human resources, allows a continuous improvement of the Group's Food Quality and Safety systems.

The manufacturing facilities of Unilever Jerónimo Martins also have a Quality Policy that reflects the assumptions defined by the Company in the scope of Food Quality and Safety, whose mission is to meet both daily nutritional needs, and hygiene and personal care needs with brands that help people feel good, look good and get the most out of life.

The policy is based on the following key components:

- Prioritising the safety of Unilever Jerónimo Martins' products and consumers;
- Focusing the Company's activities towards consumers and customers;
- Making Quality a responsibility shared by everyone;
- Building and maintaining excellent systems to ensure the Quality and Safety of Unilever Jerónimo Martins' products.

Policies concerning Genetically Modified Organisms (GMOs)

The questions related to the issue of Genetically Modified Organisms (GMOs) have always been part of Jerónimo Martins' agenda and concerns. The Group has developed a relationship of cooperation with its suppliers, promoting better understanding of Distribution processes and ensuring compliance with its policies.

Within this scope, it is extremely important the policy regarding Private Brands and Manufacturing, according to which and as a question of principle the products do not contain ingredients nor additives of transgenic origin. If there are products from which it is not possible to eliminate transgenic ingredients, consumers are informed through the product's labels.

6.2. Training in Quality and Food Safety

Distribution Portugal

In 2008, in collaboration with the Companies' Human Resources departments and the Jerónimo Martins Training School, 2,264 hours of training in Quality and Food Safety were provided, corresponding to 7% of FTE (Full Time Equivalence) Quality Technicians.

Within the Human Potential Operating Programme of the European Social Fund, programme contents were developed for operators in the areas of fish and meat, aiming professional training and based on already-existing indications. In the meat area, it should also be noted the training in Food Hygiene and Safety, directed to meat handlers, involving 1,678 employees.

The programme contents in the butcher, cold meats, dairy, fruit and vegetables, bakery and pastry areas were also reviewed in 2008, assuring that all employees have sufficient technical knowledge to perform their functions. As far as Take Away is

concerned, training content was adjusted to new needs dictated by the development of business in central kitchens and restaurants.

Distribution Poland

In order to guarantee proper compliance with the procedures implemented, particularly with regard to labour and hygiene best practices, in 2008 a total of 130 hours in 68 training sessions were provided, involving 1,362 employees.

Manufacturing

During the year under analysis, the Group's Manufacturing facilities continued to focus on training and sensitising employees in the Food Quality and Safety area. 53 training and awareness-raising sessions were conducted, involving 450 employees, in a total of 827 hours, complemented with self-controlled analyses by the employees themselves, whenever applicable and technically possible.

Continuing its close collaboration with schools and universities, Manufacturing continued to grant study visits and internships to various schools in 2008.

6.3. Quality Management in Stores, Distribution Centres and Manufacturing Facilities

Distribution Portugal

In order to ensure maximum quality and food safety from the source to the consumer, compliance checks with the specifications agreed are performed on an annual basis. In 2008, these activities were carried out in the areas of fruit, vegetables and refrigerated meats, with particular emphasis on the control of prohibited substances. A total of 782 analyses were performed, with a compliance rate of 80%.

	2008	2007
Fruit	337	390
Vegetables	349	330
Meat	96	58

In that year, the visit's support of the team responsible for the Quality Control made to the Companies was also reinforced, in order to ensure the implementation of procedures, as well as to evaluate the effectiveness of training and the suitability of facilities and equipment.

Year 2008	Pingo Doce	Feira Nova	Recheio	JMR
Internal Audits	1,427	62	39	4
External Audits	1	-	3	-
Follow-up Audits	714	38	36	97

As a result of the actions carried out at the Companies, performance levels included in the "HACCP Implementation" indicator rose to 85% at Pingo Doce and 83% at Feira Nova. At Recheio, and due to the certification of the Food Safety system that was implemented, the assessment standard is different, having been obtained a performance indicator of 74%.

Best practices in hygiene and labour were also monitored, with an analytical compliance estimated at 95% for Pingo Doce, 94% for Feira Nova, and 95% for Recheio.

Analytical Control (No. Analyses)	2008	2007
Work surfaces	24,954	21,028
Handlers	9,829	8,279
Food Products (excluding Private Brands)	8,026	5,501

In compliance with the defined policies, the projects that were undertaken in 2008 reflect the implementation and consolidation of Quality and Food Safety best practices.

In addition to the actions described above, which are performed on an annual basis, innovative projects implemented in 2008 are also noted, as they reflect the importance given and the effort employed by Jerónimo Martins in continually improving food quality and safety.

In 2008, the following milestones should be noted in the Distribution sector in Portugal:

- Implementation of a new software program regarding the Registration, Handling and Management of Claims at Pingo Doce, Feira Nova and Recheio, allowing the optimisation of data collection and its statistical processing, integration of data into the same support system for stores and suppliers, and the history and alerts availability when dealing with delays in closing complaints;
- Reception and training in Food Hygiene and Safety for Plus Company employees, integrated into the Group's Companies;
- Review and integration of HACCP (Hazard Analysis and Critical Control Point) Food Safety systems of 26 Recheio Cash & Carry stores and two Recheio's Food Service Platforms, according to the *Codex Alimentarius* CAC/RCP-1-1969, Rev. 4 (2003), resulting in savings at the level of resources allocation, with the consequent optimisation in time management of the respective teams;
- Follow-up the feasibility of manufacturing products for diabetics;
- Studying and identifying viable technological alternatives to substituting/reducing the use of trans fats in bread manufacture;
- Consolidation of the project begun in 2007 to develop a heat-sensitive label for vacuum-packed Pingo Doce chicken, providing objective information to the consumer regarding the maintenance of the cold chain;
- Reinforcing the control of prohibited substances in fruit products, a project initiated in 2006, and in refrigerated meats, initiated in 2007, with the objective of checking producers' compliance with agricultural best practices.

Distribution Poland

In Poland in 2008, development of the project "Biedronka – the trustful food retailer" continued. This project has the following objectives: i) selling safe products; ii) satisfying consumers' demands regarding Food Safety; iii) complying with current legislation; and iv) commitment to fighting obesity by placing clear nutritional information in packages.

Relevant facts in 2008:

- The voluntary introduction of nutritional information on the packaging of 513 Private Brand products, including information on Daily Recommended Doses (DRDs), thus contributing to more informed purchasing decisions by consumers. Biedronka participated in a joint project with business associations, official entities, other Distribution chains and producers that are market leaders, with the goal of promoting and teaching the customer to correctly read the nutritional information on product labels. Therefore, press conferences have been held and informational leaflets have been delivered in stores;
- Development of the HACCP Manual and the Sanitary Manual, which include hygiene best practices at work. These manuals were placed in stores, and training was provided regarding them;
- In cooperation with the Polish GS1, the implementation of procedures regarding the reading of tracking information in the Distribution Centres led to the monitorisation of 254 bar codes. This operation allowed early detection of errors, thus speeding up and consequently improving customer service at the cash registers.

In 2008, 2,906 HACCP audits were performed by JohnsonDiversey at stores in Poland, supporting the implementation of best practices, while the internal audit team performed 21 audits in the Distribution Centres.

Manufacturing

As in 2007, internal audits were performed whenever possible by mixed teams composed by elements from several Manufacturing facilities. These teams enable the optimisation of resources and the level of knowledge and interaction between participants, thereby contributing to a more efficient identification of opportunities to improve the auditing systems.

Audits	ISO 9001	ISO 14001	OSHAS 18001	BRC	Internal
Olá	1	1	1	-	8
Fima	1	1	-	1	10
Lever	1	1	1	-	6
Vitor Guedes	1	1	-	-	7
ULJM	-	-	-	-	5

Throughout the year in question, the Group's Manufacturing plants continued their commitment to supply products that consistently offer added value in terms of Quality, Safety and Price, through:

- The use of the most advanced production technology and equipment;

- The use of HACCP methodology, with the aim of “zero incidents” in the Food area and in the Personal Product area;
- The use of Total Productive Maintenance (TPM) tools, such as suggestions for improvement, detailed lessons and Quality Standards, among others, that seek the optimisation of processes regarding Productivity, Efficiency and Quality;
- The use of robots for palletization on the production lines of personal hygiene products and bleaches;
- The installation of an automated capsule-making machinery in stock cube production, with a potential impact on quality, food safety and productivity of the facility;
- Installation of a sealing and lid-placing system on margarine tubs, with a potential impact on quality, food safety and productivity of the facility;
- Improving the packaging printing quality at several facilities.

6.4. Managing Supplier Quality

Audits and inspection visits to suppliers, in addition to guaranteeing the high quality standards to which Jerónimo Martins has accustomed its clients, are equally a consulting and development tool for providers.

The process for auditing suppliers is carried out in accordance with internal standards, based on internationally recognised requirements, such as the *Codex Alimentarius*, and others recognised by International Food Safety Initiative (CIES), such as BRC (British Retail Consortium), EFIS (European Food Safety Inspection Service) and EUREPGAP (European Good Agricultural Practices), among others. In 2008, this internal standard was revised to more easily show the strong points and areas to be improved by suppliers.

Distribution Portugal

In Portugal, the internal group responsible for these audits is specialised in various business areas, and assesses not only the Quality and Food Safety components but also the compliance with minimum Environmental Management requirements.

Of the domestic audits performed in 2008 by internal auditors, 75% focused on supporting preventive and corrective actions, as well as actions of continuous improvement, requested from suppliers. The remaining 25% of the audits were performed for selecting and evaluating suppliers.

In the audits and inspection visits to suppliers of Perishables, technical purchasing specifications are used as reference, defining the intended product at the level of sensory, chemical, microbiological, preservation and use characteristics, among others. In 2008, more than 220 purchasing specifications regarding fruit and vegetables were reviewed (including ready-prepared products and dry fruits), and 20 poultry-purchasing specifications, specifying the chemical and microbiological characteristics to be placed under regular analytical control.

Complementing the analytical control of the specified characteristics, and given the increase in the number of suppliers of Perishables, the inspection and receipt of these types of products in warehouses assumed an important role in 2008. This way, constant monitoring of characteristics visible at the macroscopic level was guaranteed, consequently ensuring the quality of Perishable products received.

Distribution Poland

In 2008, 221 audits were conducted, of which 137 were on grocery products suppliers and 84 were on bakery products suppliers. These audits aim to ensure the implementation of procedures in the production area in order to ensure food safety, consistent product quality, and efficient logistics in the largest retail chain in Poland.

Selection and Follow-up Audits	2008	2007
Portugal	98	1,039
Poland	221	184

Manufacturing

In Manufacturing, audits on suppliers of raw materials and ingredients, packaging materials and finished products, were centralised and coordinated via Unilever Europe.

However, meetings with local suppliers continued in order to find opportunities for improvement and new ways of working together, influencing the quality and efficiency of operations.

Similarly, audits of partners in the supply chain in the Quality and Food Safety area continued, namely dealers and logistics operators, as well as points of sale. The intention is to know the products cycle till they reach the store shelves, in order to identify and implement improvements.

Audits	2008
Logistics operators	7
Dealers	44
Points of sale (ice cream)	210
Points of sale (stock cubes and spreads)	26
Points of sale (Lever products)	13

6.5. Private Brand

The Quality and Food Safety of Private Brand products is still a strategic priority for the Companies in Portugal and Poland. To ensure that suppliers comply with the policies and requirements subscribed to by the Companies, periodic analyses are performed by sensory and analytical testing.

This is a dynamic process that begins before product launch and continues through the implementation of periodic analysis of products that are collected at points of sale, whether in relation to validate their technical characteristics and statements of compliance by suppliers (e.g. confirmation that there are no GMOs in products/risk groups), or for assessment of consumers' acceptance/preference of their positioning in relation to market leaders.

In the case of proposals for products to be developed, these are analysed internally, receive sensory assessment, and undergo specific consumer tests, for which the various methodologies available are used: acceptance, preference, comparison and

classification tests. Whenever necessary, external entities are used to carry out laboratory assessment and performance assessments on non-food products.

When developing new products, special attention is given to the packaging and labelling, taking into account the target population, the existing legal and EU requirements, the methods of use and the nutritional characteristics of the products themselves.

In this context, information on the Daily Recommended Doses (DRDs) and nutritional information for each 100 grams, and by portion, among others, were included in the labelling of Private Brand products, thus making communication of product characteristics clearer and more transparent to customers.

The year was also marked by the reinforcement of the healthy nutrition policy regarding Private Brand products. Jerónimo Martins was quite active in the responsible reformulation of products, adopting measures to reduce salt content, saturated fat and sugar, for example.

According to a predefined annual plan, the analytical control to which Private Brand products are periodically subjected is conducted by accredited laboratories. These laboratories are subject to selection and assessment by Quality Technicians.

Development of Private Brands	Portugal		Poland	
	2008	2007	2008	2007
Audits on Suppliers (*)	98	79	221	184
Launches and Re-launches	374	480	517	371

(*) Excludes audits on Private Brand suppliers in the Perishables area.

Control of Private Brands	Portugal		Poland	
	2008	2007	2008	2007
Sensory tests – pre-launch	579	685	1,107	373
Sensory tests – post-launch	771		480	448
Routine laboratory tests	3,592	1,271	4,028	3,250
Selective laboratory tests	79	275	931	750

7. Environmental Responsibility

Ensuring proper environmental management is guaranteeing a sustainable future for all.

Jerónimo Martins believes that given its dimension and the partnerships it develops, it can contribute towards effectively linking supply and demand, by establishing supply chains that promote sustainable production and consumption.

It is in this context that the Group is concerned with preserving the Environment, recognising the economic and social impact it causes. Therefore, for many years Jerónimo Martins has been adopting a proactive attitude with regard to the Environment, considering this area to be essential for guaranteeing the success of its businesses and for the growth of its Companies.

In accordance with the pre-defined environmental programmes, the main Environmental Management initiatives implemented in 2008 are set out below.

7.1. Environmental Policy

Jerónimo Martins' Environmental Policy aims to continuously improve the environmental performance of activities, products and services of the Group Companies. At the same time, and through this, Jerónimo Martins tries not only to encourage its employees and suppliers to adopt environmental best practices, but also to answer to its consumers' legitimate environmental concerns, all within strict compliance of the environmental legislation in force.

This Environmental Policy is implemented through the Distribution and Manufacturing Companies' Environmental Management Systems, which, based on the NP EN ISO 14001:2004 Standard, ensure that the applicable environmental legislation is updated, environmental diagnoses and audits are carried out on the various units and other environmental aspects are monitored.

Climate Change

The Group considers the fight against the phenomenon of climate change to be part of the social responsibility of the economic agents. Therefore, Jerónimo Martins Companies adopt responsible and proactive behaviour in implementing actions that contribute towards minimising the effects of greenhouse gases, which is one of the underlying concerns in their Environmental Policy.

Biodiversity

Jerónimo Martins recognises the importance of Biodiversity for the sustainability of the communities in which it operates, aiming to make a positive contribution towards its protection at a local, national and global level.

7.2. Main Environmental Impacts

Distribution (Portugal and Poland)

In the Distribution area in Portugal and Poland, the Group places special attention on the reduction of environmental impacts from the following: i) water consumption; ii) energy consumption used in preserving foodstuffs, in lighting, in air-conditioning and in operating equipment; iii) production of organic solid waste and paper, cardboard and plastic packaging; and iv) air emissions and the consumption of fossil fuels for transporting goods.

So, during 2008, several environmental diagnosis were carried out on stores and Distribution Centres, in order to guarantee their compliance with legal requirements and with Jerónimo Martins' internal Environmental Management procedures.

Manufacturing

Under the Environmental Management Systems implemented according to the requirements of the NP EN ISO 14001:2004 Standard, the Manufacturing Companies carry out an annual assessment and review of the environmental aspects they consider to be most important.

In 2008, the following activities are highlighted: i) consumption of water used for heating, cooling, cleaning, sanitation and personal hygiene; ii) consumption of energy, mainly electricity, natural gas and LPG; iii) production of solid waste; iv) production of other types of waste, like reagents and solvents; v) liquid, industrial and domestic wastewater; vi) air emissions resulting from production processes; and, finally, vii) atmospheric noise, as a result of the production.

7.3. Environmental Initiatives

Jerónimo Martins encourages its employees and suppliers to adopt environmental best practices, linking these to the satisfaction of the consumers' environmental concerns.

Environmental Certification

As far as Distribution in Portugal is concerned, in 2008 the JMR – Prestação de Serviços para a Distribuição, S.A. (previously assigned as Gestiretalho) Distribution Centres in Azambuja, Vila do Conde and Guardedeiras maintained the certification of their Environmental Management System in accordance with the NP EN ISO 14001:2004 Standard. The Manufacturing Companies also kept their environmental certification in accordance with the NP EN ISO 14001:2004 Standard.

Water Consumption Rationalisation

In Distribution, the management of water consumption is given maximum importance and so actions for minimising waste and increasing efficiency when using this natural resource are continually being developed. In 2008, the following actions are highlighted:

- Employee awareness through training, in order to adopt best practices when carrying out their roles;
- Use of more efficient equipment and its respective replacement (e.g. taps and flushing cisterns);
- Regular consumption monitoring, based on meter readings.

The indicators shown for water consumption cover 83% of the units in Portugal and 77% in Poland.

Environmental Indicators:

Stores - Water consumption per sales area (m³/sqm)

Distribution	2008	2007	Δ 08/07	2006	Δ 07/06
Portugal	2.25	2.12	+6.1%	2.08	+1.9%
Poland	0.61	0.78	-21.8%	0.75	+4.0%

Distribution Centres - Water consumption per thousand boxes of throughput (m³ / UMC'000*)

Distribution	2008	2007	Δ 08/07	2006	Δ 07/06
Portugal	0.72	0.59	+22.0%	0.58	+1.7%
Poland	0.08	0.10	-20.0%	0.10	0%

(*) UMC – Purchasing Buying Unit in thousands

In the case of Distribution, it should be noted that although there is ever more focus on Perishables (which by nature cause an increase in water consumption), the values recorded by the indicators for water consumption do not present significant increases. However, constant changes to the size of the Purchasing Buying Unit (UMC) justify the negative evolution of these indicators with regard to the Distribution Centres in Portugal.

Aiming to achieve an efficient control of water consumption and minimise its waste, the Companies in the Manufacturing area have been developing several actions for a more effective use of this natural resource. For this, in 2008, the following actions were carried out:

- Follow up/monitoring of consumption, with various awareness initiatives being carried out for all employees, in which the topic of water rationalisation was presented;
- At Lever, further regular analysis of water consumption and of the generation of wastewater, in order to define actions for reducing consumption and simultaneously promoting greater awareness of this topic among all employees; and also the automation of routines for washing production equipment.

Environmental Indicators:

Manufacturing	2008	2007	Δ 08 / 07	2006	Δ 07 / 06
Global water consumption (thousand m ³)	370.3	* 412.7	-10.3%	387.0	+6.6%
Water consumption per unit of product produced (m ³ /t)	2.38	2.47	-3.6%	* 2.52	-2.0%

* Corrected values.

The systematic activity and objectives for ongoing improvement have led the companies in the Manufacturing sector to progressively reduce water consumption.

Energy Consumption Rationalisation

In 2008, the Distribution Companies developed various actions which aim to fulfil Jerónimo Martins' commitment to the fight against climate change and reinforce energy consumption rationalisation. The following are highlighted:

- Disclosure to all employees of the chapter on Energy in the Manual for Environmental Best Practices;
- Monthly consumption monitoring;
- Implementation of energy consumption rationalisation plans in three of the retail Distribution Centres in Portugal, two of which are considered intensive energy consumers;
- Various energy diagnosis were carried out in the Pingo Doce and Feira Nova stores;
- Consideration of the energy problem when choosing investments, namely in the areas of refrigeration, air conditioning and lighting;
- Continuation of the programme for the installation of low consumption fluorescent lights in the Biedronka stores.

The indicators shown cover 98% of the units in Portugal and 94% of the units in Poland.

Environmental Indicators:

Energy Consumption in the stores

Distribution	2008	2007	Δ 08 / 07	2006	Δ 07 / 06
Portugal					
Electricity (kWh/sqm)	621.3	694.6	-10.6%	727.1	-4.5%
Fuel (GJ*)	35,262	32,901	+7.1%	-	-
Poland					
Electricity (kWh/sqm)	337.6	334.9	+0.8%	348.2	-3.8%
Fuel (GJ*)	52,635	104,682	-49.7%	-	-

*GJ = gigajoule (energy unit of measure)

Energy Consumption in the Distribution Centres

Distribution	2008	2007	Δ 08/07	2006	Δ 07/06
Portugal					
Electricity (kWh/UMC'000*)	150.7	132.6	+13.7%	118.5	+11.9%
Fuel (GJ**)	2,511	2,259	+11.2%	-	-
Poland					
Electricity (kWh/UMC'000*)	45.7	52.0	-12.1%	55.8	-6.8%

(*) UMC - Purchasing Buying Unit in thousands

**GJ = gigajoule (energy unit of measure)

The effectiveness of investing in efficient equipment and the adoption of day-to-day best practices has resulted in the reduction of energy consumption in the Distribution stores. However, constant changes to the size of the Purchasing Buying Unit (UMC) justify the negative evolution of these indicators with regard to the Distribution Centres in Portugal.

To minimise energy consumption and contribute towards the preservation of energy resources, the Manufacturing area has implemented several initiatives as a result of the rationalization plan, namely:

- At Olá, the renewal of equipment continued, aiming at greater efficiency and lower energy consumption: with regard to lighting, 60 external light fixtures at the plant and 160 lamps in the production room were replaced in the area of thermal insulation; improvements were made to the tubing for the ammonia cooling system;
- At Lever, procedure optimisation for the production of washing powder took place in the atomisation tower, in order to reduce the consumption of natural gas and improve the level of air emissions; more efficient lighting systems were installed and the compressed air installation was changed for improved performance;
- At Victor Guedes, apart from the employee awareness initiatives for correct energy use, which are carried out every six months, lighting timers were fitted in the warehouses and meeting rooms;
- At Fima, automatic valves for vapour admission were fitted, in the refinery's production, with a resulting significant reduction in the consumption of this energy source;
- At the head office of Unilever Jerónimo Martins, the process of replacing T8 for T5 fluorescent lamps (more efficient) continued; also in 2008, a programme was started for replacing CRT monitors with other based on LCD technology (150 units in a total of 600), the new monitors consuming around 50% of the energy consumed by the old ones.

Environmental Indicators:

Manufacturing*	2008	2007	Δ 08/07	2006	Δ 07/06
Global electricity consumption (MWh)	26,557	27,025	-1.7%	27,697	-2.4%
Global fuel consumption (GJ**)	67,008	67,180	-0.3%	85,276	-21.2%
Global steam consumption (GJ**)	136,708	148,773	-8.1%	139,176	+6.9%
Consumption of energy per unit of produced product (GJ**/t)	1.92	1.88	+2.1%	2.11	-10.9%

* The indicators have been reviewed in order to include all the forms of energy used.

**GJ = gigajoule (energy unit of measure)

In Manufacturing, the strategies that were developed, supported by the environmental certification, are reflected in the reduction of the values of the energy indicators, although the overall value of GJ/t recorded an increase, justified by production variations.

Paper Consumption Rationalisation

In Distribution, the consumption of office paper is considerable, which is why various projects were developed, aiming to reduce it, with important benefits for the sustainability of forest resources.

Therefore, in 2007, a portal was created for managing orders and electronic invoices, covering 50% of the Distribution suppliers in Portugal in 2008. For 2009, the implementation of similar projects is foreseen for the areas of Human Resources and Logistics.

At Unilever Jerónimo Martins, in 2008 the systematic use of reduced weight (75 and 70 g/sqm) office paper began, whose production involves lower amounts and consumptions of production and energy, respectively.

Waste Management

Distribution believes waste management to be essential for carrying out its activities and for preserving the Environment, and therefore focuses on prevention, minimisation and recycling of the waste generated. The following projects are highlighted in 2008:

- Ongoing follow-up of the waste management system in the Pingo Doce, Feira Nova and Recheio stores, through monitoring of the waste generated and regular disclosure of the management procedures involved, namely separation, conditioning and storage;
- Implementation of overall waste management optimisation policies in the acquired Plus stores;
- Selective collection of the organic waste for recycling (compost and anaerobic digestion) in 85 Pingo Doce, Feira Nova and Recheio stores and also in a considerable number of Biedronka stores, with a total of 5,693 tonnes;
- Selective collection of packages (mainly from drinks) in 58 stores that have food and drink consumption in the sales area;
- Co-operation with waste management entities for pursuing national objectives, with the Distribution area having collected and sent for recycling 15 tonnes of used batteries and 178 tonnes of waste from electric and electronic equipment;
- Selective collection of polystyrene and plastic corner guards for recycling at the Azambuja and Modivas Distribution Centres, thereby avoiding 49 tonnes of waste being sent to the waste burial ground;
- Start of the collection of customers' used batteries in all the Biedronka stores, and implementation of a paper waste collection in all the Company's offices in Poland.

Environmental Indicators:

Total packaging waste (cardboard and plastic) sent for recycling (tonnes):

Distribution	2008	2007	Δ 08 / 07	2006	Δ 07 / 06
Portugal	24,970	18,559	+34.5%	14,889	+24.6%
Poland	61,113	46,616	+31.1%	33,730	+38.2%
Total	86,083	64,715	+33.0%	48,619	+33.1%

The opening of new stores, together with the strong awareness and commitment of all the Jerónimo Martins employees, contributed towards an increase in the amount of waste sent for recycling.

So in the Manufacturing area, there was a strong focus on employee awareness campaigns with the purpose of respecting waste separation, and this was in fact one of the topics covered in the Safety and Environment Week, which was carried out by several Manufacturing units together.

Environmental Indicators:

Manufacturing	2008	2007	Δ 08 / 07	2006	Δ 07 / 06
Quantity of waste per unit of produced product (t/t)	0.0335	0.0299	+12.0%	0.0296	+1.1%
Total residues forwarded for recycling (t)	4,188	4,241	-1.2%	3,810	+11.3%
Waste recycling rate	80.2%	84.9%	-4.7p.p	83.7%	+1.2p.p

The constant search for solutions for the different waste flow has enabled the Manufacturing Companies to continually increase the recycling rate of their waste.

Management of Wastewater

Wastewater produced by the Distribution sector has a similar polluting level to the domestic network, the most part being discharged into municipal collectors. Nevertheless, in order to reduce the polluting content of the effluents, namely regarding the level of edible oils and fats, and organic and chemical content, the following have been carried out: i) installation of pre-treatment systems; ii) regular cleaning of fat separators and lifting stations; iii) use of highly biodegradable cleaning products; and iv) selective collection of the edible oils used.

In this context, the Azambuja Distribution Centre has retainers for fats and slush, as well as a Wastewater Treatment Plant, and ensures compliance with the discharge limits imposed by law.

In 2008, the plan to monitor the wastewaters covered 58 establishments in Portugal, in order to obey the municipal regulations and other legal requirements.

Within this area, with the objective of lowering the polluting content of the wastewaters, Fima and Olá have a pre-treatment system for the effluents generated, which are subsequently drained into the municipal collector. In the same way, Olá concluded the employee awareness initiative that began last year, on the topic of industrial wastewaters.

At Lever, the maintenance works on the wastewater network continued, in addition to the initiatives previously mentioned concerning reduction in water consumption and the resulting decrease in the generation of wastewater. Industrial liquid effluents (like water from washing the packing lines for example) continued to be reused in the productive process.

Lastly, at Victor Guedes the effluents generated are equivalent to domestic wastewater, given that they have a low polluting content, and they are channelled to the Municipal Water Treatment Plant.

Environmental Indicators:

Manufacturing	2008	2007	Δ 08/07	2006	Δ 07/06
Total quantity of industrial wastewater per unit of product produced (thousand m ³ / t)*	0.81	0.89	-9.0%	1.01	-11.9%

* The indicator has been reviewed, as in the past the absolute value rather than the specific value was reported.

Management of Air Emissions

In terms of gas air emissions, the actions carried out are intended to minimise the release of polluting agents.

In order to contribute towards reducing the emission of greenhouse gases, several actions have been implemented in various Group Companies, aiming to train the employees, reinforce the investment in cleaner and more efficient technology (e.g. renewable energy), optimise routes and loading, and make society aware of the importance of this topic.

In the Distribution sector in Portugal and in Poland, the only substance subject to regulation is R22 (refrigerating gas), which has been systematically replaced by substances with less environmental impact. In Poland, in 2008, R22 was replaced in 55 stores where it still existed, thereby concluding the plan to eliminate this gas.

In the Distribution units in Portugal where that obligation exists, eight characteristics for the quality of air emissions were carried out, within the defined Monitoring Plan, the results of which were all compliant.

With the objective of ensuring compliance with the legislation in force, relevant parameters were monitored in the Manufacturing production units that have fixed sources of air emissions.

At Unilever Jerónimo Martins, a programme began for reconvertng the air conditioning and cooling equipment based on HCFC R22 to R417A, which reduces

consumption by an average of 10%. This reconversion programme should be concluded by the end of 2009.

Environmental Indicators:

Portugal	2008	2007	Δ 08/07	2006	Δ 07/06
Stores Equivalent CO ₂ emissions per volume of sales (t CO ₂ eq / € thousands)	0.053	0.058	-8.6%	0.058*	0%
Distribution Centres Equivalent CO ₂ emissions per thousand boxes of throughput (t CO ₂ eq / UMC'000)	0.075	0.066	+13.6%	0.058*	+13.8%
Transport by JM exclusive fleet (Distribution Centres - stores) Equivalent CO ₂ emissions per thousand boxes of throughput (t CO ₂ eq / thous. km) Obs.: This fleet assured, in 2008, 81% of the covered distance.	0.967	0.977	-1.0%	0.929	+5.2%
Manufacturing Equivalent CO ₂ emissions per unit of product produced (t CO ₂ eq / t)	0.106	0.103 **	+2.9%	0.095**	-8.4%
Reduction of Carbon emissions due to the use of renewable energies Equivalent CO ₂ emissions avoided (t CO ₂ eq)	82.5	16.7	+394%	-	-

* The values do not include fuel consumption.

** Values corrected according to energy consumption.

Poland	2008	2007	Δ 08/07
Transport by JM exclusive fleet (Distribution Centres - stores) Equivalent CO ₂ emissions per thousand boxes of throughput (t CO ₂ eq / thous. km) Obs.: This fleet assured, in 2008, 100% of the covered distance.	0.838	0.922	-9.1%

Note: the figures presented took into account emission factors defined by the IPCC (fuel) and by the GASA/FCT (report "Emission and Control of Gases with Greenhouse Effect in Portugal", 2000).

Noise Control

In the Manufacturing area compliance with environmental noise thresholds is ensured. In 2008, of note is Olá's project for replacing the cooling tower.

Environmental Criteria in the Construction and Remodelling of Units

With a view to minimising the environmental impacts in the stages of construction and utilisation of buildings, all projects for the construction or remodelling of Distribution units in Portugal are subject to environmental criteria, the main ones being: i) the purchase of more efficient equipment (e.g. taps and lighting systems); ii) the

installation of monitoring equipment (e.g. water sub-meters); iii) the optimisation of waste management (e.g. cardboard and plastic presses and compactors); iv) the improvement of the emission control systems (e.g. retainers for solids and fats in the sewage system); and v) the prevention of pollution (e.g. replacement of refrigeration gases with monopropylene glycol).

When remodelling the Biedronka stores, apart from the legal requirements, investment has been reinforced to rationalise energy consumption, as follows: lighting, heating and ventilation, and equipment run on electricity.

On 18th December, Biedronka opened its first ecological store, incorporating: exchangers, which take advantage of the heat from the ground and the residual heat from the cooling equipment (reduction of 60% in energy consumption for heating), reduction valves (20% reduction in water consumption) and new insulating panels.

In Manufacturing, information on the type and quantity of gases in each facility using refrigerating gases is available, and this data is taken into account when implementing the building or remodelling plans of units.

Employee Adoption of Best Practices

The Distribution Companies have been reinforcing the investment in employee environmental training and awareness, with the objective of changing attitudes and behaviour and ensuring proper management of emissions and waste. In 2008, the following actions were carried out:

- Issue of the chapters on the Management of Waste, Wastewater and Air Emissions, which are part of the Manual for Environmental Best Practices;
- Training in the JMR – Prestação de Serviços para a Distribuição, S.A. (previously assigned as Gestiretalho) Distribution Centres on the principles of the Environmental Management System, Environmental Policy and best practices (internal employees and subcontractors);
- Training sessions for new employees of the Group with managerial functions, aimed at informing about internal procedures and creating awareness of environmental best practices;
- Training sessions for store employees on internal procedures for separating waste (including packaging and organic waste);
- Development of "Environment" features in the permanent section on Social Responsibility of the in-house magazine "A Nossa Gente". In 2008, these came under the following themes: recycling of organic waste; energy efficiency – equipment labelling; Manual for Environmental Best Practices;
- Creation of an area on the topic of the Environment in the Distribution sector on Portugal's intranet, for disclosing policies, documentation and environmental indicators;
- Launch of a campaign for all Biedronka employees, with a view to saving water and energy and correct waste separation.

With a view to overall adoption of environmental best practices, in the initial training given to new employees in the Manufacturing area, as well as all the others, environmental awareness initiatives are included, of which the following are highlighted in 2008:

- Implementation of general training sessions for service providers at Lever, namely on containing spillages, separating waste, liquid effluents and environmental best practices;
- Initiatives to raise awareness among employees so as to improve waste separation in all the productive units.

Total Productive Maintenance Methodology (TPM)

Companies in the Manufacturing area have been consolidating the TPM methodology, which is based on the importance of Environmental Health and Safety.

Within the scope of this methodology, in the Environmental Health and Safety Week 2008, best practices themes were covered, like using machinery in movement, working with heat, working at height and separating waste and its final destination, in a joint session which brought together a total of 100 participants (20 per productive unit).

Logistics and Environment

It is the objective of the Companies of the Distribution sector to progressively reduce the environmental impacts linked to the logistic processes throughout the value chains in which the Group's activities operate, minimising the consumption of raw materials and energy resources and reducing the amount of emissions and waste.

With this in mind, the transportation of goods from the Distribution Centres to the stores, both in Portugal and in Poland, obeys various principles:

- Daily route planning to optimise the use of space in the vehicles and the distances covered;
- With regard to the Jerónimo Martins exclusive fleet, there is a concern for annually negotiating the replacement of the older, and therefore more polluting vehicles;
- Strengthening the partnerships with transporters, namely through developing joint procedures (as is the case of the Transporter's Manual developed by the Distribution sector in Portugal) and training.

With regard to packaging, various push and pull partnerships have been developed with suppliers from a variety of areas, in order to reduce the number of packing components and their weight. Various principles are involved in this, like: encouraging reuse, eliminating superfluous components, minimising the packaging per sales unit, replacing materials, encouraging package recycling and eco-efficiency.

The indicator of the number of reusable boxes shows the evolution and importance this technique has taken on in the logistical activity of the Group. Of note is the use of reusable plastic boxes in Portugal that already covers the Fruit & Vegetable, Meat, Dairy, Fish and Bakery sections. While in Poland, reusable packages are used whenever logistic and operational conditions for this are met.

Environmental Indicators:

Percentage of reusable boxes vs. total number of boxes transported:

	2008	2007	Δ 08 / 07	2006	Δ 07 / 06
Portugal	11.7%	12.9%	-1.2p.p	9.2%	+3,7p.p

It is worth mentioning that the Companies from the Manufacturing area cooperate with their suppliers, whenever possible, in reusing the transport packaging.

At Victor Guedes, optimisation of some materials was made, namely the reduction in the weight of the 250 mL and 500 mL bottles, and the incorporation of a greater percentage of recycled paper in the corrugated cardboard boxes.

Training and Selection of Suppliers

The Companies in the Distribution sector recognise that it is essential to co-operate with their suppliers, in order to minimise the environmental impacts during the production and activity carried out. Therefore, in 2005, a series of essential criteria and requirements for safeguarding the Environment were set: "Rules for the Provision of Services" and "Environmental Technical Standard". In 2008, training sessions were given on the above-mentioned requirements to more than 100 suppliers of Jerónimo Martins.

In the Manufacturing area, the criteria for selecting suppliers maintain a strong environmental component, as they are evaluated within the same parameters as those of the Group's plants, and are invited to adopt environmental management programmes.

Environmental Awareness

Being conscious of the fact that companies should play an active role in raising the awareness of the population in boosting sustainable development, in 2008 the Distribution Companies carried out several environmental initiatives aimed at consumers, including:

- Recheio's focus on environmental awareness and training for the customers of the HoReCa channel, through the publication of various articles in the customer magazine "Notícias Recheio" (Recheio News). This year, articles on the following topics are highlighted: water management, energy rationalisation, air emissions, and waste management;
- Disclosure to the customers of the environmental and economic advantages of purchasing energy-saving light bulbs;
- Support to the environmental awareness campaign by APED (Portuguese Association of Distribution Companies) "What We Did in 2007", which informed the consumer of the main actions that the Distribution area had developed over the year in order to minimise the environmental impact of its activities.

In Poland, in order to encourage environmentally correct behaviour, in 2008, three environmental campaigns were carried out for Biedronka customers, as follows:

- Campaign for the rational use of water and energy and correct waste separation, to commemorate International Earth Day;
- Awareness on the environmental benefits of choosing rechargeable batteries, when the collection of used batteries began;
- "Help the Animals in Winter", in partnership with the Association for the Protection of Animals (Polish Institution).

In Manufacturing, Unilever Jerónimo Martins continued to give its support, which started in 2002, to the Eco-Schools Programme, a Europe-wide initiative, which is the responsibility of the European Blue Flag Association (ABAE)/Foundation for Environmental Education (FEE), aiming to raise environmental awareness among young people. In the 2007/2008 academic year, 793 schools took part in this Programme, of which 622 were awarded.

Unilever Jerónimo Martins also maintained its National Green Brigade Initiative, carried out in co-operation with the ABAE. Each "Green Brigade" analysed the resources lacking in the respective schools or in the surroundings, and subsequently created and presented a specific project, with solutions to improve the existing situation. This national competition involved the participation of 55 projects in 2008, covering all school levels, from nursery schools through to secondary schools, involving a total of about 1,620 pupils.

At the same time, the Ben & Jerry's brand joined the European Campaign "20-20-20" (increase the production of energy from renewable energies by 20%, increase energy efficiency by 20% and reduce greenhouse-effect gases by 20%) and in partnership with the Lisbon Town Hall, Quercus and Carbon2Oxygen, invited the people of Lisbon in general, and its employees in particular to participate in the event "Lisbon for the Climate". The commitment "For a Cleaner and more Sustainable Lisbon" was also signed, which in just two days recorded the signatures of around 2,000 people, on the brand's website.

7.4. More Environmentally-friendly Technologies

Jerónimo Martins tries to minimise the environmental impact of its activities, products and services by adopting more environmentally correct solutions.

Sustainable Consumption

As a means of preventing pollution, in 2007, Pingo Doce began charging 0.02 euros for each plastic bag, which until then had been free. Through this measure, bag consumption was reduced by 40% in that year. In February 2008, the stores in Madeira adopted the same solution, and the consumption of these kind of bags was reduced by around 80%.

In 2008, Biedronka also began charging 0.07 zlotys for each plastic bag, challenging its customers, through informative campaigns, to reuse the bags up to 10 times.

With regard to the Private Brands and Perishables, various products have been made available which enable the consumer to opt for solutions more in keeping with the

principles of Sustainable Development, of which, in the Distribution Companies in Portugal, the following are highlighted in 2008:

- The sale of Private Brand organic products - chicken and around 20 vegetable product references;
- The protection of autochthonous breeds, by selling certified beef (Mertolenga, Barrosã and Alentejana);
- The development of concentrated UltraPro Private Brand detergents, in which there are currently nine references in two product lines: liquid laundry detergents and softeners;
- Launch of Pingo Doce Private Brand recycled toilet paper.

In 2008, Unilever Jerónimo Martins reinforced its investment in the concentrated detergents that were launched in 2007 (*Skip Líquido Pequeno e Poderoso* and *Comfort Essência*), by increasing the penetration of these products and consequently changing consumers' habits to more environmentally "friendly" products. Therefore, Sun Green Power detergent was launched, a dishwasher product with advantages in terms of the environment.

Renewable Energy

In order to positively contribute towards the separation of fossil fuel sources from economic growth, at the end of 2007, the Distribution Companies in Portugal began investing in technologies that use renewable energy sources. The projects are still active and their environmental benefits have been proven, as follows: reduction in the use of non-renewable energy sources and in the emission of greenhouse effect gases. The technologies operating in 2008 were the following:

- 72 sqm of solar collectors fitted for heating water in the Azambuja Distribution Centre (savings: 5,100 kWh/month and 31 t CO₂/year);
- 46 outdoor lamp posts fed by photovoltaic panels were installed in the Pingo Doce store in Quinta do Conde (savings: 5,000 kWh/month and 30 t CO₂/year);
- 5.4 sqm of solar collectors were installed for heating water in the Pingo Doce store in Borba;
- 126 units of tubular system for transporting solar light for the inside lighting were installed in the Pingo Doce stores in Vila Nova de Gaia, Oliveira do Douro and Loures (savings: 3,740 kWh/month and 21.5 t CO₂/year).

8. Patronage

Commitment to the community.

Jerónimo Martins has always supported charitable projects and institutions both at an institutional level and also through the voluntary contribution of its staff.

All these activities are part of a clear Patronage policy built on three guidelines, very closely connected to the Group's own positioning, as follows: the Food Universe, the Portuguese Character and Innovation as a business stance.

Within this policy, two strategic support areas have been defined, one social and the other cultural, which annually develop activities within the scope of the two major programmes in force:

- "Jerónimo Martins Feeds Smiling Futures": a programme of a social nature, essentially geared towards providing support to children and young people;
- "Jerónimo Martins Supports National Culture": a programme specifically addressing cultural issues, in particular the conservation and communication of Portuguese historical and cultural heritage.

8.1. Social Patronage

Jerónimo Martins Institutional Support

In 2008, Jerónimo Martins granted support in the form of funds, goods and voluntary time to a number of entities and causes (see the table below), within the scope of the co-operation it has maintained with institutions and projects that help less fortunate communities and groups, mostly made up of children and young people.

CONTINUED SUPPORT			
Name of the Institution	Area of Activity	Start of Jerónimo Martins Support	Type of Support
Aldeia SOS de Bicesse	Charity to shelter and protect children without a normal family environment.	2002	Support towards feeding the children and young people through shopping vouchers.
Obra do Ardina	Institution supporting underprivileged boys.	2003	Support towards feeding the children and young people that board at the institution, through shopping vouchers.
Casa da Acreditar	Support for children with cancer and their families.	2003	Sponsorship of two bedrooms in the Lisbon house. Offer of quality brand personal care products and food.
CrescerSer: support to the APDMF shelter - Associação Portuguesa para o Direito dos Menores e da Família	Shelters for children and youths, victims of violence or coming from families whose situation requires temporary support.	2004	Support through monthly shopping vouchers for two of the residences in Porto.
Centro Social da Paróquia de Torredeita	Centre geared towards underprivileged children and young people from the Torredeita region (Viseu).	2004	Support through monthly shopping vouchers.
Casa dos Rapazes	Protects, shelters and educates male minors on a boarding or semi-boarding basis.	2005	Support towards feeding the children in the home through shopping vouchers.
Associação Protectora das Florinhas da Rua	Private Charity that shelters and protects children at risk, on a boarding basis.	2005	Support towards feeding the children in the home through shopping vouchers.
Diferenças - Centro de Desenvolvimento Infantil	Evaluation, diagnosis and intervention in child development illnesses.	2005	Provision of space in the Feira Nova Bela Vista Shopping Centre. Support for maintaining the image and publicising the centre.
APPACJ - Associação de Psicólogos e Pais para Apoio à Criança e ao Jovem	Support to broken families of underprivileged neighbourhoods in Alcabideche.	2006	Support for making up monthly food baskets to be distributed among around 30 families.
Entrajuda - Associação para Apoio a Instituições de Solidariedade Social	Various types of support to charitable institutions.	2006	Financial and logistic support.

CONTINUED SUPPORT			
Name of the Institution	Area of Activity	Start of Jerónimo Martins Support	Type of Support
Associação SOL	Support to HIV positive children or those coming from families affected by AIDS.	2007	Support towards part of the Casa SOL's food through shopping vouchers.
Associação Nacional de Fibrose Quística	Support to patients with cystic fibrosis.	2008	Payments of expenses incurred with the <i>tele-aula</i> project (distance learning) which takes place in the Hospital Santa Maria.
Centro de Apoio à Vida de Viseu	Support for pregnant women in difficulty, women who are victims of violence and children and young people at risk.	2008	Support through monthly shopping vouchers.
Centro Social da Paróquia de S. Salvador de Viseu	Support for underprivileged families.	2008	Support through monthly shopping vouchers.
Casa de Santo António	Support for teenage pregnant women.	2008	Support through monthly shopping vouchers.
Casa de Santa Isabel	Support for pregnant women in difficulty.	2008	Support through monthly shopping vouchers.

Along with the institutional support above, throughout 2008, various charitable institutions benefitted from support, namely: Banco do Bebê; BIPP – Banco de Informação de Pais para Pais; Igreja de S. Nicolau; Equipa de Jovens de Nossa Senhora; Câmara Municipal de Tavira; Raríssimas; Casa Saúde Brandoa; and Centro Social Dr. Magalhães de Lima. The Group also promotes awareness campaigns directed to its employees, motivating their involvement in helping the needy.

Patronage in Portugal - Distribution

In accordance with the Group's institutional policy, and continuing with the real support given to the communities which they serve, as in previous years, the Pingo Doce, Feira Nova and Recheio Cash & Carry chains supported institutions that work with underprivileged children and young people.

Jerónimo Martins Retail Portugal

In 2008 at Pingo Doce and Feira Nova, support in the form of money and goods was made to various institutions or Local Government initiatives in locations where these chains have stores. In total, more than 50 institutions were given support, apart from those directly helped by each store, through the donation of products.

Apart from the support mentioned, money was also granted for acquiring a variety of equipment, among which wheelchairs for handicapped children and young people. Pingo Doce and Feira Nova also participated in fundraising initiatives for charitable institutions, like the Liga Portuguesa contra o Cancro (Portuguese Cancer League), the "Amigas do Peito" - Associação Humanitária de Apoio à Mulher com Cancro de Mama (Association to support women with breast cancer) and the Associação Portuguesa de Deficientes (Portuguese Association for Handicapped People).

Finally, we refer to the contribution made by the customers of these chains in two food collection initiatives for the Banco Alimentar Contra a Fome (Food Bank), which took place in May and November last year.

Recheio Cash & Carry

Following Jerónimo Martins' institutional policy, Recheio applied 96% of its patronage budget to social welfare initiatives, as well as contributions towards initiatives related to education and sport, which it considers essential for the balanced development of children and young people.

In this way, the growth trend in social and cultural patronage was maintained in 2008, reinforcing the support that has been given over the last few years to institutions like: Centro Social "Boa Aldeia" (Good Village Social Centre), Centro Social "S. Nicolau" (St. Nicholas Social Centre), *Verbum Dei* (Catholic Charity), Centro Cristão da Cidade (City Christian Centre), Lar Santa Teresinha (Nursing Home), Centro de Caridade Nossa Senhora Perpétuo Socorro (Christian Charity) and the Banco Alimentar Contra a Fome (Food Bank). There was also an increase in the donations related to health, through support given to the Instituto de Oncologia (Portuguese Institute of Oncology) and the partnership that was maintained with Cáritas Diocesana do Funchal na Madeira (Christian Charity of Funchal, in Madeira).

Patronage in Poland – Distribution

As food market leader in Poland, Jerónimo Martins' corporate social responsibility goes beyond the Portuguese borders. Biedronka regularly promotes programmes for continued assistance which benefit the Polish society as a whole, the communities the Company serves and younger people in particular, especially reacting to situations of abuse and human suffering.

As an example of this, the ongoing project "Partnership For Health" is highlighted, in which Biedronka, together with Danone, Lubella and the Polish Mother and Child Institute provide the product "Milk Start", which aims to combat the problem of infantile and juvenile malnutrition in the country. This is one of the main social problems in Poland, which affects almost three million Polish children and young people. The product "Milk Start" contains the vitamin and mineral components that children most need for their development and is available in the form of packets of semolina that are dissolved in water.

The Day of the Sick initiative is also noteworthy, and is one of the projects carried out by the Company in co-operation with Cáritas (Catholic Charity). Once again, in February 2008, Biedronka offered gifts to young patients in three Polish hospitals.

Equally, in June, on the International Children's Day, and in December, at Christmas, Biedronka offered presents to over 46,000 children from underprivileged families.

Finally, it should be pointed out that the Company's help in the country has constantly included support to orphanages and charitable institutions. Among the beneficiaries at this level are support institutions, special schools and an orphanage, namely: the Bethlehem Foster Home, the Open Door Association and the Krasne Orphanage.

Like other Jerónimo Martins chains, in 2008 Biedronka also contributed with food collection initiatives for the Food Bank in Poland.

Patronage in Portugal – Manufacturing

In 2008, Unilever Jerónimo Martins continued its involvement with underprivileged population, directing its activities towards children, people with special needs and the elderly, in areas it considered priorities like health, education and the environment.

Therefore, several entities received support from Unilever Jerónimo Martins, essentially through the donation of food and non-food products, according to the situation and specific needs of each one. Among the institutions that received this support, those with whom a co-operation protocol exists are highlighted, as follows: Banco do Bêbé - Associação de Ajuda ao Recém-Nascido (Association for the Support of the New-Born), Acreditar (Private Charity Supporting Children with Cancer and their Families), Ajuda de Berço (Private Charity for Babies and Toddlers at Risk), Ajuda de Mãe (Private Charity for Pregnant Women), Associação CrescerSer (Portuguese Association for Rights of Minors and Families), Associação Novo Futuro (Association for Children and Young People Deprived of a Family Environment), Banco Alimentar Contra a Fome (Food Bank), Centro Social Paroquial S. Tiago Camarate (Parish Social Centre), Centro Social de Sacavém (Sacavém Social Centre), Entrajuda (Support to Charitable Institutions) and Raríssimas (Association for the Mentally Handicapped and Rare Illnesses).

For the second year running, the Company participated in the Fight Hunger – Walk the World from the World Food Programme, which took place in Portugal on the 1st June and contributed 200 tonnes of food to the Food Bank.

Also of note is the support to Entrajuda, Association for Support to Charitable Institutions, with the donation of IT material in good condition, with a total of 350 desktops and 120 laptop computers, to be distributed among various institutions, as well as the donation of other non-food products.

However, social support was not carried out only at a central level. The own brands had a direct involvement in the community, by developing specific initiatives with the institutions, as was the case of: Olá, through the signing of a protocol with the Sesimbra Town Hall, of Becel with the Aldeias SOS (SOS Villages) and of Planta in partnership with the Nuno Delgado Judo School.

8.2. Cultural Patronage

Jerónimo Martins Institutional Support

As part of its "Jerónimo Martins Supports National Culture" programme, the Group has contributed towards projects of cultural and educational interest (see the table below).

SUPPORT GRANTED			
Name of the Institution	Area of Activity	Start of Jerónimo Martins Support	Type of Support
UCP	Universidade Católica Portuguesa (Portuguese Catholic University).	1994	Various types of educational support.
ACEJE	Christian Association of Entrepreneurs and Managers.	2000	Financial support.
Orquestra Sinfónica Juvenil (Youth Symphony Orchestra)	Training of Young Musicians.	2002	Sponsorship of the Year End Concert.
Fundação de Serralves (Serralves Foundation)	Exhibition Centre.	2004	Support as founding member.
CIVITAS - Centro de Recursos de Literatura e Literacia	Encouraging children's educators, teachers and guardians to come into contact with children's books. Teacher training.	2005	Funding that allows the centre to function regularly.
Aprender a Empreender (Junior Achievement)	Association of young Portuguese entrepreneurs, which is a non-profit association that arose out of JA-YE Europe and some companies operating in Portugal.	2005	As Senior Associate, supports with annual amounts of money. Recruitment of over 50 volunteers, among the Group's staff, to give lessons.
EIS - Empresários para a Inclusão Social	Combat against failing school and promotion of entrepreneurship.	2006	As a founding member, gives annual financial support.
Igreja Paroquial de São Nicolau (St. Nicholas Parish Church)	Conservation of historic and cultural heritage.	2008	Financial support for the recuperation the Church organ.
Maestro Álvaro Cassuto	Record publishing of the Symphonies of the composer Luís de Freitas Branco.	2008	Sponsorship of the 2 nd and 3 rd CD of the recordings of the composer Luís de Freitas Branco.

Along with the institutional support mentioned, throughout 2008, other institutions also benefited from support, as is the case of the Lisbon University Foundation, for its International Conference on Portuguese Narrative and Diaspora and for the Forum for Freedom and Education.

Patronage in Portugal – Distribution

In 2008, Pingo Doce and Feira Nova continued to favour initiatives that are geared towards conserving and/or informing about Portuguese historic and cultural heritage and local traditions, maintaining their support to fairs and small artisans and thereby contributing towards maintaining deeply-rooted regional activities.

Equally, in order to promote knowledge about the seas and the protection of ocean life, since March 2003 Pingo Doce has been the official sponsor of the Lisbon Oceanarium, and has carried out various initiatives under the theme "Pingo Doce Supports Ocean Preservation".

Within this sponsorship, various initiatives for children were carried out, with a view to publicising the Oceanarium project. Of note is the publication of the book "An adventure in the Oceans", published by Pingo Doce with the support of the Lisbon Oceanarium with the objective of offering a children's product promoting environmental awareness that was accessible to everyone, which proved to be a sales success both in the chain's stores, and in the Oceanarium shops.

Patronage in Portugal - Manufacturing

In 2008, Unilever Jerónimo Martins continued with the Unilever International Schools Art Project (UISAP), a project which commenced at the end of 2007 and which aims to promote a liking for art by primary and junior school pupils. This project encourages creativity by holding a competition in which the winner has their work exhibited at the Tate Modern in London.

Due to the success of the first edition, to which four schools were invited, for the school year 2008/2009 the Company decided to extend the invitation for all primary and junior school pupils to participate and received 457 entries from 67 different schools.

As far as internal cultural activities are concerned, these are organised through an autonomous entity - the Staff Club -, which is financed by the Company staff, through the members' subscriptions and various activities.

During last year, the Staff Club gave study grants to employees' children and promoted various activities such as theatre plays, cultural visits and a variety of other shows, which involved a total of 1,250 participations.

With regard to sporting and recreational activities, around 3,900 employees and their families played radical sports, tennis, five-a-side football or took part in journeys, trips, walks and a rally paper.

Finally, also of note is that throughout 2008, more than 10,700 school and university students had the opportunity of visiting the premises of the various Manufacturing plants.

9. Frequently Asked Questions

To provide readily available information about the practices of Jerónimo Martins in the area of Sustainability, this section lists the most frequently asked questions put to the Group and the corresponding answers.

For further details, the chapter of this Report on Sustainability in Value Creation may be consulted, as well as the Jerónimo Martins institutional website - www.jeronimomartins.com.

Group's Stakeholders

1. The following have been identified as Jerónimo Martins' stakeholders:

... Customers and Consumers?	☒ Yes	☐ No
... Shareholders and Potential Investors?	☒ Yes	☐ No
... Employees?	☒ Yes	☐ No
... Suppliers, Business Partners and Service Providers?	☒ Yes	☐ No
... Official Organizations, Supervising Entities and Local Autarchies?	☒ Yes	☐ No
... Local Communities?	☒ Yes	☐ No
... NGOs and Associations?	☒ Yes	☐ No

2. The Group's main communication channels with its stakeholders are as follows:

- ☒ **With Customers and Consumers** - Customer Service (SAC) and Customer Ombudsman;
- ☒ **With the Shareholders and Potential Investors** - Investor Relations Department;
- ☒ **With Employees** - The Human Resources Department and the Ethics Committee;
- ☒ **With Suppliers** - Departments of the several Group's Companies.

Corporate Ethics

3. Does Jerónimo Martins have a Code of Conduct?

☒ Yes ☐ No

3. 1. If yes, what areas does it cover and what has been done to make it public?

Areas covered:

- ☒ Social Responsibility
- ☒ Respect for the Law
- ☒ Cooperation with Official Entities
- ☒ Independence vis-à-vis Political Parties
- ☒ Integrity
- ☒ Measures against Corruption
- ☒ Patronage
- ☒ Environmental Protection
- ☒ Thorough and Transparent Information
- ☒ Quality
- ☒ Fair Trade Practices
- ☒ Selection of Partners/Suppliers
- ☒ Workers and Employees
- ☒ Equal Opportunities
- ☒ Health, Hygiene and Safety in the Workplace

All employees in Portugal and Poland have a copy of the Code of Conduct, which is also available in digital format on the internal Portal and on the Group's website for external consulting.

4. Is there a specific body that coordinates the application of the Code of Conduct to which the employees can resort?

Yes, the Ethics Committee is the body responsible for identifying, providing clarification and ensuring compliance with the Code. Any employee may address this Committee. In addition, the Group's management is prepared to provide clarification and direct procedures in order to guarantee full compliance with the established principles. All employees are responsible for strict compliance with the Code of Conduct.

Social Performance

5. Does Jerónimo Martins report externally on its Social Responsibility policy and performance?

Yes. Every year the Jerónimo Martins Group's Annual Report includes a chapter on Sustainability. The institutional website also has a section dedicated to this issue.

6. Does the Group have a written policy that contains measures for upholding and promoting human rights?

Yes, Jerónimo Martins respects Human Rights within the framework of the Universal Declaration of Human Rights, assuming its responsibility in this area, and seeking to promote the improvement of quality of life of all those with whom it has relations, as it believes that this is a mission that falls to everyone and in particular to economic entities. These principles are enshrined in the Group's Code of Conduct and Human Resources policy.

7. Does Jerónimo Martins have policies or take measures intended to ensure...

...non-discrimination?	☒ Yes	☐ No
...freedom from slavery practices?	☒ Yes	☐ No
...freedom of association and the right to collective bargaining?	☒ Yes	☐ No
...the prohibition of child labour?	☒ Yes	☐ No
...the health and safety of employees?	☒ Yes	☐ No

8. Does the Group have a Code of Conduct for Suppliers?

☒ Yes ☐ No

What are the main aspects of the Code?

The Jerónimo Martins Group actively seeks to do business with entities that share its ethical principles, namely with regard to employment, the environment and the quality and safety of its products.

The selection of suppliers is therefore carried out impartially, in accordance with criteria based on the quality and safety of the products supplied or services provided, and the capability of the companies to innovate, supply and perform with confidence and continuously over time.

9. Does Jerónimo Martins have a written Human Resources Policy?

☒ Yes ☐ No

See reference to Commitment to our Employees in the chapter of this Report on Sustainability in Value Creation.

10. Does the Group have professional development programmes/procedures, such as internal promotion systems, individual career plans, training, etc.?

Yes, the Group has in place procedures for professional and personal development. For more information see the Commitment to our Employees section in the chapter of this Report on Sustainability in Value Creation, and the Group's institutional website, under Human Resources.

11. Is there any form of employee representation in the company?

The employees of Jerónimo Martins are represented by trade unions with which the Group maintains an open relationship and dialogue that seeks to maintain a climate of understanding and social peace.

12. In the area of health, hygiene & safety in the workplace, does Jerónimo Martins...

...have a formal policy? ☒ Yes ☐ No

If yes, specify principles. This policy is based on the "Zero Tolerance" principle.

...have specific technicians in this area? ☒ Yes ☐ No

...have manuals? ☒ Yes ☐ No

...organize training sessions? ☒ Yes ☐ No

...are audits and reports prepared? ☒ Yes ☐ No

13. Is the company involved in local community development programmes?

Jerónimo Martins has long supported and developed projects with a strong social component where the community plays an important role, either at the institutional and corporate level, or through employees' voluntary contributions.

All these activities are part of a clear and structured Patronage policy. As part of this policy two strategic areas of support - social and cultural - were defined, annually undertaking activities as part of the two major programmes currently in effect:

- "Jerónimo Martins Feeds Smiling Futures": a programme of a social nature essentially addressed at providing support to children and young people;
- "Jerónimo Martins Supports National Culture": a programme specifically addressing cultural issues, in particular the preservation and dissemination of Portuguese historical and cultural heritage.

14. Is the Group a member of any organisation in the Social Responsibility area?

As far as Sustainability is concerned, Jerónimo Martins is a member of RSE Portugal and the Portuguese chapter of the World Business Council for Sustainable Development (WBCSD). In addition, the Group has signed the Company Commitment Letter with the Millennium Objectives, which is an initiative promoted by the Group for Reflection and Support to Corporate Citizenship

(Grace). Jerónimo Martins also participates in the Global Compact initiative proposed by the former Secretary General of the United Nations, Kofi Annan, and is therefore committed to the 10 Universal Principles it outlines.

15. Has Jerónimo Martins signed any national protocol/agreement in the area of Human Resources?

Jerónimo Martins is proud of the relationships it has established with its social and labour partners, namely the unions. The Group is part of the Portuguese Association of Distribution Companies (APED), and has contributed to revising Human Resources policies in the sector. In 2006 it signed a protocol with ACAPO (Portuguese Association of the Blind and Poorly Sighted) with a view to integrating people with impaired vision into the workforce. In 2007, Jerónimo Martins signed the "Learn and Develop" protocol within the scope of the "New Opportunities" programme, with the objective of providing an education equivalent to 9th through 12th grades to the employees that request it, ensuring not only their graduation, but also all the conditions that allow the employees to attend courses during their workday.

16. Does Jerónimo Martins have initiatives for people with special needs?

The Group recognizes that there are clients and employees with special needs, and therefore takes several initiatives to facilitate people's access and mobility both in the stores and warehouses and also the central buildings. Examples of these measures are: designated spaces in parking lots, access ramps, Braille signage in elevators, placement of priority Point of Sale boxes at stores, and personalized accompaniment for the vision-impaired in stores (when possible), among others. In 2007, apart from these initiatives, in order to facilitate access by the vision-impaired to online information, Jerónimo Martins launched a new functionality on its institutional website (www.jeronimomartins.com), which allows people to hear written content.

Quality and Food Safety

17. Does Jerónimo Martins have a written Policy for Quality and Food Safety?

☒ Yes ☐ No

See reference to Quality and Food Safety in the chapter of this Report on Sustainability in Value Creation.

18. Has Jerónimo Martins implemented food safety prevention systems?

☒ Yes ☐ No

All food manufacturing and distribution units are equipped with Hazard Analysis and Critical Control Point (HACCP) and auto-control systems.

19. How do you guarantee the suitability of systems?

- ☒ Permanent assessment of risks
- ☒ Maintaining Hazard Analysis and Critical Control Point systems (HACCP)
- ☒ Adequate equipment and installations
- ☒ Employees training
- ☒ Suppliers' qualifications
- ☒ Management of customer complaints
- ☒ Use of suitable, scientifically proven models
- ☒ Consumer/customer information
- ☒ Systems audits

20. How do you guarantee the Quality and Safety of the products throughout the supply chain?

- ☒ Rigorous technical conditions and specifications
- ☒ Supplier audits
- ☒ Inspection of products at source / suppliers
- ☒ Inspection of products in the warehouses (*)
- ☒ The existence of HACCP/auto-control systems implemented in the warehouses
- ☒ Product inspections in the stores (*)
- ☒ The existence of HACCP/auto-control systems implemented in the stores (*)
- ☒ Certification of the HACCP Food Safety System of Recheio Cash&Carry stores
- ☒ Certification for the Integrated System for Food Safety and Environmental Management, in accordance with the DS3027:2002 and NP EN ISO 14001:2004 Standards, which is implemented in the reception, storage, handling and dispatch of consumer goods, in the Azambuja, Vila do Conde and Guardedeiras Gestiretalho (now JMR – Prestação de Serviços para a Distribuição, S.A.) Distribution Centres.

(*) These phases/processes also involve laboratory control.

21. What certifications are held by the Jerónimo Martins Group Companies?

a) Quality Management System, in accordance with NP EN ISO 9001:2000, regarding activities of Development of Private Brands and Post-Launch Product and Supplier Follow-Up:

- ☒ Recheio Cash & Carry
- ☒ Pingo Doce

b) HACCP Food Safety System, according to the *Codex Alimentarius* CAC/RCP-1-1969, Rev.4 (2003):

- ☒ Recheio Cash & Carry: 26 stores and 2 Food Service Platforms
- ☒ João Gomes Camacho S.A.

c) Integrated System for Food Safety and Environmental Management, in accordance with the DS3027:2002 and NP EN ISO 14001:2004 Standards, covering the reception, storage, handling and dispatch of food and non-food products, in Distribution Centres in Azambuja, Vila do Conde and Guardedeiras:

- ☒ Gestiretalho (now JMR – Prestação de Serviços para a Distribuição, S.A.)
- d)** HACCP Food Safety System according to Standard DS3027:2002 in the Ruda Śląska, Wyszaków, Kostrzyn and Grudziądz Distribution Centres, covering the storage and distribution of food products (Fast Moving Consumer Goods):
- ☒ Biedronka
- e)** Integrated Quality and Environment System in accordance with ISO (International Organization for Standardization) Standards 9001:2000 (Quality) and ISO 14001:2004 (Environment):
- ☒ Fima
- ☒ Vitor Guedes
- f)** Integrated Quality, Environmental and Safety Management System in accordance with ISO Standards 9001:2000 (Quality), ISO 14001:2004 (Environment) and OHSAS 18001:1999 (Safety):
- ☒ Olá
- ☒ Lever
- g)** BRC (British Retail Consortium) certification of Stock Cube production:
- ☒ Fima

22. What evidence does the Group show in relation to the Quality and Food Safety of its Private Brand products?

Through its Private Brand, Jerónimo Martins is committed to its clients, and the superior quality of its products is one of the main factors to be guaranteed. Along with the various regular supplier audits, in 2007, the Pingo Doce and Recheio Companies began certifying the development process of Private Brand products. This Management System is certified according to the NP EN ISO 9001:2000 (Quality Standard), regarding the Development of Private Brands and Post-Launch Product and Supplier Follow-Up. Pingo Doce, assuming a pioneering role in the market and following a socially sustainable policy, also launched in 2007 a Private Brand of organic products.

23. How are the implementation and performance of Food Quality and Safety Systems measured?

- ☒ Performing internal system audits
- ☒ Performing store audits with regard to good practices, conservation, infrastructure, hygiene, among others

24. Has Jerónimo Martins signed any national/international protocol/agreement on Food Safety?

Yes. The Group actively participates in the Global Food Safety Initiative (GFSI) developed by CIES (*Comité International d'Entreprises a Succursales*), which established a benchmarking model to assess Supplier Standards and Certification under the principle "certified by one, accepted by all".

25. Do you have a policy regarding the sale of products containing genetically modified organisms (GMOs)?

Yes, Jerónimo Martins has an established policy in this area. In principle, Jerónimo Martins does not use GMOs in its Private Brand products, in the Distribution area, nor in the products of the Manufacturing area. When there is no other alternative, the Group alerts consumers to the fact, by providing information on the package in accordance with European Union regulations.

26. Is there a biodiversity policy?☒ Yes ☐ No

Please see the area on Environmental Responsibility in the chapter in this Report on Sustainability in Value Creation.

27. Do you conduct tests on animals at any stage of the development of Group products?

Jerónimo Martins understands and shares consumers' concerns with respect to this important and complex issue. When health or safety reasons so demand, the Companies in the Manufacturing area may carry out tests on animals. However the Group only admits that such tests be carried out when there is no other solution, either through alternative tests or by resorting to available safety information. Today, the vast majority of the Group's products reach consumers without having undergone any animal testing, and this will continue to be the case.

Environment**28. Does Jerónimo Martins have a written environmental policy?**☒ Yes ☐ No

Please see the area on Environmental Responsibility in the chapter in this Report on Sustainability in Value Creation.

29. Does the Group have programmes to implement its environmental policy?

Yes, the Group has environmental management programmes that are revised on an annual basis. These programmes seek to implement corporate environmental policy principles, ensuring the adoption of good environmental practices by suppliers, employees and even consumers.

30. Has Jerónimo Martins signed an environmental protocol or is it a member of an environmental protocol/council, and/or does it use a specific environmental management system?

The Group is a member of the Portuguese chapter of the World Business Council for Sustainable Development (WBCSD). With regard to its management systems, the Manufacturing area's plants are certified under ISO 14001, and the Distribution area received certification under the same Standard. Jerónimo Martins also has Certification in Food Safety and Environmental Management, in accordance with the DS3027:2002 and NP EN ISO 14001:2004 standards, for the activities of the Gestiretalho (now JMR – Prestação de Serviços para a Distribuição, S.A.) Distribution Centres in Azambuja, Vila do Conde and Guardedeiras.

31. With regard to Environmental Management does the Group...

...have environmental rules concerning

the choice of suppliers?

☒ Yes ☐ No

... assess specific environmental aspects and include environmental criteria in the construction or refurbishing plans of its facilities?

☒ Yes ☐ No**32. Does Jerónimo Martins seek to raise consumer awareness about the environment?**

Yes, the Group has launched campaigns addressed to the consumer, namely on issues related to: Energy, Water and Waste.

Other Information**33. Is the Group involved in the sale of products in the following areas?**

Alcoholic Drinks	☒ Yes	☐ No	Percentage of Sales: 8.1%
Tobacco	☒ Yes	☐ No	Percentage of Sales: 1.5%
Animal Hides	☐ Yes	☒ No	
Gambling Games	☐ Yes	☒ No	
Firearms	☐ Yes	☒ No	
Pornography	☐ Yes	☒ No	

V. Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT BY FUNCTIONS
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

Euro thousand

	Notes	2008	2007
Sales and services rendered	3	6,893,737	5,349,678
Cost of sales		(5,595,128)	(4,331,264)
Supplementary income and costs	5	283,493	206,340
Gross profit		1,582,102	1,224,754
Distribution costs	6	(1,108,154)	(865,769)
Administrative costs	6	(158,557)	(134,277)
Exceptional operating profits/losses	11.1	(12,576)	472
Operating profit		302,815	225,180
Net financial costs	8	(78,728)	(59,469)
Profit in associated companies	16	318	231
Gains/Losses in other investments	11.2	(2,294)	21,824
Profit before taxes		222,111	187,766
Income taxes	10	(46,131)	(36,857)
Profit before minority interests		175,980	150,909
Attributable to:			
Minority interests		12,764	19,648
Jerónimo Martins Shareholders		163,216	131,261
Basic and diluted earnings per share- Euros	24.4	0.2597	0.2089

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

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2008 AND 2007

		Euro thousand	
	Notes	2008	2007
Assets			
Tangible assets	12	1,874,863	1,670,506
Investment properties	14	64,509	49,600
Intangible assets	13	826,721	496,293
Investments in associated Companies	16	854	700
Available-for-sale financial investments	17	7,470	10,289
Trade debtors and deferred costs	20	66,629	65,667
Derivative financial instruments	15	1,027	585
Deferred tax assets	19.1	63,170	73,322
Total non-current assets		2,905,243	2,366,962
Inventories	18	385,653	308,571
Taxes receivable	19.3	34,736	28,657
Trade debtors, accrued income and deferred costs	20	172,764	153,626
Derivative financial instruments	15	1,037	608
Cash and cash equivalents	21	227,132	268,639
Total current assets		821,322	760,101
Total assets		3,726,565	3,127,063
Shareholders' equity and liabilities			
Share capital	23.2	629,293	629,293
Share premium		22,452	22,452
Own shares		(6,060)	(6,060)
Fair value and other reserves	23.1	58,295	92,814
Retained earnings		(54,162)	(161,620)
		649,818	576,879
Minority interests		281,307	287,326
Total Shareholders' equity		931,125	864,205
Borrowings	25.1	739,333	675,441
Derivative financial instruments	15	19,664	50,832
Employee benefits	26	28,195	18,685
Deferred profits- state grants		984	1,056
Provisions for risks and contingencies	27	25,892	15,433
Deferred tax liabilities	19.1	54,726	55,697
Total non-current liabilities		868,794	817,144
Trade creditors, accrued costs and deferred income	28	1,560,042	1,289,562
Derivative financial instruments	15	-	108
Borrowings	25	308,344	116,715
Taxes payable	19.3	58,178	39,262
Deferred profits- state grants		82	67
Total current liabilities		1,926,646	1,445,714
Total Shareholders' equity and liabilities		3,726,565	3,127,063

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Euro thousand

	Notes	Shareholders' equity attributable to Shareholders of Jerónimo Martins, SGPS, S.A.						Minority Interests	Shareholders' Equity
		Share Capital	Share Premium	Own Shares	Fair value and other reserves	Retained Earnings	Total		
Balance Sheet at 1 January 2007		629,293	22,452	(6,060)	84,420	(238,215)	491,890	275,391	767,281
Equity changes in 2007									
Currency translation differences in 2007	23.1				15,942		15,942		15,942
Revaluation of fixed assets:	23.1								
- from 2007					5,276		5,276	5,219	10,495
- Business acquisitions and restructuring					(636)	636	-		-
Fair value of cash flow hedging	23.1				(235)		(235)		(235)
Fair value of hedging instruments on foreign operations	23.1				(4,962)		(4,962)		(4,962)
Fair value of available-for-sale financial investments	23.1				(6,991)		(6,991)		(6,991)
Gains/losses directly recognised in equity		-	-	-	8,394	636	9,030	5,219	14,249
Net profit in 2007		-	-	-	-	131,261	131,261	19,648	150,909
Total gains/losses recognised during the year		-	-	-	8,394	131,897	140,291	24,867	165,158
Dividends						(55,302)	(55,302)	(12,932)	(68,234)
Balance Sheet at 31 December 2007		629,293	22,452	(6,060)	92,814	(161,620)	576,879	287,326	864,205
Equity changes in 2008									
Currency translation differences in 2008	23.1				(58,649)		(58,649)		(58,649)
Revaluation of fixed assets:	23.1								
- from 2008					21,958		21,958	(1,975)	19,983
- disposals of revaluated fixed assets					(3,982)	3,982	-		-
- land transfer to investment property					(590)	590	-		-
Fair value of cash flow hedging	23.1				(1,390)		(1,390)	(1,335)	(2,725)
Fair value of hedging instruments on foreign operations	23.1				9,351		9,351		9,351
Fair value of available-for-sale financial investments	23.1				(1,217)		(1,217)		(1,217)
Gains/losses directly recognised in equity		-	-	-	(34,519)	4,572	(29,947)	(3,310)	(33,257)
Net profit in 2008		-	-	-	-	163,216	163,216	12,764	175,980
Total gains/losses recognised during the year		-	-	-	(34,519)	167,788	133,269	9,454	142,723
Dividends						(60,330)	(60,330)	(13,251)	(73,581)
Minority interests decrease due to capital reduction								(2,222)	(2,222)
Balance Sheet at 31 December 2008		629,293	22,452	(6,060)	58,295	(54,162)	649,818	281,307	931,125

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

		Euro thousand	
	Notes	2008	2007
Operating Activities			
Cash received from Customers		7,715,469	5,988,247
Cash paid to Suppliers and Employees		(7,030,507)	(5,478,418)
Cash generated from operations	22	684,962	509,829
Interest paid		(98,738)	(56,346)
Income taxes paid		(37,960)	(26,732)
Cash Flow from operating activities		548,264	426,751
Investment activities			
Disposals of tangible assets		60,405	7,813
Disposals of available-for-sale financial investments and investment property		5,708	49,980
Interest received		8,379	2,905
Dividends received		212	698
Acquisition of group and associated companies		(424,359)	(6,821)
Acquisition of tangible assets		(443,899)	(438,098)
Acquisition of available-for-sale financial investments and investment property		(541)	(379)
Acquisition of intangible assets		(27,280)	(21,154)
Cash flow from investment activities		(821,375)	(405,056)
Financing activities			
Received from other non-current loans		346,566	221,115
Minority interests payment due to capital reduction		(2,222)	-
Loans paid		(83,563)	(91,630)
Dividends paid	23.4	(73,581)	(68,234)
Cash Flow from financing activities		187,200	61,251
Net changes in cash and cash equivalents		(85,911)	82,946
Cash and cash equivalents changes			
Cash and cash equivalents at the beginning of the year		268,639	175,764
Net changes in cash and cash equivalents		(85,911)	82,946
Effect of acquisition of subsidiaries	4	51,942	1,053
Effect of currency translation differences		(10,708)	8,876
Effect of available-for-sale financial assets revaluation	21	3,170	-
Cash and cash equivalents at the end of the year	21	227,132	268,639

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

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1 Activity

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

Jerónimo Martins Group is essentially devoted to the production, distribution and sale of food and other fast moving consumer goods products. The Group operates in Portugal and Poland, and employs 53,375 people (41,300 in 2007).

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

Share Capital: 629,293,220 euros

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

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

The share capital is comprised of 629,293,220 ordinary shares (2007: 629,293,220 shares), and all shares have a nominal value of one euro.

The Board of Directors approved these consolidated financial statements on 5th March 2009.

2 Accounting policies

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

2.1. Basis for preparation

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

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

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

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

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

Change in Accounting Policy and Bases for Presentation

In 2008 came into force a set of interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), which have no significant impact on the financial statements, or are not applicable to the Groups activities.

The IFRIC 11 – IFRS 2 – Group and Treasury Shares Transactions, provides guidance on the treatment of share-based transactions of the entity or involving group entities, this interpretation is not applicable to the Group, because there are no employee compensation plans based on Group shares.

The IFRIC 12 – Service Concession Arrangements, is not applicable to the Group activities.

IFRIC 13 – Customer Loyalty programmes, clarifies the accounting treatment of bonus conceded on customer loyalty programmes. Although this interpretation has direct application in the business sector where Jerónimo Martins operates, according to the current strategy followed by the Group Companies, there are no customer loyalty programmes who fall under this interpretation.

IFRIC 14 – IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction. This interpretation clarifies a number of issues related to i) limitations to the reduction or refund of contributions; ii) the existence of minimum funding requirements can affect these contributions; and iii) where such requirements may lead to liabilities. This interpretation has no application to the Group, or existing plans are subject to minimum funding.

The new standard IFRS 8 – Operating Segments, establishes the principles for disclosure of information about operating segments of an entity as well as their products and services, its markets and its main costumers, and is mandatory from 1 January 2009. This standard replaces IAS 14 – Segment Reporting, the changes introduced

will conduct to additional disclosures regarding business segments, will not change significantly the way the Group have been presenting its Group business operational segments, it was decided not to early adopt this standard.

The changes introduced to the IAS 23 – Borrowing costs, IFRS 2 – Share based Payments, IAS 1 – Presentation of Financial Statements, IAS 32 – Financial Instruments – Presentation, IFRS 1 – First Time Adoption of IFRS, IAS 28 – Investments in Associates, IFRS 7 – Financial Instruments – Disclosure, IAS 36 – Impairment of Assets, IAS 38 – Intangible Assets, IAS 19 – Employee Benefits, IAS 16 – Property, Plant and Equipment, IAS 40 – Investment Property, IAS 31 – Interests in Joint Ventures, IAS 29 – Financial Reporting in Hyperinflationary Economies, IAS 41 – Agriculture, IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance and IAS 39 – Financial Instruments: Recognition and Measurement, are applicable starting 1 January 2009. This changes have a reduced impact on the Group financial statements, given the information currently disclosed, it was decided not to anticipate its application.

The changes to the IFRS 5 – Non-Current Assets Held-For-Sale and Discontinued Operations, effective from 1 July 2009, the interpretation IFRIC 15 – Agreements for Construction of Real Estates, effective from 1 January 2009 and the IFRIC 16 – Hedges of a Net Investment in a Foreign Operation, effective from 1 October 2008, had not yet been adopted by the European Union on 31 December 2008.

The changes introduced to the IAS 27 – Consolidated and Separate Financial Statements, requires the effects of all transactions with non-controlling interests to be recorded in equity, if there is no change in control and these transactions will no longer result in goodwill or gains and losses. Its adoption is mandatory for periods beginning after 1 July 2009.

Also the IFRS 3 – Business Combinations, was subject to significant changes, to emphasize the fact that all expenses incurred with the acquisitions should be recognised as costs of the exercise. Its application is mandatory for periods beginning after 1 July 2009. The Group will adopt these changes, and those made to IAS 27, only in the period of 2010.

2.2. Basis of consolidation

Reference dates

The consolidated financial statements include, as of 31 December 2008, assets, liabilities and results of Group companies, i.e., the ensemble consisting of JMH and its subsidiaries and associated companies, which are presented in notes 34 and 16, respectively.

Investments in Group companies

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

Group companies are included in the consolidation by the full consolidation method, from the date when control was acquired to the date when it effectively ends. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of the acquisition is measured as the fair value of the assets given up, shares issued and liabilities undertaken at the date of the acquisition plus costs attributable to the acquisition.

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

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

Investments in associated companies

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

These investments are consolidated by the equity method, i.e., the consolidated financial statements include the Group's interest in the associated company's total recognised gains and losses from the date when significant influence starts to the date when it effectively ends.

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

Investments in companies subject to joint control

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

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

Goodwill

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

At the balance sheet date the Group makes an assessment for Goodwill impairment indicators. If those indicators exist, an evaluation of the recoverable amount of Goodwill is made, and the respective impairment losses recognised whenever the accounting value of Goodwill exceeds its recoverable amount (note 2.13).

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

Foreign currency translation

The financial statements of foreign entities are translated into Euros based on the closing exchange rate for assets and liabilities and historical exchange rates for equity. Costs and income are translated at the average monthly exchange rate, which basically corresponds to the exchange rate on the date of the respective transaction. Exchange differences arising are entered directly in equity net of the effect generated by the respective hedging instrument (see accounting policy described in note 2.5).

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

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

Balances and transactions between Group companies

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

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

2.3 Transactions in foreign currencies

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

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

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

	Rate on 31 December 2008	Average rate for the year
Polish Zloty (PLN)	€ 0.2408	€ 0.2844
US Dollar (USD)	€ 0.7177	-

2.4 Derivative Financial Instruments

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

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

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

Derivative financial instruments are recognised on the date they are negotiated (trade date), by their fair value. Subsequently, the fair value of derivative financial instruments is re-evaluated on a regular basis, and the gains or losses resulting from this re-evaluation are recorded directly into the results of the period, except in relation to hedge derivatives. Recognition of changes in the fair value of hedge instruments depends on the nature of the hedged risk and the type of hedge used.

2.5 Hedging operations

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

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

Interest rate risk (cash flow hedge)

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

The instruments that qualify as cash flow hedging instruments are booked at fair value on the Balance sheet, and to the degree that they are considered effective, changes to their fair value are initially booked against equity and afterwards reclassified as financial expenses.

If an hedging instrument is ineffective it is recognised directly in the profit and loss. This way, in net terms, all costs associated to the underlying exposure are carried at the interest rate of the hedging instruments.

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

Interest rate risk (fair value hedge)

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

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

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

Foreign exchange risk

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

Net investments in foreign entities

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

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

2.6 Tangible assets

Assets other than land are recorded at acquisition cost net of accumulated depreciation and impairment losses (note 2.13).

Assets classified as land are stated as per the respective revaluation carried out by independent agents (note 2.9).

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

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

Repairs and maintenance costs that do not extend the useful life of these assets are charged directly to the income statement during the financial period in which they are incurred. The cost of major store renovation is included in the carrying amount of the asset when it is probable that additional economic benefits will flow to the Group.

Financial lease agreements

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

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

The depreciation of leased assets is based on the policy established by the Group for tangible assets.

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

Depreciation

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

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

2.7 Intangible assets

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

Costs with internally generated Goodwill and own brands are taken to the income statement as they are incurred.

Research and development expenditure

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

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

Capitalised development expenditure includes the cost of materials used, direct labour costs and a share of general expenditure.

Computer software

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

Other intangible assets

Expenses to acquire key money, trademarks, patents and licences are capitalised when expect to be used by the Group.

Intangible assets with indefinite useful life

The trademarks Pingo Doce and Feira Nova are, besides Goodwill, the only intangible assets with indefinite useful life, where there is no foreseeable limit to the period over which these assets are expected to generate economic benefits for the Group.

Depreciation

Depreciations are recognized in the income statement on a linear basis over the estimated useful life of the intangible assets, except if that life is considered indefinite. Goodwill and the intangible assets with indefinite useful life are tested for impairment at balance sheet date, and whenever there is an indication that the book value will not be recoverable.

Depreciation of the other intangible assets is calculated by the straight-line method, on a duodecimal basis on acquisition cost. The most important annual depreciation rates are as follows (in %):

	%
Development expenditure	20-33.33
Key money and trademarks	5-6.66

2.8 Financial assets

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

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

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

Financial investments held for trading and derivative financial instruments

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

Loans and receivables

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

Available-for-sale financial investments

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

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

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

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

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

2.9 Investment Property

Investment property is registered at fair value, determined by specialised independent entities, with appropriate recognised professional qualification and experience in valuations of these kinds of assets.

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

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

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

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

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

Whenever, as a result of changes in their expected use, tangible assets are transferred to investment property, the transfer value corresponds to their carrying amount, which should correspond to the respective market value on the date of transfer.

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

2.10 Customers and debtors

Customers and debtor balances are initially recorded at fair value, being subsequently measured at amortised cost in accordance with the effective interest rate method, net of any provision for impairment losses.

2.11 Inventories

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

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

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

2.12 Cash and cash equivalents

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

2.13 Impairment

2.13.1 Impairment of non financial assets

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

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

Regarding cash-generating units in operation for less than a certain time period (2 to 3 years, depending on the business segment), the Group decided not to make impairment tests as the respective businesses have not yet reached sufficient maturity, for revaluation to be proved credible. It is determined the recoverable amount of assets with indication of potential impairment loss. Whenever the carrying value of an asset, or the cash-generating unit to which the same belongs, exceeds its recoverable amount, its value is reduced to the recoverable amount and the impairment loss recognised in the income statement.

Determining the recoverable amount of assets

The recoverable amount of medium and long-term receivables corresponds to the present value of estimated future cash inflows, using as discount rate the actual interest rate implicit in the original operation. For all other assets, the recoverable amount is the higher of net selling price and value in use.

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

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

Reversal of impairment losses

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

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

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

2.13.2 Impairment of financial assets

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

Available-for-sale financial investments

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

Clients, debtors and other financial assets

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

- (i) analysis of breach;
- (ii) breach for more than 3 months;
- (iii) financial difficulties of the debtor;
- (iv) probability of the debtor's bankruptcy.

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

Whenever receivable amounts from clients and other debtors that are overdue, are subject to renegotiation of its terms, ceased to be considered as overdue and are considered as new credits.

2.14 Share Capital

Costs incurred with the issuance of new shares are recognised directly in reserves, net of respective taxes.

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

2.15 Dividends

Dividends are recognised as liabilities when they are declared.

2.16 Loans

Loans are initially recognised at fair value less the transaction costs that were incurred and are subsequently measured at the amortized cost. Any difference between the issued value (net of transaction costs incurred) and the nominal value is recognised in the profit for the period of the loans, in accordance with the effective interest rate method.

2.17 Employees benefit

Post-employment benefits (Retirement)

Defined contribution plans

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

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

Defined benefit plans

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

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

Actuarial valuation is made using the immediate rents method, having present that the plans includes only retired ex-workers. The discount rate is the interest rate on medium and long-term risk-free bonds. The obligation thus determined is shown in the balance sheet net of plan assets.

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

Other Benefits

Seniority Awards

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

The defined contribution component, consists of the attribution of a life insurance and a contribution to a supplementary retirement plan, to the employees covered by this program, starting from a specific number of years of service. The costs related to this component are recognized in the year to which they relate.

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

The cost of current services as well as actuarial gains or losses are recognised as cost of the year.

2.18 Provisions

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

Restructuring provision

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

2.19 Suppliers and other creditors

Suppliers and other creditors' balances are stated initially at the fair value and subsequently at the amortised cost accordingly with the effective interest rate method.

2.20 Recognition of revenue

Sales and services rendered

Revenues from sales are recognised in the income statement when significant risks and rewards of ownership are transferred to the buyer. Revenues from the services rendered are recognised as income in accordance with their stage of completion as of the balance sheet date. Revenues relating to the purchase of goods for resale are recognised when these are sold.

Government grants

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

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

Government grants received to compensate investments made by the Group in the acquisitions fixed assets are recognised in the income statement during the estimated useful life of the respective subsidised asset, for a maximum of 10 years.

Rents

Rents received for the lease of investment property are recognised as financial revenues in the income statement in the period to which they relate.

Dividends

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

2.21 Costs**Operational Leasing**

Payments made for operational leasing contracts are recognised in the income statement on a linear basis for the duration of same contracts.

Net financial costs

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

2.22 Income tax

Income tax includes current and deferred taxes. Income tax is recognised in the income statement except when relating to gains or losses directly recognised in equity, in which case it is also stated directly in equity.

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

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

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

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

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

2.23 Segment information**Business segment**

Business segment is a distinguishable component of the Group committed to supplying an individual product or service and subject to different risks and returns from those of other business segments. Two business segments were identified:

- Distribution of consumption products in self-service stores; and
- Manufacturing industry of food products, personal and home care products, and product distribution services through representations.

Geographical segment

Geographical segment is an individual unit of the Group committed to provide products or services within a specific economic environment and subject to different risks and returns from those of other units operating in other economic environments. The following geographical segments were identified: Portugal and Poland.

2.24 Business combinations

To a Business combination involving entities under common control, before and after the combination takes effect, it is applied the book value measurement method to the transactions of the business combination.

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

Tangible and intangible assets, and investment properties

Determining the fair value of tangible assets and investment properties, as well as the useful life of assets, is based on management estimates. Determining impairment losses of these assets also involves the use of estimates. The recoverable amount and the fair value of these assets are normally determined using the discounted cash flow method, which incorporates market assumptions. Identifying indicators of impairment, as well as estimating future cash flows and determining the fair value of assets, requires significant judgment by management in validating indicators of impairment, expected cash flows, applicable discount rates, estimated useful life and residual values. If these assumptions do not materialise as management estimates, the Group's operating results may be impacted, and consequently registering impairments, namely, Goodwill may be affected.

Fair value of financial instruments

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

Impairment of investments in associated companies

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

Deferred taxes

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

Provisions for impairment losses of clients and debtors

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

Pensions and other long-term benefits granted to employees

Determining responsibilities for pension payments requires the use of assumptions and estimates, including actuarial projections, estimated profit from investments and other factors that may impact the costs and responsibilities of the pension plan. Changes to these assumptions may have a significant impact on the values determined.

Provisions

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

2.26 Fair value of financial instruments

To determine the fair value of a financial asset or liability, if such a market exists, the market price is applied. Otherwise, which is the case of some financial assets and liabilities, evaluation techniques that are generally accepted, in the market, are used, based on market assumptions.

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

Cash and cash equivalents, debtors and accruals and deferrals

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

Available for sale financial investments

Listed financial instruments are recognised in the balance sheet at its fair value, the other available for sale financial investments are stated at cost, deducted of any impairment loss, since its fair value cannot be reliably measured (note 17).

Borrowings

The fair value of borrowings is achieved from the discount cash flow of all expected payments. The expected cash flows are discounted using actual market interest rates. At the reporting date, the accounting value is approximately its fair value, except for the bond loan Private Placement (USPP), which balance sheet amount differs from the fair value amount (note 25.2).

Creditors, accruals and deferrals

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

2.27 Financial instruments by category

	Held for Trade derivatives	Derivatives defined as hedging instruments	Held for Trade financial assets	Borrowings and accounts receivable	Available-for-sale financial investments	Other financial liabilities	Total assets and financial liabilities
2008							
ASSETS							
Cash and cash equivalents			58,170	168,962			227,132
Available-for-sale financial investments					7,470		7,470
Debtors, accruals and deferrals				162,426			162,426
Derivative financial instruments		2,064					2,064
TOTAL FINANCIAL ASSETS	-	2,064	-	331,388	7,470	-	399,092
LIABILITIES							
Borrowings						1,047,677	1,047,677
Derivative financial instruments	6,175	13,489					19,664
Creditors, accruals and deferrals						1,498,618	1,498,618
TOTAL FINANCIAL LIABILITIES	6,175	13,489	-	-	-	2,546,295	2,565,959
2007							
ASSETS							
Cash and cash equivalents				268,639			268,639
Available-for-sale financial investments					10,289		10,289
Debtors, accruals and deferrals				144,227			144,227
Derivative financial instruments	1,066	127					1,193
TOTAL FINANCIAL ASSETS	1,066	127	-	412,866	10,289	-	424,348
LIABILITIES							
Borrowings						792,156	792,156
Derivative financial instruments	13,447	37,493					50,940
Creditors, accruals and deferrals						1,242,043	1,242,043
TOTAL FINANCIAL LIABILITIES	13,447	37,493	-	-	-	2,034,199	2,085,139

3 Segments reporting

Information by segments is reported relative to the Group's geographical and business segments.

The results, assets and liabilities of each segment correspond to those directly attributable to them as well as those that may reasonably be attributed to them. The results, assets and liabilities not directly attributable to segments and included in the "not allocated" column refer essentially to financial operations, also including consolidation adjustments.

Detailed Information by Segment

	DISTRIBUTION				MANUFACTURING AND SERVICES		NOT ALLOCATED		TOTAL	
	Portugal		Poland		Portugal					
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenues from external customers										
Sales	3,091,416	2,685,584	3,505,367	2,379,208	272,972	265,437	1,843	480	6,871,598	5,330,709
Services rendered	6,588	6,014	15,244	12,561	-	-	307	394	22,139	18,969
	3,098,004	2,691,598	3,520,611	2,391,769	272,972	265,437	2,150	874	6,893,737	5,349,678
Inter-segments revenues	328	226	323	513	62,140	54,632	(62,791)	(55,371)	-	-
TOTAL REVENUES	3,098,332	2,691,824	3,520,934	2,392,282	335,112	320,069	(60,641)	(54,497)	6,893,737	5,349,678
SEGMENT RESULTS	92,405	103,771	166,143	91,789	46,374	31,664	(2,107)	(2,044)	302,815	225,180
Net financial costs									(78,728)	(59,469)
Profit in associated Companies									318	231
Gains/Losses in other investments									(2,294)	21,824
PROFIT BEFORE TAXES									222,111	187,766
Income taxes									(46,131)	(36,857)
Minority interest									(12,764)	(19,648)
NET PROFIT									163,216	131,261
TOTAL ASSETS	2,233,518	1,942,543	1,221,703	950,215	316,027	310,074	(44,683)	(75,769)	3,726,565	3,127,063
TOTAL LIABILITIES	1,615,901	1,296,950	813,798	579,179	216,027	222,125	149,714	164,604	2,795,440	2,262,858
Cash flow from operating activities									548,264	426,751
Cash flow from investment activities									(821,375)	(405,056)
Cash flow from financing activities									187,200	61,251
Investment in tangible and intangible assets	200,550	256,134	289,623	205,365	7,036	7,520	2,035	336	499,244	469,355
Provisions and adjustments to the net realisable value	644	(704)	1,962	(1,829)	1,250	912	(1,585)	230	2,271	(1,391)
Amortisation and depreciation	84,838	72,680	67,122	48,664	5,427	5,275	196	102	157,583	126,721

Financial assets with credit risk per segment

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

	DISTRIBUTION				MANUFACTURING AND SERVICES		NOT ALLOCATED		TOTAL	
	Portugal		Poland		Portugal					
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
ASSETS										
Cash and cash equivalents	65,805	61,160	105,376	196,231	4,365	9,023	51,586	2,225	227,132	268,639
Available-for-sale financial investments	5,852	5,882	-	-	22	20	1,596	4,387	7,470	10,289
Debtors, accruals and deferrals	101,542	88,911	34,486	28,206	75,653	71,485	(49,255)	(44,375)	162,426	144,227
Derivative financial instruments	-	261	-	-	-	-	2,064	932	2,064	1,193
TOTAL	173,199	156,214	139,862	224,437	80,040	80,528	5,991	(36,831)	399,092	424,348

4 Businesses Acquisitions and changes to the consolidation scope

On April 30th, 2008, Pingo Doce – Distribuição Alimentar, S.A. acquired Plus Discount – Supermercados, Lda., owner of retail stores in Portugal, after receiving, in April 29th 2008, clearance from the Portuguese anti-trust Authority.

On October 1st, 2008, Jerónimo Martins Dystrybucja S.A. acquired Plus Discount Sp. Z o.o, owner of retail stores in Poland, after receiving, in September 24th 2008, clearance from the Polish anti-trust Authority.

On October 31st, 2008, Recheio – Cash & Carry, S.A. acquired SCGR - Comércio por Grosso e a Retalho, S.A., owner of one cash & carry store in Portugal, after receiving, in September 15th 2008, clearance from the Portuguese anti-trust Authority.

The effects of these operations on the Consolidated Financial Statements were as follows:

Fixed assets	47,406
Inventories	30,609
Taxes receivables	8,065
Trade debtors, accruals and deferrals	3,916
Cash and cash equivalents	51,942
Total assets	141,938
Bank Loans	5,713
Provisions for risks and contingencies	1,252
Taxes payable	3,386
Trade creditors, accruals and deferrals	86,060
Total liabilities	96,411
Goodwill	378,817
Invested amount	424,344
Debt increase	5,713
Cash acquired	(51,942)
Net invested amount	378,115

During the 1st half of 2008 the companies Idole – Utilidades, Equipamentos e Investimentos Imobiliários, Lda. and Dantas & Vale, S.A. were wound up.

On October 31st, 2008, the companies Simões & Freitas, Lda. and Plus Discount - Supermercados, Lda., were merged in the company Pingo Doce - Distribuição Alimentar, S.A..

5 Supplementary income and costs

	2008	2007
Supplementary gains	270,337	193,216
Cash discount received	36,493	34,007
Cash discount paid	(3,087)	(3,477)
Electronic payment commissions	(13,280)	(11,592)
Other supplementary costs	(6,571)	(5,926)
Provisions for debtors suppliers	(399)	112
	283,493	206,340

Supplementary gains concern to profits obtained by the Group through the distribution of goods, namely, rental of spaces, participation in birthday events, rental of shelf's, etc. Supplementary costs concern to the same nature of supplementary gains mentioned, paid by subsidiaries operating in the manufacturing and services segments.

6 Distribution and administrative costs

	2008	2007
Supplies and services	274,524	225,450
Advertising costs	55,017	53,963
Rents	135,327	96,664
Staff costs	550,558	425,227
Depreciations, amortisations and assets profit/loss	155,249	125,723
Transportation costs	96,761	71,735
Other operational profit/loss	(725)	1,284
	1,266,711	1,000,046

7 Staff costs

	2008	2007
Wages and salaries	443,336	340,944
Social security	84,191	67,215
Employee benefits (note 26)	13,946	1,288
Other staff costs	37,460	26,797
	578,933	436,244

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

Of total staff costs EUR 27,464 thousand corresponds to staff costs of subsidiaries and associated companies consolidated by the proportional method, the total amount of which was EUR 60,835 thousand.

The difference to staff costs stated in note 6 of EUR 28,375 thousands is related to the productive activity that were attributable to the cost of the goods sold in the amount of EUR 11,460 thousand (EUR 11,017 thousand in 2007), and to losses with business acquisitions and organizational restructuring program and the introduction of a seniority incentives program EUR 16,915 thousand.

The average number of Group employees during the year was distributed as follows:

	2008	2007
Portugal	23,943	20,756
Poland	23,665	17,204
Total number of employees	47,608	37,960

Of the total number of employees, 1,152 are employed by subsidiaries and associated companies consolidated by the proportional method.

The number of employees at the end of the year was distributed as follows:

	2008	2007
Portugal	24,903	21,951
Poland	28,472	19,349
Total number of employees	53,375	41,300

Of the total number of employees, 1,074 are employed by subsidiaries and associated companies consolidated by the proportional method.

8 Net financial costs

	2008	2007
Interest expense	(73,311)	(54,335)
Interest received	7,882	2,548
Dividends	37	33
Net foreign exchange	3,722	239
Investment property:		
Changes to fair value	(18)	(18)
Other financial costs and gains	(4,038)	(1,966)
Fair value of financial investments held for trade		
Derivative instruments	(16,172)	(5,970)
Treasury bonds	3,170	-
	(78,728)	(59,469)

Interest expense includes the interest related with loans measured at amortised cost as well as, interest on derivatives of fair-value hedge and cash flow hedge (note 15).

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

The other financial costs and gains heading includes an amount of EUR 261 thousand (2007: EUR 260 thousand) regarding transfers from reserves for cash-flow hedging.

9 Financial instruments

9.1 Fair value of derivative financial instruments recognized on the income statement

The impact in income statement (net of taxes and minority interests), is as follows:

	2008	2007
Derivatives held for trading		
Currency swaps	(6,204)	(3,603)
Interest rates swaps	(12,507)	(2,909)
Credit default swap	2,539	542
	(16,172)	(5,970)
Income tax recognised in the income statement	4,285	1,582
Minority interests	1,581	461
Value recognised in profit/loss	(10,306)	(3,927)

9.2 Fair value of derivative financial instruments recognized on reserves

The value recognised in reserves referred to hedging of investment in Poland is EUR 9,351 thousand (net of deferred tax).

The change to the fair value of derivative instruments designated as fair value hedging (note 15) for the amount of negative EUR 16,020 thousand (2007: positive EUR 10,163 thousand) was offset by a variation in the fair value of the loan of USD 180 million (note 25.2).

10 Income tax recognised in the income statement

10.1 Income taxes

	2008	2007
Current income tax		
Current tax of the year	(40,583)	(26,148)
Adjustment to prior year estimation	(2,322)	(46)
	(42,905)	(26,194)
Deferred tax (note 19.1)		
Temporary differences created or reversed in the year	(4,311)	(12,622)
Change to the recoverable amount of tax losses and temporary differences from previous years	1,085	1,959
	(3,226)	(10,663)
Total income taxes	(46,131)	(36,857)

10.2 Reconciliation of effective tax rate

	2008	2007
Profit before tax	222,111	187,766
Income tax using the Portuguese corporation tax rate	26.5 % (58,859)	26.5 % (49,758)
Fiscal effect due to:		
Different tax rates in foreign jurisdictions	6.4% 14,323	3.7% 6,864
Non taxable or non recoverable results	-0.6% (1,394)	1.0% 1,836
Non-deductible expenses and fiscal benefits	1.1% 2,444	1.2% 2,204
Adjustment to prior year estimation	-1.0% (2,322)	0.0% (48)
Change to the recoverable amount of tax losses and temporary differences of prior years	0.5% 1,085	1.0% 1,959
Results subject to special taxation	-0.6% (1,408)	0.0% 86
Income tax	20.8 % (46,131)	19.6 % (36,857)

11 Exceptional operating profits/losses and gains in other investments

11.1 Exceptional operating profits/losses

	2008	2007
Gains/Losses with businesses disposals	17,947	(714)
Losses with business acquisitions and organizational restructuring program	(27,315)	
Real state disposal	10,215	
Introduction of the seniority incentives program	(11,617)	
Others	(1,806)	1,186
	(12,576)	472

11.2 Gains in other investments

	2008	2007
Gains on disposals of available-for-sale financial investments	-	17,543
Dividends received from available-for-sale financial investments	-	514
Extraordinary increase in value of investment with preliminary sale agreement	-	3,767
Losses in the fair value of available-for-sale financial investments	(2,116)	
Losses with the disposal of available-for-sale financial investments	(178)	
	(2,294)	21,824

12 Tangible Assets

12.1 Changes occurred during the year

2008	Land and natural resources	Buildings and other constructions	Plants, machinery and tools	Transport equipment and others	Work in progress and advances	Total
Cost						
Opening balance	399,400	1,170,801	752,624	157,880	106,382	2,587,087
Foreign exchange differences	(11,481)	(73,522)	(27,395)	(12,916)	(14,591)	(139,905)
Increases	14,690	199,538	116,609	36,716	104,333	471,886
Revaluation	23,343	-	-	-	-	23,343
Disposals	(23,461)	(40,063)	(14,167)	(13,336)	(82)	(91,109)
Transfers and write off's	11,025	59,855	(4,881)	(5,257)	(79,424)	(18,682)
Business acquisitions and restructuring	171	32,933	47,034	16,641	4,659	101,438
Transfers to investment properties	(17,149)	(2,297)	-	-	(3,411)	(22,857)
Closing balance	396,538	1,347,245	869,824	179,728	117,866	2,911,201
Depreciation and impairment losses						
Opening balance	-	305,771	495,883	114,927	-	916,581
Foreign exchange differences	-	(22,017)	(14,505)	(7,525)	-	(44,047)
Increases	-	62,579	69,619	18,655	-	150,853
Disposals	-	(5,545)	(12,100)	(12,164)	-	(29,809)
Transfers and write off's	-	(1,437)	(7,636)	(2,648)	-	(11,721)
Business acquisitions and restructuring	-	14,128	29,467	10,519	-	54,114
Reversal of impairment	-	-	-	367	-	367
Closing balance	-	353,479	560,728	122,131	-	1,036,338
Net value						
As at 1 January 2008	399,400	865,030	256,741	42,953	106,382	1,670,506
As at 31 December 2008	396,538	993,766	309,096	57,597	117,866	1,874,863

2007	Land and natural resources	Buildings and other constructions	Plants, machinery and tools	Transport equipment and others	Work in progress and advances	Total
Cost						
Opening balance	329,494	929,799	634,188	132,579	86,414	2,112,474
Foreign exchange differences	1,599	20,993	7,891	3,939	3,832	38,254
Increases	21,136	134,580	104,292	20,791	167,402	448,201
Revaluation	13,272	-	-	-	-	13,272
Disposals	(163)	(6,297)	(11,287)	(2,877)	(1,456)	(22,080)
Transfers and write off's	38,275	91,009	3,762	2,485	(149,712)	(14,181)
Business acquisitions and restructuring	(167)	417	13,778	963	(98)	14,893
Transfers to investment properties	(4,159)	(110)	-	-	-	(4,269)
Reversal of impairment	113	410	-	-	-	523
Closing balance	399,400	1,170,801	752,624	157,880	106,382	2,587,087
Depreciation and impairment losses						
Opening balance	-	253,267	440,275	101,786	-	795,328
Foreign exchange differences	-	7,044	4,183	2,667	-	13,894
Increases	-	48,418	58,961	13,816	-	121,195
Disposals	-	(1,621)	(10,928)	(2,815)	-	(15,364)
Transfers and write off's	-	(2,089)	(6,954)	(1,421)	-	(10,464)
Business acquisitions and restructuring	-	389	10,346	894	-	11,629
Reversal of impairment	-	363	-	-	-	363
Closing balance	-	305,771	495,883	114,927	-	916,581
Net value						
As at 1 January 2007	329,494	676,532	193,913	30,793	86,414	1,317,146
As at 31 December 2007	399,400	865,030	256,741	42,953	106,382	1,670,506

During 2008, impairment losses of EUR 367 thousand were registered regarding the decrease in the value of equipment.

12.2 Equipment under financial lease

The Group has a variety of equipment under financial lease or other equivalent contract conditions. Financial lease payments do not include values relative to contingent rentals. Unsettled liabilities on financial lease contracts are referred in note 25.4.

The value of assets under financial lease is shown below:

	2008	2007
Land and natural resources		
Tangible assets	34	34
	34	34
Buildings and other constructions		
Tangible assets	28,024	20,686
Accumulated depreciation	(4,842)	(2,625)
	23,182	18,061
Plants and machinery		
Tangible assets	107,948	76,460
Accumulated depreciation	(29,374)	(18,000)
	78,574	58,460
IT and office equipment and tools and utensils		
Tangible assets	18,979	16,489
Accumulated depreciation	(15,274)	(14,160)
	3,705	2,329
Transport equipment		
Tangible assets	40,515	28,060
Accumulated depreciation	(15,974)	(12,005)
	24,541	16,055

12.3 Guarantees

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

12.4 Revaluation

The Group records land allocated to its operating activity at market value, determined by specialist and independent entities. In 2008 new revaluations were carried out, creating an increase of EUR 23,343 thousand (note 23.1).

Revaluation values under fixed assets amount to EUR 172,594 thousand (EUR 161,020 thousand in 2007), with the following impact on shareholders' equity:

	2008	2007
Revaluation of land	172,594	161,020
Deferred taxes	(34,960)	(34,543)
Minority interests	(43,851)	(50,080)
Net revaluation (Note 23.1)	93,783	76,397

13 Intangible Assets

13.1 Changes occurring during the year

2008	Goodwill	R&D expenses	Software, ind. property and other rights	Key money	Work in progress	Total
Cost						
Opening balance	416,290	30,312	33,767	62,222	5,398	547,989
Foreign exchange differences	(60,981)	(3,069)	(3,642)	(4,882)	(1,119)	(73,693)
Increases	-	80	10,084	7,528	9,666	27,358
Disposals	-	-	(116)	-	-	(116)
Transfers and write off's	-	(1,882)	5,168	886	(3,633)	539
Business acquisitions and restructuring	378,817	-	82	-	-	378,899
Closing balance	734,126	25,441	45,343	65,754	10,312	880,976
Depreciation and impairment losses						
Opening balance	-	25,751	2,419	23,526	-	51,696
Foreign exchange differences	-	(3,029)	(62)	(937)	-	(4,028)
Increases	-	1,136	1,209	4,367	-	6,712
Disposals	-	-	(35)	-	-	(35)
Transfers and write off's	-	(366)	276	-	-	(90)
Closing balance	-	23,492	3,807	26,956	-	54,255
Net value						
As at 1 January 2008	416,290	4,561	31,348	38,696	5,398	496,293
As at 31 December 2008	734,126	1,949	41,536	38,798	10,312	826,721

2007	Goodwill	R&D expenses	Software, ind. property and other rights	Key money	Work in progress	Total
Cost						
Opening balance	385,341	27,515	23,390	51,560	5,334	493,140
Foreign exchange differences	8,674	1,410	739	1,513	267	12,603
Increases	-	2,146	2,892	4,843	11,273	21,154
Transfers and write off's	-	(759)	6,769	4,306	(11,476)	(1,160)
Business acquisitions and restructuring	22,275	-	(23)	-	-	22,252
Closing balance	416,290	30,312	33,767	62,222	5,398	547,989
Depreciation and impairment losses						
Opening balance	-	25,062	2,074	19,619	-	46,755
Foreign exchange differences	-	1,378	10	183	-	1,571
Increases	-	1,310	494	3,724	-	5,528
Transfers and write off's	-	(1,999)	(141)	-	-	(2,140)
Business acquisitions and restructuring	-	-	(18)	-	-	(18)
Closing balance	-	25,751	2,419	23,526	-	51,696
Net value						
As at 1 January 2007	385,341	2,453	21,316	31,941	5,334	446,385
As at 31 December 2007	416,290	4,561	31,348	38,696	5,398	496,293

The Group identified as intangible assets of indefinite useful life, besides Goodwill, the trademarks Pingo Doce and Feira Nova, for which there is no time limit for how long they will continue to create economic benefits to the Group. Their net value is EUR 13,717 thousand, which are not being amortised and are subject to impairment tests annually.

13.2 Guarantees

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

13.3 Intangible assets in progress

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

13.4 Impairment tests for Goodwill

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

Business Areas	2008	2007
Retail Portugal	239,386	101,610
Cash & Carry Portugal	82,335	72,433
Madeira	8,509	8,509
Manufacturing	93,809	93,809
Poland	310,087	139,929
	734,126	416,290

The additions in this heading include:

- acquisition of the company Plus Discount – Supermercados, Lda., as mentioned in note 4, whose Goodwill value was EUR 137,776 thousand;
- acquisition of the company Plus Discount Sp. Z o.o, as mentioned in note 4, whose Goodwill value was EUR 231,139 thousand;
- acquisition of the company SCGR – Comércio por Grosso e a Retalho, S.A., as mentioned in note 4, whose Goodwill value was EUR 9,902 thousand;
- as a consequence of the currency translation adjustment of assets in the Group's business in Poland, the Goodwill value related to this business, totalling PLN 1,287,930 thousand, was updated by negative EUR 60,981 thousand.

In 2008 evaluations were made according to the Discounted Cash Flows (DCF) evaluation models, thereby sustaining the recoverability of Goodwill value.

The values of these evaluations are reached through past performances and through expectations for market development, with future cash-flow projections being drawn up for each of the businesses, based on medium/long term plans approved by the Board of Directors.

These estimates were made considering a discount rate of between 7.5% and 7.9% for Portugal and 10.1% for Poland, and a perpetual growth rate between 0% and 1% for the various businesses.

14 Investment Property

	2008	2007
Opening balance	49,600	56,376
Increases due to acquisitions	-	11
Transfers from tangible assets	22,857	4,269
Changes to fair value	(18)	3,642
Disposals	(7,930)	(14,698)
Closing balance	64,509	49,600

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

This category also includes recently acquired land, whose use has still not been determined, being, therefore, considered has investment expecting for a market value increase.

As non-current assets are all the investment properties that are not expectable to be sold within a period below 12 months.

15 Derivative financial instruments

	Notional	2008				Notional	2007			
		Assets		Liabilities			Assets		Liabilities	
		Current	Non Current	Current	Non Current		Current	Non Current	Current	Non Current
Derivatives held for trading										
Interest rate swap	85 millions EUR	-	-	-	6,175	120 millions EUR	481	43	108	7,827
Currency swap		-	-	-	-	200 millions PLN	-	-	-	5,512
Credit default swap		-	-	-	-	100 millions EUR	-	542	-	-
Fair value hedging derivatives										
USD loan hedging	180 millions USD	-	-	-	9,123	180 millions USD	-	-	-	25,143
Cash flow hedging derivatives										
Interest rate swap	166,6 millions EUR	-	-	-	4,366	10 millions EUR	127	-	-	-
Currency swap	30 millions PLN	1,037	-	-	-		-	-	-	-
Foreign operation investments hedging derivatives										
Currency swap	400 millions PLN	-	1,027	-	-	400 millions PLN	-	-	-	12,350
Total derivatives held for trading		-	-	-	6,175		481	585	108	13,339
Total hedging derivatives		1,037	1,027	-	13,489		127	-	-	37,493
Total assets/liabilities derivatives		1,037	1,027	-	19,664		608	585	108	50,832

In 2008 the values shown include interest receivable or payable related with these financial instruments that are due. The net payable amount is EUR 400 thousands.

Derivatives held for trading

Interest rate swap

The Group enters into interest rate swaps with the intention of make an economic hedge of the interest rate risk on its future interest payments on the loans. At 31 December 2008, the total amount of loans was EUR 421,007 thousand (2007: 461,007 thousand), and the Group had derivatives financial instruments with a notional of EUR 30,000 thousand (2007: EUR 120,000 thousand). The fair value of these instruments at 31 December 2008 was negative in EUR 2,622 thousand (2007: negative EUR 7,411 thousand). From the portfolio of instruments in the end of 2007, EUR 90,000 thousand were cancelled or have expired in 2008.

In 2008, following the acquisition of EUR 55,000 thousand of treasury bonds (see note 21), the group entered into a interest rate swap (called "Asset Swaps") with a notional of EUR 55,000 thousand, to hedge the economic interest rate risk of bonds, while credit risk is not hedged. The fair value of these instruments at 31 December 2008 was EUR 3,553 thousand negative.

Currency swap

The Group makes an economic hedge of the exchange rate risk of its exposure in zloty. In 2008, it cancelled the last of the exchange rate swaps contracted in 2006, with a notional of 200 million zlotys.

Credit default swap

The Group contracted in 2007 the credit default swap with the intention of minimizing the impact of the credit spreads increase resulting from exogenous effects to JMH. During 2008, this derivative was cancelled.

Fair value hedge

Currency swap

The Group hedges its exposure to the fair value of its loans in the total amount of USD 180 million, arising from interest rate risk and exchange rate risk, through two cross currency swaps that have the same characteristics as the debt that was issued. The objective of this hedge is to transform the fixed rate into a variable rate, and to hedge exposure to the US dollar, thus reflecting changes to the fair value of the debt that was issued. The credit risk is not hedged. The fair value of the two cross currency swaps at 31 December 2008 was negative EUR 9,123 thousand (2007: negative EUR 25,143 thousand).

Cash flow hedge
Interest rate swap

The Group partially hedges future interest payments on the loans, using for that interest rate swaps, in which pays fixed interest rate and receives variable interest rate, with a notional of EUR 166,625 thousand (2007: EUR 10,000 thousand). This is an hedging of interest rate risk associated with variable-rate interest payments arising from recognised financial liabilities. The hedged risk is indexed to the variable rate associated with the loans. The objective of the hedge is to convert the loans with variable interest rate into fixed interest rate. The credit risk is not hedged. The fair value of the interest rate swaps at December 31st, 2008, was negative EUR 4,366 thousand (2007: EUR 127 thousand).

In August 2006, one of the hedges was discontinued, and it is still recognised in equity an amount of EUR 33 thousand (2007: EUR 293 thousand), which is being recycled to the profit and loss, in 2008 the amount of EUR 260 thousand (2007: EUR 260 thousand) was recognised in results.

Currency swap

The Group hedges the economic risk of its exposure to the exchange rate of Zloty. To do this, the Group entered foreign exchange forwards, with maturities between December 2008 and March 2009. The derivative financial instruments held at 31 December 2008 with a notional of 30 million zlotys, had a fair value of EUR 1,037 thousand.

Hedging of investments in foreign entities

The Group hedges part of its exposure to the variation of the zloty due to its net investment in Poland through an exchange rate swap for 400 million Zlotys (2007: 400 million Zlotys). This instrument qualifies for hedge accounting. The fair value of the derivative at December 31st, 2008 was EUR 1,027 thousand (2007: negative EUR 12,350 thousand). The changes in the fair value of the derivative was recognised in the currency translation reserve in equity.

16 Investments in associated companies

The movement under this heading was as follows:

	2008	2007
Investments		
Opening balance	700	646
Acquisitions	14	-
Equity method	142	55
Foreign exchange differences	(2)	-
Business acquisitions and restructuring	-	(1)
Closing balance	854	700
Fair value adjustments		
Opening balance	0	(25)
Transfers	-	25
Closing balance	0	0
Net value as at 1 January	700	621
Net value as at 31 December	854	700

17 Available-for-sale financial investments
Non-Currents

	2008	2007
BCP shares	3,705	4,380
Advances on account of financial investments	4,988	4,988
Others	893	921
	9,586	10,289
Fair value adjustment – BCP shares (note 27)	(2,116)	-
	7,470	10,289

The financial assets available-for-sale include non-listed capital instruments whose fair value cannot be reliably measured and, as such, are recognised at cost to the value of EUR 5,879 thousand at December 31st, 2008 (2007: EUR 5,909 thousand). At the date of preparing the financial statements, the Group does not intend to dispose of any of its investments.

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

	2008	2007
Investment in Uniarne	150	175
Investment in Mercado Abastecedor do Porto	646	646
Investment in AMS	63	63
Other investments	34	37
	893	921

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

18 Inventories

	2008	2007
Raw and subsidiary materials and consumables	4,638	4,368
Goods and work in progress	735	459
Finished and semi-finished goods	231	289
Goods	393,421	314,810
	399,025	319,926
Fair value adjustment (note 27)	(13,372)	(11,355)
Net inventories	385,653	308,571

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

19 Taxes

19.1 Deferred tax assets and liabilities

Change in deferred tax accounts

	2008	2007
Opening balance	17,625	26,104
Currency translation difference (note 23.1)	(3,577)	4,598
Revaluation and reserves (note 23.1)	(2,378)	(2,692)
Business acquisitions and restructuring	-	278
Result of the year (note 10.1)	(3,226)	(10,663)
Closing balance	8,444	17,625

Deferred taxes are presented in balance sheet as follows:

	2008	2007
Deferred tax assets	63,170	73,322
Deferred tax liabilities	(54,726)	(55,697)
	8,444	17,625

Movement in deferred taxes during the year

	Opening balance	Impact on results	Impact on equity	Currency translation differences	Closing balance
Deferred tax liabilities					
Revaluation of assets	36,695	(3,712)	3,412	(873)	35,522
Deferred income for tax purposes	1,811	1,194	-	(427)	2,578
Differences on accounting policies in other countries	12,657	861	-	(1,839)	11,679
Other temporary differences	4,534	404	9	-	4,947
	55,697	(1,253)	3,421	(3,139)	54,726
Deferred tax assets					
Excess over legal provisions	10,901	7,359	-	(1,808)	16,452
Revaluation of assets	1,078	110	52	-	1,240
Employee benefits	4,388	98	-	-	4,486
Costs with foreign exchange risk hedging operations	6,141	(1,687)	991	(3,372)	2,073
Recoverable losses	11,810	(7,781)	-	358	4,387
Profit in inventories	407	180	-	-	587
Fair value adjustments on inventories	2,245	581	-	(279)	2,547
Other deferred costs for tax purposes	31,015	(2,948)	-	(1,546)	26,521
Differences on accounting policies in other countries	1,167	(575)	-	(69)	523
Other temporary differences	4,170	184	-	-	4,354
	73,322	(4,479)	1,043	(6,716)	63,170
Net change in deferred tax	17,625	(3,226)	(2,378)	(3,577)	8,444

Deferred tax assets arising from recoverable losses are as follows:

	2008	2007
Consolidated tax Group Recheio, SGPS, S.A.	-	358
Consolidated tax Group JMR, SGPS, S.A.	2,345	2,307
Consolidated tax Group Funchalgest, SGPS, S.A.	142	-
Jerónimo Martins Dystrybucja, S.A.	-	3,778
Others	1,900	5,367
	4,387	11,810

The Group recognised these deferred tax assets on tax losses based on projections for the respective businesses that show that tax profits will be realised in the future ensuring their recoverability.

19.2 Unrecognised deferred taxes on tax losses

The Group did not recognise deferred tax assets relative to tax losses in respect of which, with reasonable accuracy, no sufficient tax profits are expected to guarantee the recovery of deferred tax assets. Total unrecognised tax assets amount to EUR 18,072 thousand (2007: EUR 20,844 thousand) relative to part of the losses generated in Jerónimo Martins, SGPS, S.A., and the total amount of the losses from Jerónimo Martins – Distribuição de Produtos de Consumo, Lda., Belegginmaatschappij Tand BV, Servicompra- Consultores de Aprovisionamento, Lda., Jerónimo Martins – Restauração e Serviços, S.A. and Bliska Sp. Z.o.o.

19.3 Receivable and payable taxes

	2008	2007
Taxes receivable		
Income tax receivable	8,268	6,954
VAT receivable	25,642	19,770
Others	826	1,933
	34,736	28,657
Taxes payable		
Income tax payable	12,452	8,289
VAT payable	19,658	12,012
Income tax withheld	5,179	3,567
Social security	15,586	9,166
Other taxes	5,303	6,228
	58,178	39,262

20 Trade debtors, accrued income and deferred costs

Non-current	2008	2007
Other debtors	61,407	60,427
Deferred costs	5,222	5,240
	66,629	65,667
Current	2008	2007
Commercial customers	81,005	75,264
Associated companies	7	9
Suppliers	11,928	11,584
Staff	1,544	1,157
Other debtors	42,835	35,951
Accrued income	25,106	20,262
Deferred costs	10,339	9,399
	172,764	153,626

Non-current debtors balance of EUR 60,563 thousand is related to additional tax liquidation as well as pre-paid tax. The Group has already contested the amounts paid and made a legal claim for reimbursement (note 32).

Accrued income essentially respects to the recognition of supplementary gains contracted with suppliers, in the amount of EUR 18,551 thousand.

The deferred costs heading includes EUR 7,394 thousand of pre-paid rents, EUR 3,675 thousand of bond issue expenses and pre-paid interests, EUR 4,492 thousand relative to other costs attributable to future years and paid in 2008, or, when not paid, were already charged by the competent entities.

The debtor's amount is registered by the recoverable value, i.e., the Group constitutes provisions for impairment losses whenever there are signs of uncollectible amounts (note 27).

Other debtors includes an amount of EUR 8,644 thousand (2007: EUR 8,104 thousand), of guarantees to landlords of stores.

Current debtors that are less than 3 months past due are not considered impaired. The ageing analysis of debtors that are past due is as follows:

	2008	2007
Debtors balances not considered impaired		
Less than 3 months past due	24,979	18,554
More than 3 months past due	19,665	11,170
	44,644	29,724
Debtors balances considered impaired		
Less than 3 months past due	1,579	565
More than 3 months past due	22,530	19,497
	24,109	20,062

Relating to the amounts due without impairment, EUR 19,804 thousand are covered by credit guarantees.

21 Cash and cash equivalents

	2008	2007
Bank deposits	148,025	213,507
Short-term investments	75,613	50,830
Cash and cash equivalents	3,494	4,302
	227,132	268,639

During the 4th quarter, 2008, the Group acquired EUR 55,000 thousand of Treasury Bonds, issued by the Portuguese and German Republics, which was used to temporary apply surplus of liquidity, and it was sold during February 2009. As they were financial assets held for trading, the Bonds were revaluated at their market value as of 31st December, being this revaluation recognized in the income statement (EUR 3,170 thousand) – note 8.

The short-term investments include short-term bank deposits and other negotiable funds for which provisions were booked to reduce it to the realizable value (note 27).

22 Cash generated from operations

	2008	2007
Net results	163,216	131,261
Adjustments for:		
Minority interests	12,764	19,648
Taxes	46,131	36,857
Depreciations	157,583	126,721
Provisions	11,519	1,310
Net financial costs	78,728	59,469
Profit in associated companies	(318)	(231)
Profit/ Losses on financial investment disposals	2,294	(21,824)
Profit/ Losses on tangible assets disposals	(4,745)	2,876
	467,172	356,087
Changes in working capital:		
Inventories	(98,291)	(55,679)
Debtors, accruals and deferrals	3,959	9,077
Creditors, accruals and deferrals	312,122	200,344
	684,962	509,829

23 Capital and reserves

23.1 Fair value and other reserves

	Land and buildings	Cash-flow Hedging reserve	Available- for-sale financial investments	Currency translation reserve	Total
Balance as at 1 January 2007	71,757	543	8,208	3,912	84,420
Business acquisitions and restructuring:					
- Gross value	(776)				(776)
- Deferred tax	140				140
Revaluation:					
- Gross value	13,272				13,272
- Deferred tax	(2,777)				(2,777)
- Minority interests	(5,219)				(5,219)
Fair value adjustment of financial instruments:					
- Gross value		(320)		(6,752)	(7,072)
- Deferred tax		85		1,790	1,875
Fair value adjustment of available-for-sale financial investments:					
- Gross value			(6,991)		(6,991)
Currency translation differences:					
- In the year				13,134	13,134
- Deferred tax				2,808	2,808
Balance as at 1 January 2008	76,397	308	1,217	14,892	92,814
Land transferred to investment property:					
- Gross value	(1,504)				(1,504)
- Deferred tax	346				346
- Minority interests	568				568
Disposal of revaluated Real Estate:					
- Gross value	(10,265)				(10,265)
- Deferred tax	2,597				2,597
- Minority interests	3,686				3,686
Revaluation:					
- Gross value	23,343				23,343
- Deferred tax	(3,360)				(3,360)
- Minority interests	1,975				1,975
Fair value adjustment of financial investments:					
- Gross value		(3,707)		12,723	9,016
- Deferred tax		982		(3,372)	(2,390)
- Minority interests		1,335			1,335
Fair value adjustment of available-for-sale financial investments:					
- Gross value			(1,217)		(1,217)
Currency translation differences:					
- In the year				(58,444)	(58,444)
- Deferred tax				(205)	(205)
Balance as at 31 December 2008	93,783	(1,082)	-	(34,406)	58,295

We note that the values mentioned in revaluation reserves refer to application of the fair value of fixed assets, and they cannot be distributed in the individual accounts of the companies that originated them.

The individual annual report of Jerónimo Martins, SGPS, S.A. duly state all conditions related to the use of reserves to be distributed comprised in company equity, therefore we expressly recommend the reading of this information in the individual annual report.

23.2 Share capital and share premium

Authorised share capital is represented by 629,293,220 ordinary shares (2007: 629,293,220).

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

23.3 Own shares

The own shares reflects the cost of shares held by the Group in portfolio. As of 31 December 2008, the Group held 859,000 own shares (2007: 859,000). As defined by law the own shares are not entitled to dividends.

23.4 Dividends

Taking into consideration Group results in 2008, the Board of Directors of JMH. will propose in the General Meeting the distribution of EUR 69,127,764.20, which corresponds to a dividend per share of EUR 0.11.

Dividends distributed in 2008 in the amount of EUR 73,581 thousand were paid to Jerónimo Martins, SGPS, S.A. shareholders an amount of EUR 60,330 thousand and to minority interest in the Group companies an amount of EUR 13,251 thousand.

24 Earnings per share

24.1 Basic and diluted earnings per share

Basic net results per share are calculated based on the net profit of EUR 163,216 thousand (2007: profit of EUR 131,261 thousand) and on weighted average outstanding ordinary shares, numbering 628,434,220 (2007 adjusted: 628,434,220).

24.2 Weighted average ordinary shares

	2008	2007
Ordinary shares issued at the beginning of the year	629,293,220	629,293,220
Own shares at the beginning of the year	859,000	859,000
Shares issued during the year	-	-
Weighted average number of ordinary shares	628,434,220	628,434,220

24.3 Diluted net results attributable to ordinary shareholders

	2008	2007
Diluted net profit of the year attributable to ordinary shareholders	163,216	131,261

24.4 Diluted weighted average ordinary shares

	2008	2007
Diluted weighted average ordinary shares	628,434,220	628,434,220
Basic and diluted earnings per share – Euros	0.2597	0.2089

25 Borrowings

In April 2008, the early repayment option was exercised on the bond loan issued by JMH in the amount of 40 million Euros with a maturity date of October 2010.

Throughout 2008, the conditions of some commercial paper programs were renegotiated, both in terms of amounts as well as prices, with an increase of 112 million Euros in commercial paper programs.

New financial leasing operations were contracted for 48-month periods in the amount of EUR 40,678 thousand, with monthly and quarterly amortisation. During the year, EUR 28,061 thousand were amortised in financial leasing.

In September 2008, a bank loan was issued by Jerónimo Martins Dystrybucja in the total amount of 300 million Zlotys, with variable interest rate, maturity in five years and indexed to the quarterly Wibor with increasing annual amortisation plans. This financing was contracted for the investment in the Plus chain in Poland.

A bank overdraft contract was restructured at Optimum Mark, having been converted into a medium-term loan maturing in 2010, with quarterly amortisation.

During the process of acquiring Plus Portugal, some medium and long-term loans in the name of Plus Portugal were paid back early, as were some interest rate coverage operations, totalling 3.3 million Euros.

25.1 Current and non-current loans

	2008	2007
Non-current loans		
Bank loans	259,657	134,586
Bond loans	411,847	485,894
Financial lease liabilities	67,829	54,961
	739,333	675,441
Current loans		
Bank overdrafts	45,355	17,068
Bank loans	179,159	75,154
Bond loans	50,000	-
Other loans	-	28
Financial lease liabilities	33,830	24,465
	308,344	116,715

25.2 Loan terms and maturities

	Average rate	Total	Less than 1 year	Between 1 and 5 years	More than 5 year
Bank loans					
Loans in EUR	5.11%	319,500	128,600	135,900	55,000
Loans in PLN	6.60%	119,316	50,559	68,757	-
Bond Loans					
Loans	5.82%	471,007	50,000	340,470	80,537
Fair value adjustment		(9,160)	-	(6,531)	(2,629)
Bank overdrafts	5.38%	45,355	45,355	45,355	-
Financial lease liabilities	4.88%	101,659	101,659	33,830	66,053
		1,047,677	308,344	604,649	134,684

The amount of negative EUR 9,160 thousand, adjusted to the total of bond loans, refers to the fair value adjustment of the bond loan for USD 180 million, for which the Group contracted a hedging instrument, presented in note 15.

25.3 Bond loans

	2008	2007
Non-convertible bonds	471,007	511,007

The bond loans in course at the end of 2008 were as follows:

In February 2004, Recheio, SGPS, S.A. issued 1 million in bonds at a nominal value of 50 Euros, totalling EUR 50,000 thousand. This is a 5-year issue maturing in February 2009, with a variable interest rate indexed to the 6-month Euribor.

In June 2004, JMR placed a fixed-rate Private Placement on the US market in the amount of USD 180 million. These "Notes" issued by JMR are equivalent to Bond Loans according to Portuguese law. The total amount was divided between a 7-year issue of USD 84 million and a 10-year issue of USD 96 million. Immediately after contracting these amounts, a EUR/USD Cross Currency Swap was performed.

On September 28, 2007, two bond loans were issued by JMR for 35 million Euros each, with four and five-year maturity periods, variable interest rates, and indexed to the 6-month Euribor.

In December 2007, JMR issued a new bond loan for 200,000 million Euros, maturing in five years. The interest rate is variable, and it is indexed to the 6-month Euribor.

The redemption dates of the bond loans are as follows:

2009	50,000
2010	-
2011	105,470
2012	235,000
2014	80,537
Total	471,007

25.4 Financial lease liabilities

	2008	2007
Payments in less than 1 year	38,173	27,903
Payments between 1 and 5 years	71,157	58,467
Payments in more than 5 years	1,826	490
	111,156	86,860
Payment of future interest	(9,497)	(7,434)
Present value of liabilities	101,659	79,426

25.5 Financial debt

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

	2008	2007
Non-current loans (note 25.1)	739,333	675,441
Current loans (note 25.1)	308,344	116,715
Derivative financial instruments (note 15)	17,600	49,747
Interest on accruals and deferrals	4,211	1,700
Bank deposits (note 21)	(148,025)	(213,507)
Short-term investments (note 21)	(75,613)	(50,830)
	845,850	579,266

26 Employee benefits

Amounts of employee benefits in the balance sheet:

	2008	2007
Retirement benefits - defined benefit plan paid for by the group	17,979	18,062
Retirement benefits - defined benefit plan with a fund managed by a third party	241	195
Seniority awards	9,975	428
Total	28,195	18,685

Amounts reflected in the income statement – staff costs (note 7):

	2008	2007
Retirement benefits – defined contribution plan	713	692
Retirement benefits - defined benefit plan paid for by the group	879	707
Retirement benefits - defined benefit plan with a fund managed by a third party	46	(104)
Seniority awards	12,308	(7)
Total	13,946	1,288

A brief description of the plans and each one's impacts follows:

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

The Group has defined contribution pension plans in the companies Jerónimo Martins, SGPS, S.A., Jerónimo Martins Serviços, S.A., Jerónimo Martins Distribuição de Produtos de Consumo, Lda. and in the companies of Unilever Jerónimo Martins Group.

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

Movements in the year:

	2008	2007
Liabilities (not covered) as at 1 January		-
Staff costs	713	692
Contributions of the year	(713)	(692)
Liabilities (not covered) as at 31 December	0	0

26.2 Defined benefit plans for former employees

Defined benefit plans paid for by the group

The Group has direct responsibility for these plans. Independent actuaries evaluate them twice a year. According to the actuarial calculation reported on 31st December 2008, the responsibility totals EUR 17,979 thousand, and is totally included in the heading employee benefits.

Movement in the year:

	2008
Balance on 1 January	18,062
Interest costs	931
Actuarial (gains)/losses	(52)
Retirement pensions paid in	(962)
Balance on 31 December	17,979

Actuarial assumptions used:

Mortality table	TV – 88/90
Discount rate	6.00%
Pension growth rate	2.5% - 3.0%

Defined Benefit plans with a fund managed by a third party

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

Amounts in the balance sheet:

	2008	2007
Present value of funded obligations	1,785	1,908
Fair value of plan assets	1,544	1,713
Liability in balance sheet - employee benefits	241	195

Movement in the year:

	2008
Balance on 1 January	195
Costs recognised in income statement	46
Balance on 31 December	241

The amounts recognised in income statement, are as follows:

	2008
Interest costs	96
Expected return on plan assets	(85)
Actuarial losses recognised	35
Total costs recognised	46

Actuarial assumptions used:

Mortality table	TV – 88/90
Discount rate	6.00%
Expected return on plan assets	5.40%
Pension growth rate	2.50%

26.3 Other long-term benefits granted to employees

The Group has adopted, during 2008, an incentive program based on the attribution of awards to senior employees, which applies to the employees in Portugal who are not under the incentive plan of Unilever-Jerónimo Martins Group.

The program consists in the attribution of awards to senior employees when they reach 5, 10, 15 and 25 years of service. The responsibilities of the Group, regarding the seniority awards of 5 and 10 years, are defined contributions, and are recognised as costs in the year they are paid. As for the seniority awards of 15 and 25 years, as they are long-term defined benefits, at the expense of the company, the responsibilities are evaluated annually by an independent actuary. At the time of introduction of this program the past service liabilities amounted EUR 11.623 thousands.

The companies of Unilever Jerónimo Martins Group have an incentive plan which involves the attribution of a seniority premium payment when employees complete 15, 25 and 40 years of service. The companies pay for this plan and an independent actuary evaluates the implied responsibilities each year.

According to the actuarial study carried out, on 31st December the responsibility was for EUR 9,975 thousand, which is accounted for in the liabilities, in employee benefits.

Movement in the year:

	2008
Balance on 1 January	428
Past services cost	11,623
Current service cost	685
Paid contributions	(2,761)
Balance on 31 December	9,975

Liability calculation assumptions:

Mortality table	TV – 88/90
Discount rate	6.00%
Salaries growth rate	3.00% - 3.25%

27 Provisions and adjustments to the net realisable value

2008	Opening balance	Provisions set up	Provisions used	Foreign exchange difference	Transfers	Business acquisition and restructuring	Closing balance
Doubtful debtors (note 20)	25,492	2,511	(2,592)	(683)	-	899	25,627
Inventories (note 18)	11,355	23,979	(34,653)	(1,976)	-	14,667	13,372
Available-for-sale fin. Investments (note 17)	-	2,116	-	-	-	-	2,116
Short terms investments (note 21)	57	-	-	-	-	-	57
Total fair value adjustments	36,904	28,606	(37,245)	(2,659)	-	15,566	41,172
Employee benefits (note 26)	18,685	13,195	(3,717)	(1)	-	33	28,195
Other risks and contingencies	15,433	15,346	(6,698)	(1,886)	2,478	1,219	25,892
Total of provisions	34,118	28,541	(10,415)	(1,887)	2,478	1,252	54,087

2007	Opening balance	Provisions set up	Provisions used	Foreign exchange difference	Transfers	Business acquisition and restructuring	Closing balance
Doubtful debtors (note 20)	28,525	1,760	(5,079)	326	(72)	32	25,492
Investment in associated companies	25	-	(25)	-	-	-	-
Inventories (note 18)	8,150	6,127	(3,369)	425	-	22	11,355
Short terms investments (note 21)	57	-	-	-	-	-	57
Total fair value adjustments	36,757	7,887	(8,473)	751	(72)	54	36,904
Employee benefits (note 26)	19,154	596	(957)	-	-	(108)	18,685
Other risks and contingencies	13,690	4,361	(3,816)	90	72	1,036	15,433
Total of provisions	32,844	4,957	(4,773)	90	72	928	34,118

Provision for risks and contingencies includes:

- An amount of EUR 2,312 thousand relating to possible future compensation to be paid by the Group in respect of guarantees on sales deals carried out in recent years.
- An amount of EUR 23,580 thousand relating to litigious cases, which are not expected to be resolved within the year.

28 Trade creditors, accrued costs and deferred income

	2008	2007
Other commercial creditors	1,287,940	1,068,461
Other non-commercial creditors	111,567	79,726
Accrued costs	155,210	140,020
Deferred income	5,325	1,355
	1,560,042	1,289,562

The heading accrued costs includes essentially salaries and wages to be paid to the employees, in the amount of EUR 56,099 thousand, interest payable in the amount of EUR 16,105 thousand and supplementary costs with the distribution and promotion of goods in the amount of EUR 32,984 thousand. The remaining EUR 50,022 thousand respects to sundry costs (utilities, insurance, consultants, rents, etc), for 2008, which had not been invoiced by the respective entities prior to the end of the year.

The heading deferred income comprises essentially supplementary gains in the amount of EUR 2,401 thousand, which are deferred until the respective goods are sold.

29 Guarantees

The bank guarantees are as follows:

	2008	2007
Guarantees provided to suppliers	3,173	1,336
Guarantees for D.G.C.I. (Portuguese tax authorities)	65,972	19,502
Financing bank guarantees	227,789	55,656
Other guarantees for the Government	10,314	11,800
Other guarantees provided	7,019	1,811
Total of Guarantees	314,267	90,105

30 Operational lease

The amounts of liabilities related to medium and long-term contracts which have penalty clauses if broken, are the following:

	2008	2007
Payments in less than 1 year	132,608	86,134
Payments between 1 and 5 years	415,600	251,988
Payments in more than 5 years	506,002	209,615
	1,054,210	547,737

These amounts respect to stores and warehouses rent contracts, with initial term between 5 and 20 years, with an option to renegotiate after that period. The payments are annually updated, reflecting inflation and/or market valuation.

As mentioned all these contracts are breakable through the payment of penalty clauses. The liabilities inherent to these penalties were, in the end of 2008, of EUR 54,911 thousand.

The operational lease contracts recognised as costs during the year in the amount of EUR 134,840 thousand (2007: EUR 96,211 thousand), are distributed as follows:

	2008	2007
Buildings	119,167	83,768
Plants & machinery	6,451	3,788
Transport equipment	7,101	6,276
IT equipment	1,446	1,089
Others	675	1,290
	134,840	96,211

The difference to the rents stated in note 6 are costs with occasional renting in the amount of EUR 925 thousand (2007: EUR 840 thousand) and rents costs that were attributable to the cost of goods sold in the amount of negative EUR 438 thousand (2007: negative EUR 387 thousand).

31 Capital commitments

Capital expenditure contracted for at the balance sheet date amount EUR 127,902 thousand and referred essentially to work in progress and the celebrated preliminary agreement of acquisition of lands, buildings and equipments whose public deeds will occur opportunely.

32 Contingencies

- Under non-current debtors (note 20), an amount of EUR 60,563 thousand relates to tax liquidations claimed by the Tax Administration.

The Board of Directors, supported by its tax and legal advisers, believes it has acted entirely within the law and maintains the claims filed against such settlements, without waiving its legitimate right to appeal against them and expecting their full recovery.

In this context, the Group immediately demanded total reimbursement of the amounts paid, as well as indemnity interest at the legal rate for the period between the payment date and its effective restitution date.

According to the principle of prudence, the Group has not recognised the amount of indemnity interest over this credit.

- Besides several claims related to normal Group activities, the following materially relevant situations are pending:

- In 1999, as a result of the acquisition of two companies that held establishments previously owned by former franchisees of ITMI – Norte-Sul Portugal – Sociedade de Desenvolvimento e Investimento, S.A., this company, together with Regional de Mercadorias – Sociedade Central de Aprovisionamento, S.A., has filed an action against several subsidiaries of the Group, holding them responsible for the alleged non fulfilment, by those former franchisees, of the contract they had set up with ITMI, already terminated at the date of the acquisitions, demanding an indemnity of EUR 14,600 thousand. This procedure is still pending a court date. Considering both the complexity of the process and the fact that a relevant part of the evidence has not yet been produced, it is not possible, with assurance, to determine its outcome. Nevertheless, it is the belief of the Board of Directors that the amount requested will probably not be granted, thus, as referred to in the Groups' affiliates annual reports of previous years, no provision has been set up.
- The company Leirimundo - Construção Civil, Lda. claimed an indemnity payment from JMR - Prestação a Serviços para Distribuição, S.A. (previously known as Gestiretalho - Gestão e Consultoria para a Distribuição a Retalho, S.A.), in the amount of EUR 8,196 thousand, as a result of the termination of a leasing agreement entered into by the parties. This procedure was submitted to arbitration according to Regulations of the Arbitration Court of the Commercial Arbitration Centre of the Portuguese Chamber of Commerce and Industry / Commercial Association of Lisbon. After a long process that went on for almost five years, the arbitrators unanimously decided to deny the plaintiff's demands. Leirimundo, did not agree with the ruling, intends now, without any basis, to use the mechanism of judicial annulment of arbitration rulings to delay the final and definitive decision on the lawsuit, having submitted a procedure requesting this annulment before the Judicial Court of the Judicial District of Lisbon. JMR is certain of its reasons, and that the favourable ruling of the Arbitration Court will not be judicially annulled, therefore no provision was formed.

- c) The company Proherre Internacional, Lda claimed an indemnity payment of EUR 2,500 thousand from Pingo Doce – Distribuição Alimentar, S.A., alleging termination of a lease agreement by Pingo Doce, without the minimum period agreed between the parties having elapsed. Pingo Doce contests this claim based on the fact that the lease was terminated through mutual agreement. The process is in its initial phase; the preliminary hearing has been held and the respective ruling issued.
- d) The company Sodisnasa, a supplier of transport services, claims indemnity payment of EUR 1,423 thousand plus interest from companies Lidosol II – Distribuição de Produtos Alimentares, S.A. and João Gomes Camacho S.A., alleging that they unlawfully terminated several transport and logistics agreements. At the start of this year, Lidosol and JG Camacho presented their response, completely certain that they proceeded in a legal and timely manner in terminating the referred agreements, therefore no provision has been formed for this.
- e) The Portuguese tax authorities claim from Recheio, SGPS, S.A. the amount of EUR 2,503 thousands concerning Value Added Tax (VAT) additional assessment. Tax authorities are challenging the VAT deduction method adopted by Recheio, SGPS, S.A.. Recheio's Management, supported by their tax consultants, believe that they are entirely right concerning this matter, being this fact reinforced by recent judgements ruled by the Lisbon Tax and Administrative Court regarding this matter.
- f) The Portuguese tax authorities claim from Recheio Cash & Carry, S.A. the amount of EUR 751 thousands regarding VAT additional assessment, since certain requirements proving the VAT exemption on intracommunity transactions were not complied with. Recheio's Management, supported by their tax consultants, have already contested this VAT additional assessment, believing that they are entirely right concerning this matter.
- g) The Portuguese Tax Authorities have informed Recheio, SGPS, S.A., that it should restate the dividends received, amounting to EUR 81,952 thousands, from its subsidiary in the Madeira Free Zone, during the years 2000 to 2003, considering them as interest for tax purposes. According to the Portuguese tax authorities the said income should be subject to Corporate Income Tax in opposition to the dividends received that are exempt. Recheio's Management, supported by their tax consultants and legal advisors, consider that the report issued by the tax authorities does not have legal basis or validity, and will use all the resources at its disposal to challenge it.
- h) The Portuguese tax authorities claim from Feira Nova- Hipermercados, S.A. the amount of EUR 743 thousands concerning to Special Contribution additional assessments due to the value increase of the Bela Vista complex. Feira Nova's Management, supported by their lawyers and tax consultants, has already contested that assessment, believing that the tax authorities have no grounds to request this payment.
- i) The Portuguese tax authorities claim from Feira Nova – Hipermercados, S.A. and Pingo Doce – Distribuição Alimentar, S.A. the amounts of EUR 325 thousands and EUR 499 thousands, respectively, regarding to financial years 2002 and 2003 Corporate Income Tax (CIT). This was due to payments made to non-resident entities, for taxation purposes, in Portugal, having applied the withholding tax exemption without having a tax residency certificate of the income beneficiary duly signed and stamped by the tax authorities from the country where the income beneficiary is a tax resident, in order to the withholding tax exemption may be applied. Feira Nova and Pingo Doce's Management, supported by their lawyers and tax consultants, has challenge these claims, believing that the tax authorities have no grounds to request this payment.

The Portuguese tax authorities have ruled in favour of Pingo Doce – Distribuição Alimentar, S.A. and Feira Nova – Hipermercados, S.A., concerning years 2001 and 2002, respectively, and on the amounts of EUR 525 thousands and EUR 500 thousands.

- j) The Portuguese tax authorities assessed Feira Nova – Hipermercados, S.A. and Pingo Doce – Distribuição Alimentar, S.A. the amounts of EUR 2,966 thousands and EUR 2,324 thousands, respectively. These additional assessments are related to the amount booked by these companies as shrinkage (loss of inventory through crime or wastage), which was not accepted as a tax deductible cost, for CIT purposes and, hence, to missing VAT since there are no evidence that the goods were not sold. These assessments respect to the years of 2002, 2003 and 2004. Feira Nova and Pingo Doce's Management, supported by their lawyers and tax consultants, have challenged these assessments, believing that the tax authorities have no arguments to request these payments.
- k) The Portuguese tax authorities carried out some corrections to the CIT amount from companies included in the perimeter of the Tax group headed by JMR – Gestão de Empresas de Retalho, SGPS, S.A. (JMR), which led to additional assessments, concerning 2002, 2003 and 2004, amounting to EUR 20,157 thousands. JMR's Management supported by their lawyers and tax consultants have challenged these assessments, assuming that the tax authorities have no grounds to request this payment.
- l) The Portuguese tax authorities have informed Jerónimo Martins, SGPS, S.A., that should restate the dividends received, amounting to EUR 10,568 thousand, from its subsidiary in the Madeira Free Zone in 2004 and 2005, considering them as interest for tax purposes. According to the Portuguese tax authorities the said income should be subject to Corporate Income Tax in opposition to the dividends received that are exempt. Jerónimo Martins' Management, supported by their tax consultants and legal advisors, consider that the report issued by the tax authorities does not have any legal basis or validity, and will use all the resources at its disposal to challenge it. Jerónimo Martins' Management believe that they are entirely right concerning this matter. Hence, they will not carry out any changes to its financial statements.

- m) The Portuguese tax authorities have claimed EUR 989 thousand from Jerónimo Martins in relation to the IRC for an indemnity paid by the Company due to an agreement reached in arbitration court, and which the Tax Authorities considered as dealing with a payment to an entity subject to a more favourable tax regime, and therefore not accepted for tax purposes. The Management of Jerónimo Martins, with the support of its tax and legal advisers, does not consider the report of the Tax Authorities to have legal basis or validity, and thus has already used all the resources at its disposal to challenge it.
- n) The Tax Authorities assessed JMR, SGPS, S.A. for the amount of EUR 16,078 thousand due to the fact that JMR should restate the dividends received, in 2003 and 2004, from its subsidiary in the Madeira Free Zone, considering them as interest for tax purposes. According to the Portuguese tax authorities the said income should be subject to Corporate Income Tax in opposition to the dividends received that are exempt. JMR' Management, supported by their tax consultants and legal advisors, consider that the report issued by the tax authorities does not have any legal basis or validity, and will use all the resources at its disposal to challenge it.
- o) The Portuguese tax authorities have claimed EUR 532 thousands to Imoretalho – Gestão de Imóveis, S.A., due to a supposed lack of VAT payment. Nevertheless, that claim is due to an error of the tax authorities, on the analysis of substitution VAT returns which did not generate any tax due. Imoretalho's Management, supported by their tax consultants, have already contested this VAT additional assessment, believing that they are entirely right concerning this matter.
- p) The Fiscal Authorities claim from Unilever Bestfoods Portugal – Produtos Alimentares, S.A., the amount of EUR 4,343 thousands for non-acceptance of withholding tax exemption carried out by the company, in paying dividends in 2002. The Management of the company, backed up by its lawyers and fiscal consultants, have contested these charges, believing that the Fiscal Authorities are not justified in requesting this payment.
- q) The Fiscal Authorities claim from LeverElida – Distribuição de Produtos de Limpeza e Higiene Pessoal, Lda, the amount of EUR 1,448 thousands with regard to non-acceptance, for fiscal purposes (CIT) of several costs for the year 2000. The process is being analysed by the Lisbon Fiscal Authorities and its execution is suspended through the provision of a bank guarantee by the company.

During December 2008, the Fiscal Authorities have informed JMR – Gestão de Empresas de Retalho, SGPS, S.A regarding the 2005 year. This notification, for which JMR has not yet received any notice of settlement, relates to adjustments in the CIT, similar to those reported for previous years.

During 2008, The Administrative and Fiscal Court of Sintra ruled in favour of Imoretalho - Gestão de imóveis, S.A., concerning an additional assessment of Property Transfer Tax, for the year 2001.

Also during 2008, the Portuguese tax authorities, when called by the Court to present their arguments concerning the judicial claim of Corporate Income Tax for JMR – Gestão de Empresas de Retalho, SGPS, S.A. of 2003, partially revoked their additional assessment.

33 Related parties

33.1 Balances and transactions with related parties

56.10% of the Group is owned by the Sociedade Francisco Manuel dos Santos, and no transactions occurred between this Company and any other company of the Group in 2008, neither were there any amounts payable or receivable between them on December 31st, 2008.

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

	Sales and services rendered		Stocks purchased and services supplied	
	2008	2007	2008	2007
Joint Ventures	722	901	92,200	87,135
Related parties	753	991	1,264	1,214
	Trade debtors, accrued income and deferred costs		Trade creditors, accrued income and deferred costs	
	2008	2007	2008	2007
Joint Ventures	675	947	7,915	8,037
Related parties	91	97	580	515

Balances and transactions with related parties not eliminated in the consolidation process, were as follows:

	Sales and services rendered		Stocks purchased and services supplied	
	2008	2007	2008	2007
Joint Ventures	383	472	50,710	47,927
Related parties	753	991	1,264	1,214
	Trade debtors, accrued income and deferred costs		Trade creditors, accrued income and deferred costs	
	2008	2007	2008	2007
Joint Ventures	356	499	4,353	4,420
Related parties	91	97	580	515

All the transactions with companies consolidated using the proportional method (joint-ventures) or using the equity method were made under normal market conditions, i.e., the transaction value corresponds to prices that would be applicable between non related parties.

33.2 Benefits attributed to directors

At the Annual General 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.

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 General 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.

33.3 Remuneration paid to directors

The members of the board of directors received the following remuneration (fixed, variable and contributions to the pension plans):

	2008	2007
Executive directors	1,869	1,834
Non-executive directors	1,144	882
	3,013	2,716

The Board of Directors of the company contains 9 members, of which 3 are Executive and 6 Non executive as stated in this Annual Report- Corporate Governance.

The remuneration paid to Non executive Board Members in 2008, of EUR 14 thousand is relative to their participation in the Audit Committee (2007: EUR 12 thousand).

33.4 Key Management compensation

	2008	2007 *
Salaries and other short-term employee benefits	16,698	15,347
Termination benefits	1,746	1,103
Post-employment benefits	279	279
Other benefits	154	173
Total	18,877	16,902

* The amounts here presented for 2007 were restated. As result of inaccuracy, the remunerations paid to the Board of Directors (note 33.3) were also included in this heading.

The average number of Senior Managers was 90.

The amounts presented reflects 100% of costs with salaries and wages of the senior management, including the companies under the proportional consolidation method (joint-ventures).

34 Group companies

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

The tables below list the companies that form part of Jerónimo Martins Group. These tables were organised according to the consolidation method used, and where there are exclusions, the relevant reasons are given.

a) Full consolidation method

Company	Business area	Head office	% Owned
Jerónimo Martins, SGPS, S.A.	Business portfolio management	Lisbon	
Jerónimo Martins – Serviços, S.A.	Human resources top management	Lisbon	100.00
Hermes–Sociedade Investimentos Mobiliários e Imobiliários, Lda.	Provision of services in the economic and financial areas and investment management	Funchal	100.00
Friedman - Sociedade Investimentos Mobiliários e Imobiliários ,Lda.	Provision of services in the economic and accounting area	Funchal	100.00
Desimo – Desenvolvimento e Gestão Imobiliária, Lda.	Real estate management and administration and trade marks	Lisbon	100.00
Servicompra – Consultores de Aprovisionamento, Lda.	Provision of services in the areas of market research, procurement and marketing and bargaining techniques	Lisbon	100.00
Jerónimo Martins – Distribuição de Produtos de Consumo, Lda.	Wholesale of food products	Lisbon	100.00
Caterplus – Comercialização e Distribuição de Produtos de Consumo, Lda.	Wholesale of other food products	Lisbon	49.00
Jerónimo Martins – Restauração e Serviços, S.A.	Food retail stores	Lisbon	100.00
Hussel Ibéria – Chocolates e Confeitaria, S.A.	Retail sale of chocolates, confectionery and similar products	Lisbon	51.00
JMR – Gestão de Empresas de Retalho, SGPS, S.A.	Business portfolio management in the area of retail distribution	Lisbon	51.00
Jerónimo Martins Retail Services, S.A.	Exploration of trade marks	Klosters Switzerland	51.00
EVA – Sociedade de Investimentos Mobiliários e Imobiliários, Lda.	Provision of services in the economic and financial areas and investment management	Funchal	51.00
Pingo Doce – Distribuição Alimentar, S.A.	Retail sales in supermarkets	Lisbon	51.00
Feira Nova – Hipermercados, S.A.	Retail sales in hypermarkets	Lisbon	51.00
Imoretalho – Gestão de Imóveis, S.A.	Real estate management and administration	Lisbon	51.00
Supertur – Imobiliária, Comércio e Turismo, S.A.	Real estate purchase and sale	Lisbon	51.00
Casal de São Pedro – Administração de Bens, S.A.	Real estate management and administration	Lisbon	51.00
Bazar Novo – Distribuição de Produtos Não Alimentares, Lda.	Retail sales of durable consumer goods	Lisbon	51.00
Electric Co – Distribuição de Produtos não Alimentares, Lda.	Distribution of non-food and consumer goods	Lisbon	51.00
Comespa - Gestão de Espaços Comerciais, S.A.	Management and administration of retail outlets	Lisbon	51.00
JMR – Prestação de Serviços para a Distribuição a Retalho, S.A. **	Retail management, consultancy and logistics	Lisbon	51.00
Jerónimo Martins Finance Company (2), Limited	Financial services	Dublin (Ireland)	51.00
Cunha & Branco – Distribuição Alimentar, S.A.	Retail sales in supermarkets	Lisbon	51.00
Escola de Formação Jerónimo Martins, S.A.	Training	Lisbon	51.00
Recheio, SGPS, S.A.	Business portfolio management in wholesale and retail distribution	Lisbon	100.00
Recheio-Cash & Carry, S.A.	Wholesale of food and consumer goods	Lisbon	100.00
Masterchef, S.A.	Retail sales and/or wholesale of food or non-food products	Lisbon	100.00
PSQ – Sociedade de Investimentos Mobiliários e Imobiliários, Lda.	Provision of services in the economic and financial areas and investment management	Funchal	100.00
Imocash – Imobiliário de Distribuição, S.A.	Real estate management and administration	Lisbon	100.00
Larantigo – Sociedade de Construções, S.A.	Real estate purchase and sale	Lisbon	100.00
SCGR - Comércio por Grosso e a Retalho, S.A.	Wholesale of food and consumer goods	Lisbon	100.00
Funchalgest– Sociedade Gestora de Participações Sociais, S.A.	Business portfolio management	Funchal	75.50
João Gomes Camacho, S.A.	Wholesale of food and consumer goods	Funchal	75.50
Lidosol II – Distribuição de Produtos Alimentares, S.A.	Retail sales in supermarkets	Funchal	75.50
Lidinest – Gestão de Imóveis, S.A.	Real estate management and administration	Funchal	75.50
Belegginmaatschappij Tand B.V.	Financial services	Rotterdam (Holland)	100.00
Jerónimo Martins Dystrybucja, S.A.	Retail and wholesale of food and consumer goods	Kostrzyn (Poland)	100.00
Optimum Mark Sp. Z.o.o.	Exploration of trade marks	Warsaw (Poland)	100.00
PLUS Discount Sp. Z o.o	Retail sales and wholesale of food or non-food products	Poznan (Polónia)	100,00

** Previously assigned as Gestiretalho – Gestão e Consultoria para a Distribuição a Retalho, S.A.. Amendment made on April 2008

b) Proportional consolidation method

Company	Business area	Head Office	% Owned
Unilever Jerónimo Martins, Lda.	Wholesale of other food products	Lisbon	45.00
Indústrias Lever Portuguesa, S.A.	Detergent manufacturing	Lisbon	45.00
Olá – Produção de Gelados e Outros Produtos Alimentares, S.A.	Manufacturing of ice-cream and sorbet	Lisbon	45.00
Fima - Produtos Alimentares, S.A.	Production of margarines and similar products	Lisbon	45.00
Victor Guedes – Indústria e Comércio, S.A.	Production of olive oil	Lisbon	45.00
Bliska Sp. Z.o.o.	Retail sale of pharmaceutical, orthopaedic and health products	Warsaw (Poland)	50.00

c) Equity method

Company	Business area	Head Office	% Owned
PGJM – Importação e Distribuição de Perfumes e Cosméticos, S.A.	Wholesale of perfumes and cosmetics	Lisbon	50.00

d) During the year 2008:

- In May the companies Idole – Utilidades, Equipamentos e Investimentos Imobiliários, Lda. and Dantas & Vale, S.A., were wound up;
- In October the companies Simões & Freitas, Lda. and PLUS Discount - Supermercados, Lda., were merged in the Company Pingo Doce - Distribuição Alimentar, S.A..

35 Interests in joint ventures and associates

The Group owns (directly and indirectly) interests in the following joint ventures:

- In Unilever Jerónimo Martins the Group has a shareholding of 45% which controls a group of companies dedicated to manufacturing and selling products, as described below:
 - Fima – manufactures and sells food products, specifically edible fats and drinks, and private labels as well as Unilever Group brands.
 - Lever - manufactures and sells personal and home care products. The brands marketed are the property of the Unilever Group.
 - Olá – manufactures ice cream and markets ice cream under private and Unilever Group brands.
- The Group holds a shareholding of 50% in Bliska, company located in Poland, and its business area is retail sale of pharmaceutical, orthopaedic and health products.

The Group owns directly interests in the following associated company:

- The Group holds a shareholding of 50% in PGJM- Importação e Distribuição de Perfumes e Cosméticos, S.A., and its business area is retail sale of perfumes and cosmetic products.

The financial statements of the above-mentioned joint ventures, are as follows:

	2008	2007
Non-current assets	617,138	615,600
Current assets	176,141	173,308
Non-current liabilities	(432,848)	(429,313)
Current liabilities	(223,898)	(256,350)
Net assets	136,533	103,245
Income and gains	815,998	744,583
Costs and losses	(760,539)	(713,926)
Net result	55,459	30,657

Of which were incorporated into the consolidation process the following amounts:

	2008	2007
Non-current assets	120,892	120,028
Current assets	75,020	73,974
Non-current liabilities	(8,734)	(7,143)
Current liabilities	(99,955)	(114,287)
Net assets	87,223	72,572
Income and gains	121,222	103,406
Costs and losses	(84,996)	(82,986)
Net result	36,226	20,420

The table below shows the contribution to the consolidated financial statements, including Goodwill allocated as well as the proportion of balances and transactions, included in the consolidation process and not eliminated.

	2008	2007
Non-current assets	200	170
Current assets	5,734	5,251
Non-current liabilities	(492)	(419)
Current liabilities	(3,960)	(3,805)
Net assets	1,482	1,197
Income and gains	7,086	7,278
Costs and losses	(6,449)	(6,816)
Net result	637	462

In applying the equity method there were no problems in harmonizing the accounting policies of the associate.

36 Events after the balance sheet date

By the closing of this report, there are no relevant events that should be mentioned.

Lisbon, 5th March 2009

The Certified Accountant

The Board of Directors

Statement of conformity

Dear Shareholders,

Within the terms of paragraph c) of article 245 of the Portuguese Securities Code, we hereby inform you that to the best of our knowledge:

(i) the information contained in the management report is a faithful statement of the evolution of the businesses, of the performance and of the position of Jerónimo Martins, SGPS, S.A. and the companies included within the consolidation perimeter, and contains a description of the main risks and uncertainties which they face; and

(ii) the information contained in the individual and consolidated financial statements, as well as their annexes, was produced in compliance with the applicable accounting standards and gives a true and appropriate image of the assets and liabilities, the financial situation and the results of Jerónimo Martins, SGPS, S.A. and the companies included in the consolidation perimeter.

Lisbon, 5th March 2009

Elísio Alexandre Soares dos Santos
(President of the Board of Directors)

Luís Maria Viana Palha da Silva
(President of the Executive Committee in charge of financial matters)

Pedro Manuel de Castro Soares dos Santos
(Member of the Executive Committee - Responsible for Food Distribution Operations)

José Manuel da Silveira e Castro Soares dos Santos
(Member of the Executive Committee - Responsible for Manufacturing Operations and Representation and Marketing Services)

António Mendo Castel-Branco Borges
(Non-Executive Member)

Hans Eggerstedt
(Non-Executive Member)

Rui de Medeiros d'Espiney Patrício
(Non-Executive Member)

Artur Eduardo Brochado dos Santos Silva
(Non-Executive Member)

Nicolaas Pronk
(Non-Executive Member)

Report of the Auditors for Statutory and Stock Exchange Regulatory Purposes in respect of the Consolidated Financial Information

(Free translation from the original version in Portuguese)

Introduction

1 As required by law, we present the Report of the Statutory Auditors for Stock Exchange Regulatory Purposes in respect of the Consolidated Financial Information included in the consolidated Directors' Report and the consolidated financial statements of Jerónimo Martins, SGPS, SA., comprising the consolidated balance sheet as at 31 December 2008, (which shows total assets of Euros 3.726.565 thousand and a total of shareholder's equity of Euros 931.125 thousand, including a total of minority interests of Euros 281.307 thousand and a net profit of Euros 163.216 thousand), the consolidated statements of income by functions, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and the corresponding notes to the accounts.

Responsibilities

2 It is the responsibility of the Company's Board of Directors (i) to prepare the consolidated Directors' Report and consolidated financial statements which present fairly, in all material respects, the financial position of the company and its subsidiaries, the consolidated changes in equity, the consolidated results of their operations and their cash flows; (ii) to prepare the historic financial information in accordance with International Financial Reporting Standards as adopted by the EU while also meeting the principles of completeness, truthfulness, accuracy, clarity, objectivity and lawfulness, as required by the Portuguese Securities Market Code; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain adequate systems of internal accounting controls; and (v) the disclosure of any relevant matters which have influenced the activity, the financial position or results of the company and its subsidiaries.

3 Our responsibility is to verify the consolidated financial information included in the documents referred to above, particularly as to whether it is complete, truthful, accurate, clear, objective and lawful, as required by the Portuguese Securities Market Code, for the purpose of expressing an independent and professional opinion on that financial information, based on our audit.

Jerónimo Martins, SGPS, SA.
6 March 2009

Scope

4 We conducted our audit in accordance with the Standards and Technical Recommendations approved by the Institute of Statutory Auditors which require that we plan and perform the examination to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. Accordingly, our examination included: (i) verification that the subsidiary's financial statements have been examined and for the cases where such an examination was not carried out, verification, on a test basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements, and assessing the reasonableness of the estimates, based on the judgements and criteria of Management used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations and the utilization of the equity method; (iii) assessing the appropriateness and consistency of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; (v) assessing the overall presentation of the consolidated financial statements; and (vi) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the financial information.

5 Our audit also covered the Consolidated Directors' Report, having included the verification of its conformity with the financial information disclosed.

6 We believe that our examination provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the consolidated financial statements referred to above, present fairly in all material respects, the consolidated financial position of Jerónimo Martins, SGPS, SA. as at 31 December 2008, the consolidated changes in equity, the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and duly comply with principles of completeness, truthfulness, accuracy, clarity, objectivity and lawfulness.

Lisbon, 6 March 2009

PricewaterhouseCoopers & Associados, S.R.O.C., Lda.
represented by:

Jorge Manuel Santos Costa, R.O.C.

Report and Opinion of the Audit Committee

Dear Shareholders,

In accordance with the paragraph g) of article 423-F of the Commercial Companies Code, we herewith present our report on our supervisory activity and our opinion on the Jerónimo Martins, SGPS, S.A. report and consolidated accounts for the year ending 31 December 2008, as well as on the proposals presented by the Board of Directors.

This committee met four times during 2008 and carried out its duties on:

- i) the management of the Company, both on its compliance with the law and with the Company Articles of Association;
- ii) the effectiveness of the risk managements systems, the internal control system and the internal and the external audit system; and
- iii) the preparation and disclosure of financial information as well as the review of the accuracy of the accounting documentation, accounting policies and valuation methods used by the Company, in order to ensure that these correspond to a correct evaluation of the equity and its results.

For this purpose, we have met with the heads of all departments we deemed necessary to clarify all matters within the scope of the Committee's functions. In particular, we have met with the heads of Internal Audit, the functional directors of Corporate Support and the Executive Committee from whom we received all the information deemed necessary.

We also met with the external auditor to monitor its work, as well as the conclusions reached.

Within the scope of the competence conferred upon us, we have found that:

- i) The consolidated management report shows a correct, clear and complete view of the most significant aspects of the evolution of the businesses and the position of the Company and its subsidiaries, and all existing risks, both operational and financial, are duly presented; and
- ii) the consolidated financial statements and respective annex give a true and fair view of the Company and its subsidiaries financial situation.

The Audit Committee having also as a function, established in its Internal Regulation, of assessing the Company's corporate structure and

governance, 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 from the theoretical and practical points of view.

Therefore, taking into account the information received from the Board of Directors, the Company personnel and the conclusions outlined in the Report of the Auditors for Statutory and Stock Exchange Regulatory Purposes in Respect of the Consolidated Financial Information, we are of the opinion that:

- i) The Consolidated Management Report should be approved;
- ii) The Consolidated Financial Statements should be approved; and
- iii) The Board of Directors' results appropriation proposal should be approved.

Lisbon, 5th March 2009

Hans Eggerstedt
(President of the Audit Committee)

António Mendo Castel-Branco Borges
(Vogal)

Rui de Medeiros d'Espiney Patrício
(Vogal)

VI. Individual Financial Statements

Jerónimo Martins, SGPS, S.A.

Public Company

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

Share Capital: Eur 629.293.220,00

Rua Tierno Galvan, Torre 3, 9º, Letra J

1099 – 008 LISBOA

JERÓNIMO MARTINS, SGPS, S.A.**PUBLIC COMPANY****MANAGEMENT REPORT****Financial year 2008**

As a manager of equity holdings, Jerónimo Martins has a portfolio of investments characterized by a strong presence in food retail in Portugal mainland (Pingo Doce, Feira Nova and Recheio), Madeira Island (Pingo Doce e Recheio) and in Poland (Biedronka), in the industrial sector, where it maintains a long-standing partnership with Unilever (Fima, Bestfoods, Lever and Olá), in the specialized retail (where Hussen, Olá and Jerónimo stand out) and in the marketing and distribution services (JMD).

As the Group's holding company, JMH co-ordinates and provides consultancy services to its subsidiaries, where the functional areas of support to the Group, range from administration to institutional relations, development and strategy, planning and control, legal and fiscal affairs, risk control, internal audit, human resources, financial operations, consolidation and accounting, security and communication. Services provided reached 12.3 million euros.

1. The Group's operational performance in Portugal**Pingo Doce**

For Pingo Doce, 2008 was the culmination of a process of change and was marked by three main projects, as follows: i) the merger of Pingo Doce/Feira Nova, organisational structure and compact stores conversion, ii) the acquisition of the former Plus stores and iii) the launch of the new identity, which resulted in the consolidation of the Company's market position and its competitive advantages.

Pingo Doce, in 2008, reached a LFL sales growth of 11.2%, two thirds of which reflect a growth in volumes.

Pingo Doce sales (excluding converted compact stores) increased, in 2008, 23.7% against the previous year, fuelled by the LFL sales but also by the implementation of the expansion plan with opening of 17 new stores during the year and the integration of the 77 former Plus stores.

Feira Nova

In 2008, the Group's nine hypermarkets, operating under Feira Nova brand, achieved total sales of 365.6 million euros, which is 3.7% down on the previous year. This fall in sales occurred chiefly in the last four months of the year, resulting from the deterioration of the economic environment and a decline in consumer confidence.

Despite feeling the effects of this situation, particularly in the sales evolution of the non-food business, the performance of the Hypermarkets in terms of their contribution towards the earnings for the year, was quite positive.

Recheio

Recheio total sales increased 4.5% in 2008, towards previous year homogenous period, reflecting, besides LFL growth, the integration of a new store acquired in November 2008.

Facing a market undergoing major change due to pressure in today's retail market, Recheio maintained a marked leadership position not only in the traditional market, but also in the HoReCa channel.

In 2008, Recheio maintained its operational cash flow margin, which totalled around 40 million euros, a growth of around 5.1% on 2007, values that are above the average for the sector.

Madeira

In 2008, for the fourth year in a row, continuous, **Pingo Doce in Madeira** presented a real price deflation. Pingo Doce's Perishables line, strategically identified as destination categories for which the Pingo Doce brand is well renowned for quality, continued to increase their weight in the Company's sales, now representing 54.1% of the total sales. At the same time, the Private Brand products increased their share from 28.7% to 31.7%, with an increase of 9.9% in the sales of this type of article against 2007.

2008 was also noted for the opening of four retail units by competitors, which brought greater competition and customer sharing in the region. Even so, Pingo Doce Madeira managed to practically maintain the same level of sales as the previous year, closing 2008 with 93.8 million euros sales.

In 2008, **Recheio in Madeira** posted an excellent sales performance, closing the year with a 19.8% growth, reaching 34.5 million euros. Thus Recheio consolidated its leadership in the segment and successfully took advantage of the investments carried out the previous year, which involved remodelling and certifying its store and establishing the basis of the business for future years, hence providing strong service for the hotel and restaurant sector.

JMD and specialized retail

In **Marketing, Representation and Restaurants**, during the year sales grew 7.8%, accelerating significantly in the last months of the year, mainly reflecting the entry of three new represented brands during 2008, and the opening of eight new stores.

Marketing and Representation Services

For the Food Division, as the Company's main area, 2008 was a very important year with the launch of two new represented brands: Truly and Sunquick, in the confectionary and concentrated juice areas, and the launch of another Private Brand, "Malaki", a frozen wild shrimp.

All the brands represented by JMD, showed considerable growth during 2008, except Canderel, due to the continued growth and considerable weight of the Private Brands in this segment of the market.

Hussel

Hussel sales, in 2008, posted a 7.8% growth, helped by the very positive evolution of the average purchase value, as well as the Company's investment plan, which involved the opening of two stores and the implementation of a remodelling programme covering another four. Hussel ended 2008 operating a total of 23 stores.

Industry

In **Manufacturing**, sales grew 3.1% in 2008, even considering the impact of the adjustment of pricing policies on the volumes of some categories. Also contributing to this performance was the strong response from the Company's production units in supplying Unilever units in other regions. Unilever Jerónimo Martins continued to be equally attentive in its defence of its market share in key categories.

2. The Group's operational performance in Poland

Biedronka's strategy, focused on quality at every day low prices, operating efficiency, and proximity to the consumer through an aggressive expansion policy, proved to be the most appropriate for the reality of the market and for the strengthening and competitiveness of the Company as the food retail leader in Poland.

The reinforcement of Biedronka's strategic positioning led to growth in like for like sales of 20.2%, which together with the organic expansion of 154 new stores, the closure or replacement of 33, and the acquisition of 205 Plus stores, resulted in a total sales growth in local currency, of 37.3% compared to the previous year.

In the fourth quarter, the slow down in the LFL growth of Biedronka sales – which reached 11.7% - reflects the very significant slow down of inflation over the last two months of the year, with growth in volumes and market share similar to the ones registered during the first nine months of the year. Biedronka ended the year with 1,359 stores.

3. Perspectives for 2009

In the current macroeconomic environment, Jerónimo Martins will continue to pursue its growth strategy with a financially prudent approach to protect the solidity of its balance sheet and the profitability of its assets.

Pingo Doce has three main priorities for 2009. First and foremost, the Company will continue with its differentiation strategy to deliver like for like growth at values above those registered in the market, and in this way, strengthening its relative position. And in this context, the new business projects recently launched play an important role.

On the other hand, the consolidation of the integration processes of the stores purchased from Tengelmann in 2008, and the Feira Nova stores with less than 2,500 square metres under the Pingo Doce banner, should reinforce the Company's capacity to grow in terms of turnover and profitability.

Finally, the investment in expansion and in the development of new projects should be very selective in order to protect the cash flow generated by the Company. During the year, investment will be channelled towards the opening of five to ten new stores, and to remodelling 20 former Plus stores.

The priority of **Recheio** continues to be the sustained growth in the supply of the HoReCa channel and the maintenance of a leadership position in the supply of the Traditional Retail.

In 2009, Recheio will pursue its strategic goal of being the most competitive and well-prepared company in Portugal supplying the HoReCa channel.

For 2009, one of **Pingo Doce's** main challenges in **Madeira** is to regain its sustainable sales growth and earnings, mainly through logistic and commercial improvements and in the stores' operation.

Recheio in Madeira will maintain its strategy focused essentially on the HoReCa market, for which it offers suitable services and solutions.

In the **Industrial** area, investment in leading market brands, both in terms of price as well as innovation, continues to be a major priority for the business. The restructuring process that led to the creation of a single Company and to portfolio rationalisation, eliminating brands with little leadership potential, should allow the Company to continue to protect the profitability of its assets and reinforce the market share of the brands currently comprising its portfolio.

Jerónimo Martins Distribuição continues to attempt to provide sustainability for its portfolio of represented brands, while **Jerónimo Martins Restauração e Serviços** continues to study business opportunities in the Food Service sector, and to strengthen its growth plan in this area.

In 2009, innovation, within the context of **Hussel's** business model, will continue to be the key theme of the brand's strategy, which hopes to open another two stores in the Portuguese market.

Jerónimo Martins will continue to invest in organic growth and in reinforcing its position of leadership in food retail in Poland, continuing the pace of organic expansion registered in recent years. In 2009, **Biedronka** plans to open 150 new stores and refurbish 80 to 100 stores.

Once again, Jerónimo Martins forecasts another very demanding year, characterised by an unfavourable environment which is also surrounded by uncertainty. However, the Group continues to take on ambitious objectives, being confident in its robust portfolio and in its management capacity to face more demanding environments.

The Group's business activities are analysed in further detail in the Consolidated Management Report that accompanies the 2008 Consolidated Financial Statements.

4. Company's performance as a Holding of investments

The company as the Holding and manager of company holdings presented, in 2008, operating results of -1,1 million euros, which represents a decrease of 1,1 million euros towards 2007. This decrease is due to the increase of costs with studies about other markets, as well as exceptional operating results in the amount of 0,6 million euros occurred in 2007, which did not recur in 2008.

The loans to Group companies and Joint-Ventures decreased in net terms 2.2 million euros. Additionally, JMH received dividends and interests from its subsidiaries in the amount of 99.8 million euros. These facts conducted to a reduction of the financial debt of 26.0 million euros, to 111.6 million euros (137.6 million euros in 2007).

The net financial costs decreased 1.9 million euros in relation to 2007, totalling the amount of 13.6 million euros. This reduction is due essentially to the financial debt decrease and less adverse exchange rate variations on the Zloty debt, towards 2007.

The reimbursement of the 40 million bond loan, contracted in 2003, as well as the 100 million Zlotys (polish currency) Commercial Paper Programme, was anticipated. On the other hand, several bank loans, Commercial Paper Programs, were contracted amounting, by the end of 2008, 85 million euros.

5. Risk Management

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

5.1 Financial Risks

JMH is exposed to various financial risks, namely: Market risk (which includes exchange rate risk, interest rate risk and price risk), liquidity risk and credit risk.

Risk management focuses on the unpredictability of the financial markets, and seeks to minimise its adverse effects on the Company's financial performance. For certain types of exposure, risks are hedged with financial derivative instruments.

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

a) Market Risk

Foreign Exchange Risk

JMH main source of exposure to foreign exchange risk comes from a loan granted, in 2008, to a polish subsidiary, in the amount of 10.65 million Zlotys (polish currency). At December 31st 2008, the impact on JMH results, of an adverse variation of the EUR/PLN exchange rate in the order of 10%, through the foreign exchange revaluation of its Zlotys loan, would be of negative 75 thousand euros.

Price Risk

Because of its investment in Banco Comercial Português, Jerónimo Martins is exposed to equity price risk. At December 31st, 2008, a negative 10% variation in the trading price of BCP shares would have a negative effect of 159 thousand euros. On December 31st, 2007, a variation of the same magnitude would have a negative impact of 438 thousand euros.

b) Interest Rate Risk (Cash Flow and Fair Value)

As at 31 December 2008, Jerónimo Martins had some investments in securities, issued by the Portuguese (10 million euros) and German Treasuries (20 million euros), in its portfolio.

These positions resulted from application of funds raised with the intent of satisfying short-term cash obligations. However, the main source of exposure to interest rate risk comes from the liability side.

All financial liabilities are directly or indirectly indexed to a reference interest rate which exposes Jerónimo Martins to cash flow risk. Given a portion of this risk is hedged through fixed interest rate swaps, Jerónimo Martins is also exposed to fair value risk.

Exposure to interest rate risk is monitored dynamically. In addition to evaluating future cash flows based on forward rates, sensitivity tests to variations in interest rate levels are performed.

c) 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.

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-".

The following table shows a summary of the quality of the deposits, short-term investments and derivative financial instruments with positive fair value, as at December 31st 2008, and 2007:

Rating	(thousand euros)	
	Financial Institutions	
	31 Dec 2008	31 Dec 2007
	Balance	Balance
AAA	20.892	-
AA-	10.823	-
A	15.493	-
A-1	-	4.472
A-1+	-	605
Others	62	4
Total	47.270	5.081

The ratings shown correspond to the notations given by Standard and Poor's ("AAA", "AA-" e "A" for 2008 and "A-1" and "A-1+").

The maximum exposure to credit risk, at December 31st 2008 and 2007, is the financial assets accounting value.

d) Liquidity Risk

Liquidity risk is managed by maintaining an adequate level of cash or equivalents, as well as by negotiating credit facilities that not only allow the regular development of JMH activities, but also ensuring some flexibility to be able to absorb shocks unrelated to its activities.

To manage this risk, JMH uses, for example, credit derivatives in order to manage the impact of widening credit spreads that are the result of impacts beyond the control of JMH. Treasury needs are managed based on short-term planning (executed on a daily basis) which derives from the annual plans which are reviewed at least twice a year.

The following table shows JMH's liabilities by intervals of contractual residual maturity. The amounts shown in the table are the non-discounted contractual cash flow. In addition, it should be noted that all the derivative financial instruments that Jerónimo Martins contracts are settled at net value.

		(thousand euros)		
		Exposure to liquidity risk		
	2008	Less than 1 year	1 to 5 years	+ 5 years
Borrowings				
Financial Leasing		9	5	-
Loans		63,946	113,324	-
Derivative Financial Instruments		550	2,255	-
Creditors		594	-	-
Operational Lease Liabilities		276	154	-
	2007			
Borrowings				
Financial Leasing		10	8	-
Loans		8,026	155,853	-
Derivative Financial Instruments		83	521	-
Creditors		456	-	-
Operational Lease Liabilities		325	330	-

6. Information on environmental matters

There are no environmental matters likely to affect the company's financial performance and situation, or its future development.

7. Results Appropriation Proposal

In the financial year 2008, Jerónimo Martins, SGPS, S.A. declared consolidated profits of EUR 163,215,958 euros and a profit in the individual accounts of 26,991,547.53 euros.

The Board of Directors proposes that the net profits be applied in the following manner:

- Legal Reserve EUR 1,349,577.38
- Free Reserves EUR 25,641,970.15

In accordance with the policy of dividend distribution announced several years ago, the Board of Directors proposes to the stockholders the distribution of the amount of 69,127,764.20 euros, which corresponds to 42.4% of the consolidated net profit, by using the free reserves available for distribution.

This proposal represents a **gross dividend payment of 0.11 euros per share**, excluding own shares in the portfolio.

Statements for legal purposes

Under the Law, the Board of Directors is required to provide the following information:

- a) In addition to the facts referred above, and those that, in greater detail, are given in the Report that accompanies the Group's Consolidated Financial Statements for 2008, no other situation has come to the Board of Director's knowledge after the end of the year whose relevance warrants a special mention;
- b) Under the terms of Article 21 of Decree-Law n° 411/91, from 17 October, there are no debts for arrears of payments to the Social Security;
- c) Under the terms of the paragraph 2, article 324 of the Portuguese Commercial Companies Code, there were no purchases or sales of Own Shares, and therefore the number of Own Shares held at the end of 2008 was the same as on 31 December 2007: 859,000 Own Shares;
- d) The information regarding subsequent events, stakes held in the company by members of the board of directors and statutory auditor and the list of shareholders with qualifying stakes, can be found in the consolidated Management Report.

Lisbon, 5 March 2009

The board of Directors

INCOME STATEMENT BY FUNCTIONS

FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

Euro thousand

	Notes	2008	2007
Services rendered		12,263	11,900
Cost of the services rendered		(8,981)	(8,715)
Gross profit		3,282	3,185
Other operating revenues		152	132
Administrative costs		(2,636)	(2,534)
Other operating costs		(1,940)	(1,407)
Exceptional operating profits/losses	9	-	623
Operating profit		(1,142)	(1)
Net financial costs	4	(13,600)	(15,465)
Profit/loss in subsidiaries and associated companies	7	47,199	77,173
Profit/loss in other investments	8	(2,116)	18,057
Profit/loss before taxes		30,341	79,764
Income taxes	6	(3,349)	1,850
Net profit/loss		26,992	81,614
Basic earnings per share – Euros	21	0.043	0.130
Diluted earnings per share – Euros	21	0.043	0.130

To be read with the attached notes to the Individual Financial Statements

The Certified Accountant

Board of Directors

BALANCE SHEET AT 31 DECEMBER 2008 AND 2007

Euro thousand

	Notes	2008	2007
Assets			
Tangible assets	10	459	170
Intangible assets	11	48	18
Investment properties	12	2,470	2,470
Investments in subsidiaries	13	207,098	259,628
Investments in joint-ventures	13	6,349	6,349
Loans to subsidiaries	14	589,722	595,695
Loans to joint-ventures	14	188,612	186,048
Available-for-sale financial investments	15	1,589	4,380
Derivative financial instruments	27	-	585
Deferred tax assets	16	5,640	8,570
Total non-current assets		1,001,987	1,063,913
Taxes receivable	16	229	217
Loans to subsidiaries	14	101,378	100,121
Trade debtors, accrued income and deferred costs	17	6,798	7,114
Derivative financial instruments	27	-	347
Cash and cash equivalents	18	47,278	4,156
Total current assets		155,683	111,955
Total assets		1,157,670	1,175,868
Shareholders' equity and liabilities			
Share capital	20.1	629,293	629,293
Share premium	20.1	22,452	22,452
Own shares	20.2	(6,060)	(6,060)
Reserves	20.3	(480)	1,310
Retained earnings	20.4	335,532	368,870
Total shareholders' equity		980,737	1,015,865
Borrowings	22	100,005	137,835
Derivative financial instruments	27	2,773	3,561
Employee benefits	28	14,445	14,342
Deferred tax liabilities	16	250	299
Total non-current liabilities		117,473	156,037
Trade creditors and accrued costs	26	4,296	3,758
Borrowings	22	55,008	37
Taxes payable	16	156	171
Total current liabilities		59,460	3,966
Total Shareholders' equity and liabilities		1,157,670	1,175,868

To be read with the attached notes to the Individual Financial Statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Euro thousand
	Notes	Share Capital	Share Premium	Own shares	Reserves	Retained earnings	Shareholders' equity
Balance sheet at 1st January 2007		629,293	22,452	(6,060)	8,344	342,558	996,587
Fair value of available-for-sale financial investments					(6,991)		(6,991)
Fair value of cash flow hedgings							
- Gross amount	27				(59)		(59)
- Deferred tax	16				16		16
Gains/losses directly recognised in equity		-	-	-	(7,034)	-	(7,034)
Net profit in 2007						81,614	81,614
Total gains/losses recognised during the year		-	-	-	(7,034)	81,614	74,580
Dividend payment						(55,302)	(55,302)
Balance sheet at 31st December 2007		629,293	22,452	(6,060)	1,310	368,870	1,015,865
Fair value of available-for-sale financial investments	15				(1,216)		(1,216)
Fair value of cash flow hedgings							
- Gross amount	27				(780)		(780)
- Deferred tax	16				206		206
Gains/losses directly recognised in equity		-	-	-	(1,790)	-	(1,790)
Net profit in 2008						26,992	26,992
Total gains/losses recognised during the year		-	-	-	(1,790)	26,992	25,202
Dividend payment						(60,330)	(60,330)
Balance sheet at 31st December 2008		629,293	22,452	(6,060)	(480)	335,532	980,737

To be read with the attached notes to the Individual Financial Statements

CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

Euro thousand

	Notes	2008	2007
Operating Activities			
Cash received from Customers		15,394	14,465
Cash paid to Suppliers and Employees		(15,404)	(14,669)
Cash generated from operations	19	(10)	(204)
Interest and other similar costs paid	4	(17,017)	(10,471)
Income taxes paid		(256)	(179)
Cash Flow from operating activities		(17,283)	(10,854)
Investment activities			
Disposals of tangible assets	10	1	25
Disposals of available-for-sale financial investments		-	44,313
Reimbursement of loans and capital contributions from subsidiaries	14	44,136	282,685
Interest received	7	26,168	18,016
Dividends received	7	73,583	40,368
Acquisition of available-for-sale financial investments	15	(541)	(318)
Loans and capital contributions given to subsidiaries	14	(42,436)	(198,389)
Acquisition of tangible assets	10	(355)	(13)
Acquisition of intangible assets	11	(40)	(10)
Cash flow from investment activities		100,516	186,677
Financing activities			
Received from non-current loans	22	85,000	70,027
Interest and similar income received	4	2,718	65
Reimbursement of loans	22	(69,208)	(187,362)
Dividends paid		(60,330)	(55,302)
Cash Flow from financing activities		(41,820)	(172,572)
Net increase in cash and cash equivalents		41,413	3,251
Cash and cash equivalents changes			
Cash and cash equivalents at the beginning of the year		4,156	905
Changes in cash and cash equivalents		41,413	3,251
Effect of held for trade financial assets revaluation	18	1,709	-
Cash and cash equivalents at the end of the year	18	47,278	4,156

To be read with the attached notes to the Individual Financial Statements

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1. Activity

Jerónimo Martins, SGPS, S.A. (JMH) is the parent company of Jerónimo Martins Group (Group) and has its head office in Lisbon, Rua Tierno Galvan, Torre 3, Piso 9, Letra J, 1099-008 Lisboa. The activity of JMH results mostly in the management of investments in Group companies. JMH employs 58 people (56 in 2007).

Jerónimo Martins Group is essentially devoted to the production, distribution and sale of food and other fast moving consumer goods products. The Group operates in Portugal and Poland, and employs about 53,375 people (41,300 in 2007).

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

The Board of Directors approved these individual financial statements on 5th March 2009.

2. Accounting policies

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

2.1 Basis for preparation

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

The consolidated and individual financial statements of JMH were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The financial statements were prepared in accordance with the historical cost principle, except for investment property, derivative financial instruments, held for trade financial assets and available-for-sale financial investments referred in note 2.8, which were stated at their fair value (market value).

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. It is, however, firmly believed by the management that the estimates and assumptions adopted do not involve significant risks that may, over the course of the coming financial year, cause material adjustments in the value of the assets and liabilities (note 2.23).

The financial risk management, as defined in the IFRS 7 – Financial instruments: Disclosures, is detailed in the Management Report.

Change in Accounting Policy and Bases for Presentation

In 2008 came into force a set of interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), which have no significant impact on the financial statements, or are not applicable to the Company activities.

The IFRIC 11 – IFRS 2 – Group and Treasury Shares Transactions, provides guidance on the treatment of share-based transactions of the entity or involving group entities, this interpretation is not applicable to the Group, because there are no employee compensation plans based on JMH shares.

The IFRIC 12 – Service Concession Arrangements and IFRIC 13 – Customer Loyalty programmes, are not applicable to JMH activities.

IFRIC 14 – IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction. This interpretation clarifies a number of issues related to i) limitations to the reduction or refund of contributions; ii) the existence of minimum funding requirements can affect these contributions; and iii) where such requirements may lead to liabilities. This interpretation has no application to the Company, or existing plans are subject to minimum funding.

The new standard IFRS 8 – Operating Segments, establishes the principles for disclosure of information about operating segments of an entity as well as their products and services, its markets and its main costumers, and is mandatory from 1 January 2009. This standard replaces IAS 14 – Segment Reporting, and will not be significant in JMH individual accounts, since this information is reported only in the consolidated accounts.

The changes introduced to the IAS 23 – Borrowing costs, IFRS 2 – Share based Payments, IAS 1 – Presentation

of Financial Statements, IAS 32 – Financial Instruments – Presentation, IFRS 1 – First Time Adoption of IFRS, IAS 28 – Investments in Associates, IFRS 7 – Financial Instruments – Disclosure, IAS 36 – Impairment of Assets, IAS 38 – Intangible Assets, IAS 19 – Employee Benefits, IAS 16 – Property, Plant and Equipment, IAS 40 – Investment Property, IAS 31 – Interests in Joint Ventures, IAS 29 – Financial Reporting in Hyperinflationary Economies, IAS 41 – Agriculture, IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance and IAS 39 – Financial Instruments: Recognition and Measurement, are applicable starting 1 January 2009. These changes have a reduced impact on JMH financial statements, given the information currently disclosed, it was decided not to anticipate its application.

The changes to the IFRS 5 – Non-Current Assets Held-For-Sale and Discontinued Operations, effective from 1 July 2009, the interpretation IFRIC 15 – Agreements for Construction of Real Estates, effective from 1 January 2009 and the IFRIC 16 – Hedges of a Net Investment in a Foreign Operation, effective from 1 October 2008, had not yet been adopted by the European Union on 31 December 2008.

The changes introduced to the IAS 27 – Consolidated and Separate Financial Statements, requires the effects of all transactions with non-controlling interests to be recorded in equity, if there is no change in control and these transactions will no longer result in goodwill or gains and losses. Its adoption is mandatory for periods beginning after 1 July 2009.

Also the IFRS 3 – Business Combinations, was subject to significant changes, to emphasize the fact that all expenses incurred with the acquisitions should be recognised as costs of the exercise. Its application is mandatory for periods beginning after 1 July 2009. JMH will adopt these changes, and those made to IAS 27, only in the period of 2010.

2.2 Transactions in foreign currencies

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

On the balance sheet date, monetary assets and liabilities expressed in foreign currencies are translated at the exchange rate prevailing on that date and exchange differences arising from this conversion are recognised in the income statement.

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

	Rate on 31 December 2008
Polish Zloty (PLN)	€ 0.2408

2.3 Derivative financial instruments

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

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

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

Derivative financial instruments are recognised on the date they are negotiated (trade date), by their fair value. Subsequently, the fair value of derivative financial instruments is re-evaluated on a regular basis, and the gains or losses resulting from this re-evaluation are recorded directly into the results of the period, except in relation to hedge derivatives. Recognition of changes in the fair value of hedge instruments depends on the nature of the hedged risk and the type of hedge used.

2.4 Hedging operations

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

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

Interest rate risk (cash flow hedge)

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

The instruments that qualify as cash flow hedging instruments are booked at fair value on the Balance sheet, and to the degree that they are considered effective, changes to their fair value are initially booked against equity and afterwards reclassified as financial expenses.

If an hedging instrument is ineffective it is recognised directly in the profit and loss. This way, in net terms, all costs associated to the underlying exposure are carried at the interest rate of the hedging instruments.

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

2.5 Tangible assets

Tangible assets are recorded at acquisition cost, including all costs necessary to put them in use, net of accumulated depreciation and impairment losses.

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

Repairs and maintenance costs that do not extend the useful life of these assets are charged directly to the income statement during the financial period in which they are incurred.

Financial lease agreements

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

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

The depreciation of leased assets is based on the policy established by JMH for tangible assets.

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

Depreciation

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

	%
Buildings and other constructions	10
Tools	25
Transport equipment	25
Office equipment	10-25
Other tangible fixed assets	10

2.6 Intangible assets

Intangible assets are stated at acquisition cost net of accumulated amortisation and impairment losses.

Research and development expenditure

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

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

Computer software

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

Depreciation

Depreciations are recognized in the income statement on a linear basis over the estimated useful life of the intangible assets, except if that life is considered indefinite.

Depreciation is calculated by the straight-line method, on a duodecimal basis on acquisition cost.

The most important annual depreciation rates are as follows (in %):

	%
Development expenditure	20-33,33

2.7 Investments and loans to subsidiaries

Investments and loans to subsidiaries, associates and joint ventures are stated at cost. When so justified, provisions are set up for loss of value.

2.8 Financial assets

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

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

JMH classifies its financial assets into the following categories: financial investments held for trading, loans and

receivables and available-for-sale financial investments. The classification depends on the purpose for which the investments were acquired.

Financial investments held for trading (derivative financial instruments)

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

Loans and receivables

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

Available-for-sale financial investments

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

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

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

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

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

2.9 Investment Property

Investment property is registered at fair value, determined by specialised independent entities, with appropriate recognised professional qualification and experience in valuations of these kinds of assets.

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

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

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

Whenever, as a result of changes in their expected use, tangible assets are transferred to investment property, the transfer value corresponds to their carrying amount, which should correspond to the respective market value on the date of transfer.

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

2.10 Customers and debtors

Customers and debtor balances are initially recorded at fair value, being subsequently measured at amortised cost in accordance with the effective interest rate method, net of any provision for impairment losses.

2.11 Cash and cash equivalents

The cash and cash equivalents heading includes cash, deposits on hand and short-term investments with high liquidity. Bank overdrafts are presented as current Borrowings.

2.12 Impairment

2.12.1 Impairment of non financial assets

Except for investment property (note 2.9), and deferred tax assets (note 2.21), all other JMH assets are considered at each balance sheet date in order to assess for indicators of possible impairment losses. If such indication exists, the assets recoverable amount is estimated.

It is determined the recoverable amount of assets with indication of potential impairment loss. Whenever the carrying value of an asset, exceeds its recoverable amount, its value is reduced to the recoverable amount and the impairment loss recognised in the income statement.

Determining the recoverable amount of assets

The recoverable amount of medium and long-term receivables corresponds to the present value of estimated future cash inflows, using as discount rate the actual interest rate implicit in the original operation. For all other assets, the recoverable amount is the higher of net selling price and value in use.

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

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

Reversal of impairment losses

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

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

2.12.2 Impairment of financial assets

At each reporting date, JMH analyses if there is objective evidence that a financial asset or group of financial assets is impaired.

Available-for-sale financial investments

In the case of financial investments classified as available for sale, a prolonged or significant decline in the fair value of the instrument below its cost is considered to be an indicator that the instruments are impaired. If there is similar evidence for financial assets classified as available for sale, the accumulated loss – measured as the difference between the acquisition cost and the actual fair value, minus any impairment loss of the financial asset that has already been recognised in the results – is removed from equity and recognised in the profit and

loss. Impairment losses on capital instruments recognised as results will not be reversed through the income statement.

Clients, debtors and other financial assets

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

- (i) Analysis of breach;
- (ii) Breach for more than 3 months;
- (iii) Financial difficulties of the debtor;
- (iv) Probability of the debtor's bankruptcy.

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

Whenever receivable amounts from clients and other debtors that are overdue, are subject to renegotiation of its terms, ceased to be considered as overdue and are considered as new credits.

2.13 Share capital

Costs incurred with the issuance of new shares are recognised directly in reserves, net of respective taxes.

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

2.14 Dividends

Dividends are recognised as liabilities when they are declared.

2.15 Loans

Loans are initially recognised at fair value less the transaction costs that were incurred and are subsequently measured at the amortized cost. Any difference between the issued value (net of transaction costs incurred) and the nominal value is recognised in the profit for the period of the loans, in accordance with the effective interest rate method.

2.16 Employees benefit

2.16.1 Post-employment benefits (Retirement)

Defined contribution plans

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

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

Defined benefit plans

Defined benefit plans are pension plans where the company guarantees the attribution of a certain benefit to the employees included in the plan at the time such employees retire. JMH's obligation for defined benefit plans is estimated, for each plan separately, every semester at the accounts closing date by a specialised independent agent.

Actuarial valuation is made using the immediate rents method, having present that the plans includes retired ex-workers. The discount rate is the interest rate on medium and long-term risk-free bonds. The obligation thus determined is shown in the balance sheet net of plan assets.

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

2.16.2 Other Benefits

Seniority Awards

The program of seniority awards existing in JMH, comprises a component of defined contribution and a defined benefit.

The defined contribution component, consists of the attribution of a life insurance and a contribution to a supplementary retirement plan, to the employees covered by this program, starting from a specific number of years of service. The costs related to this component are recognized in the year to which they relate.

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

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

2.17 Provisions

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

Restructuring provision

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

2.18 Suppliers and other creditors

Suppliers and other creditors' balances are stated initially at the fair value and subsequently at the amortised cost accordingly with the effective interest rate method.

2.19 Recognition of revenue

Services rendered

Revenues from the services rendered are recognised as income in accordance with their stage of completion as of the balance sheet date.

Dividends

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

2.20 Costs

Operational Leasing

Payments made for operational leasing contracts are recognised in the income statement on a linear basis for the duration of same contracts.

Net financial costs

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

2.21 Income tax

Income tax includes current and deferred taxes. Income tax is recognised in the income statement except when relating to gains or losses directly recognised in equity, in which case it is also stated directly in equity.

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

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

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

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

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

2.22 Segment information

No segment information has been provided in these individual financial statements. Detailed information is presented in the Group consolidated financial statements.

2.23 Critical accounting estimates and judgments

Tangible and intangible assets and investment properties

Determining the fair value of tangible assets and investment properties, as well as the useful life of assets, is based on management estimates. Determining impairment losses of these assets also involves the use of estimates. The recoverable amount and the fair value of these assets are normally determined using the discounted cash flow method, which incorporates market assumptions. Identifying indicators of impairment, as well as estimating future cash flows and determining the fair value of assets, requires significant judgment by Management in validating indicators of impairment, expected cash flows, applicable discount rates, estimated useful life and residual values. If these assumptions do not materialise as Management estimates, JMH operating results may be impacted, and consequently registering impairments may be affected.

Fair value of financial instruments

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

Impairment of investments in associated companies

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

Deferred taxes

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

Provisions for impairment losses of clients and debtors

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

Pensions and other long-term benefits granted to employees

Determining responsibilities for pension payments requires the use of assumptions and estimates, including actuarial projections, estimated profit from investments and other factors that may impact the costs and responsibilities of the pension plan. Changes to these assumptions may have a significant impact on the values determined.

Provisions

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

2.24 Fair value of financial instruments

To determine the fair value of a financial asset or liability, if such a market exists, the market price is applied. Otherwise, which is the case of some financial assets and liabilities, evaluation techniques that are generally accepted, in the market, are used, based on market assumptions.

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

In case of more complex derivatives, advanced valuation models are used, these models includes assumptions and data that are not directly observable in the market, for which JMH uses estimates and internal assumptions.

Cash and cash equivalents, debtors and accruals and deferrals

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

Available for sale financial investments

Listed financial instruments are recognised in the balance sheet at its fair value.

Loans

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

Creditors, accruals and deferrals

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

2.25 Financial instruments by category

	Held for trade Derivatives	Derivatives defined as hedging instruments	Financial assets held for trade	Borrowings and accounts receivable	Available- for-sale financial investments	Other financial liabilities	Total assets and financial liabilities
2008							
ASSETS							
Cash and cash equivalents	-	-	31,709	15,569	-	-	47,278
Available-for-sale financial investments	-	-	-	-	1,589	-	1,589
Loans to subsidiaries	-	-	-	879,712	-	-	879,712
Debtors, accrued income and deferred costs	-	-	-	6,723	-	-	6,723
Derivative financial instruments	-	-	-	-	-	-	-
TOTAL ASSETS	-	-	31,709	902,004	1,589	-	935,302
LIABILITIES							
Borrowings	-	-	-	-	-	155,013	155,013
Derivative financial instruments	2,120	653	-	-	-	-	2,773
Creditors and accrued costs	-	-	-	-	-	2,909	2,909
TOTAL LIABILITIES	2,120	653	-	-	-	157,922	160,695
2007							
ASSETS							
Cash and cash equivalents	-	-	-	4,156	-	-	4,156
Available-for-sale financial investments	-	-	-	-	4,380	-	4,380
Loans to subsidiaries	-	-	-	881,864	-	-	881,864
Debtors, accrued income and deferred costs	-	-	-	7,026	-	-	7,026
Derivative financial instruments	805	127	-	-	-	-	932
TOTAL ASSETS	805	127	-	893,046	4,380	-	898,358
LIABILITIES							
Borrowings	-	-	-	-	-	137,872	137,872
Derivative financial instruments	3,561	-	-	-	-	-	3,561
Creditors and accrued costs	-	-	-	-	-	2,428	2,248
TOTAL LIABILITIES	3,561	-	-	-	-	140,300	143,861

3. Operating costs

The costs of services rendered correspond to the costs incurred by JMH in rendering a set of technical and specialized services to its subsidiaries. In this sense, the costs incurred, in each one of JMH cost centres, are charged to the companies in the percentage that each one has in the referred services rendering.

The administrative costs shown in the Income Statement include, among others, the percentage of the costs, incurred by each of the cost centres, which is not charged to the companies, as well as the non deductible VAT arising from the application of the effective allocation method.

Other operational costs and losses include, among others, the costs incurred with studies about other markets, as well as donations and sponsorships granted according with the Group Social Responsibility politics.

3.1 Staff costs

	2008	2007
Wages and salaries	4,735	4,439
Social security	458	419
Employee benefits (note 28)	1,027	539
Other staff costs	326	434
	6,546	5,831

Other staff costs include namely labour accident insurance, social action costs, training costs and indemnities, among others. The number of employees at the end of 2008 was 58 (2007 was 56). The company's average number of employees during the year was 57 (56 in 2007).

4. Net financial costs

	2008	2007
Interest expense	(7,375)	(10,806)
Fair value in financial instruments that do not qualify for hedge accounting		
- Derivative instruments (see note 27)	(5,839)	(1,344)
- Treasury bonds (see note 18)	1,709	-
Net foreign exchange	(1,805)	(2,984)
Other financial costs	(290)	(331)
Net financial costs	(13,600)	(15,465)

Interest expense includes the interest related with loans measured at amortised cost as well as, interest on derivatives of fair-value hedge and cash flow hedge (note 27).

Other financial costs include, namely, stamp tax and issuance costs related to non-current debt recognised in the income statement for the loan's term. Changes to fair value in financial instruments that do not qualify for hedge accounting are referred in note 27.

4.1 Fair value of financial instruments that do not qualify as hedge accounting recognised in the income statement

	2008	2007
Held for Trade derivatives		
Interest Rate Swap	(8,378)	(1,886)
Credit Default Swap	2,539	542
	(5,839)	(1,344)

5. Operating lease

The costs recognised in the income statement as operating leases are as follows:

	2008	2007
Buildings – Third parties	213	209
Buildings - Group	267	297
Vehicles – Third parties	311	265
IT equipment – Third parties	32	24
Total costs recognised in the income statement	823	795

The total costs with operating leases include EUR 9 thousand (2007: EUR 9 thousand) regarding occasional renting.

Vehicle and IT equipments lease contracts entered by JMH are treated as operating lease. These contracts do not include renewal or purchase option at termination date, nor any amount relating to contingent rents. All contracts may be cancelled by means of prior notice and do not provide any type of restrictions concerning dividends or debt.

The minimum lease payments related with vehicles and IT equipment lease are as follows:

	2008	2007
Payments in less than 1 year	276	325
Payments between 1 and 5 years	154	330
Payment in more than 5 years	-	-
Total future payments	430	655

As referred above, all the contracts may be cancelled upon the payment of a penalty clause. At the end of 2008, the liabilities arising from penalty clauses were EUR 148 thousand (2007: EUR 232 thousand).

6. Income tax recognised in the income statement

6.1 Current tax

	2008	2007
Current tax		
Current tax of the year	(221)	(51)
Adjustment to prior year estimation	(41)	(1)
	(262)	(52)
Deferred tax		
Temporary differences originated or reversed in the year	(3,087)	258
Change to the recoverable amount of tax losses and temporary differences from previous years	-	1,644
	(3,087)	1,902
Total income taxes	(3,349)	1,850

6.2 Reconciliation of the effective tax rate

	2008	2007
Profit/loss before taxes	30,341	79,764
Income tax using the Portuguese corporation tax rate – 27.5%	(8,040)	(21,137)
Non taxable or non recoverable results	19,530	21,620
Non-deductible expenses	(14,730)	(225)
Change to the recoverable amount of tax losses and temporary differences from previous years	-	1,644
Adjustment to prior year estimation	(41)	(1)
Results subject to special taxation	(68)	(51)
Income tax of the year	(3,349)	1,850
Effective tax rate	11.04 %	(2.32 %)

7. Profit/loss in subsidiaries and associated companies

	2008	2007
Dividends received	73,583	39,854
Interests in loans to subsidiaries and associated companies	26,146	18,288
Losses in the liquidation of subsidiaries and associated companies	-	(68)
Adjustments of acquisition cost of financial investments (note 25)	(52,530)	19,099
	47,199	77,173

8. Profit/loss in other investments

	2008	2007
BCP shares disposal	-	17,543
BCP dividends received	-	514
Adjustments of acquisition cost of financial investments (note 15)	(2,116)	-
	(2,116)	18,057

9. Exceptional operating profits/losses

	2008	2007
Capital increase paid fees reimbursement	-	623
	-	623

The reimbursement occurred in 2007 was due to the conclusion of a legal action won by JMH. There are still in process other legal actions that may outcome in a future refund to JMH of about EUR 1.815 thousand.

10. Tangible assets

10.1 Changes occurred during the year

Gross assets

	01/01/2008 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2008 Closing balance
Buildings and other constructions	130	113	-	-	243
Transport equipment	61	-	(7)	-	54
Tools and utensils	2	-	-	-	2
Office equipment	1,647	238	-	-	1,885
Other tangible assets	389	-	-	-	389
	2,229	351	(7)	-	2,573

Accumulated depreciation and impairment

	01/01/2008 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2008 Closing balance
Buildings and other constructions	72	21	-	-	93
Transport equipment	61	-	(7)	-	54
Tools and utensils	2	-	-	-	2
Office equipment	1,598	41	-	-	1,639
Other tangible assets	326	-	-	-	326
	2,059	62	(7)	-	2,114
Net book amount	170				459

10.2 Changes occurred in the previous year

Gross assets

	01/01/2007 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2007 Closing balance
Buildings and other constructions	130	-	-	-	130
Transport equipment	91	-	(30)	-	61
Tools and utensils	2	-	-	-	2
Office equipment	1,675	3	-	(31)	1,647
Other tangible assets	389	-	-	-	389
	2,287	3	(30)	(31)	2,229

Accumulated depreciation and impairment

	01/01/2007 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2007 Closing balance
Buildings and other constructions	59	13	-	-	72
Transport equipment	62	4	(5)	-	61
Tools and utensils	2	-	-	-	2
Office equipment	1,589	40	-	(31)	1,598
Other tangible assets	326	-	-	-	326
	2,038	57	(5)	(31)	2,059
Net book amount	249				170

10.3 Equipment under financial lease

JMH has some of its IT equipment under financial leases. These leases include a purchase option at the end of the contract and do not include any amount relating to contingent rents or any restriction of any nature concerning dividends or debt.

Unsettled liabilities on financial lease contracts are referred in note 22.5. The value of assets under financial lease is shown below:

	2008	2007
Administrative and IT Equipment		
Tangible assets	125	125
Accumulated depreciation	(120)	(114)
Net book amount	5	11

10.4 Guarantees

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

11. Intangible assets

Intangible assets are made up of research and development expenses and include expenses borne with the implementation of the SAP information system.

11.1 Changes occurred during the year

Gross Assets

	01/01/2008 Opening Balance	Increases	Disposals	Transfers and write-offs	31/12/2008 Closing Balance
Research and development expenses	269	40	-	-	309
	269	40	-	-	309

Accumulated depreciation and impairment

	01/01/2008 Opening Balance	Increases	Disposals	Transfers and write-offs	31/12/2008 Closing Balance
Research and development expenses	251	10	-	-	261
	251	10	-	-	261
Net book amount	18				48

11.2 Changes occurred in the previous year

Gross Assets

	01/01/2007 Opening Balance	Increases	Disposals	Transfers and write-offs	31/12/2007 Closing Balance
Research and development expenses	259	10	-	-	269
	259	10	-	-	269

Accumulated depreciation and impairment

	01/01/2007 Opening Balance	Increases	Disposals	Transfers and write-offs	31/12/2007 Closing Balance
Research and development expenses	248	3	-	-	251
	248	3	-	-	251
Net book amount	11				18

12. Investment property

JMH owns a building in Vila Franca de Xira (land and building), which is not allocated to the operational activity and which destination is yet unknown. This building was revaluated to its market value in 2003, according to an independent entity evaluation and, in 2008, no change occurred in its state or in current market circumstances.

	2008	2007
Opening balance	2,470	2,470
Changes to market value	-	-
Depreciation	-	-
Closing balance	2,470	2,470

13. Investments in subsidiaries and joint ventures

13.1 In subsidiaries

	2008	2007
Net value at 1 January	259,628	240,529
Increases	-	-
Decreases	-	-
Increases/Decreases in provisions for impairment loss (note 25)	(52,530)	19,099
Net value at 31 December	207,098	259,628

13.2 In joint ventures

The investment in joint ventures was EUR 6,349 thousand (2007: EUR 6,349 thousand). See note 35.

14. Loans

14.1 Loans to subsidiaries

Non-current loans	2008	2007
Net value at 1 January	595,695	719,375
Increases	33,240	150,080
Decreases	(39,213)	(273,685)
Increases/ (Decreases) in provisions for impairment loss	-	(75)
Net value at 31 December	589,722	595,695

Current loans	2008	2007
Net value at 1 January	100,121	82,661
Increases	6,180	26,460
Decreases	(4,923)	(9,000)
Net value at 31 December	101,378	100,121

Current loans are liable to interest rates at normal market levels. Non-current loans are granted as supplementary capital contributions (which do not bear interest), and as medium and long-term shareholders loans (remunerated at normal market rates).

14.2 Loans to joint ventures

Non-current loans	2008	2007
Net value at 1 January	186,048	164,199
Increases	3,016	21,849
Decreases	-	-
Foreign currency loans translation differences	(452)	-
Net value at 31 December	188,612	186,048

Non-current loans are granted as supplementary capital contributions (which do not bear interest), and medium and long term shareholders loans (remunerated at normal market rates).

15. Available-for-sale financial investments

	2008	2007
BCP shares	3,705	4,380
Fair value adjustment	(2,116)	-
	1,589	4,380

During the current year, following the capital increase occurred, 0.45 million BCP shares were bought for the amount of EUR 541 thousand.

As of 31 December 2008, all BCP shares in the company's portfolio (1.95 million shares) were marked to market – price as of 31 December 2008 of Euro 0.815 – Euronext Lisbon. Changes in the fair value of these assets are recognised directly in equity negative EUR 1,216 thousand (reversion of prior years adjustments until the acquisition cost limit) and income statement negative EUR 2,116 thousand (potential losses adjustments set up).

16. Taxes

16.1 Deferred tax assets and liabilities

Deferred taxes are presented in balance sheet as follows:

	2008	2007
Deferred tax assets	5,640	8,570
Deferred tax liabilities	(250)	(299)
	5,390	8,271

Movement in deferred taxes during the year:

	01/01/2008	Impact on results	Impact on equity	31/12/2008
Deferred tax liabilities				
Revaluation of assets	(260)	10	-	(250)
Fair value in derivative financial instruments	(39)	39	-	-
	(299)	49	-	(250)
Deferred tax assets				
Pension costs	3,801	27	-	3,828
Recoverable losses	4,023	(2,559)	-	1,464
Fair value in derivative financial instruments	746	(604)	206	348
	8,570	(3,136)	206	5,640
Net change in deferred tax	8,271	(3,087)	206	5,390

16.2 Unrecognised deferred taxes on tax losses

The company did not recognise deferred tax assets relative to tax losses in respect of which, with reasonable assurance, no sufficient tax profits are expected to guarantee the recovery of deferred tax assets.

Unrecognised deferred taxes on tax losses are as follow:

	2008	2007
Tax losses	47,436	61,933
Tax rate	25%	25%
Deferred tax assets (Unrecognised)	11,859	15,483

16.3 Taxes receivable and payable

	2008	2007
Taxes receivable		
Income tax receivable	209	215
VAT receivable	20	2
	229	217
Taxes payable		
VAT payable	-	1
Income tax withheld	94	88
Social security	49	44
Municipal real estate tax	13	38
	156	171

17. Trade debtors, accrued income and deferred costs

	2008	2007
Subsidiaries and associated companies	2,555	2,864
Receivables from suppliers	1	3
Staff	35	24
Other debtors	19	14
Accrued income	3,273	3,703
Deferred costs	915	506
	6,798	7,114

Amounts entered in subsidiaries and associated companies concern mainly to invoices issued to group companies relating to various natures services provided.

Accrued income respects namely to EUR 2,608 thousand regarding the rendering of technical and administrative services to subsidiaries and EUR 664 thousand of interest receivable.

Deferred costs heading includes EUR 272 thousand of prepaid expenses with bonds, bank loans and commercial paper, and EUR 75 thousand of other costs relating to future periods, paid in 2008 or when not paid, already charged by the competent entities.

18. Cash and cash equivalents

	2008	2007
Bank deposits	76	49
Short-term investments	47,194	4,100
Cash and cash equivalents	8	7
	47,278	4,156

In the 4th quarter, 2008, the company acquired EUR 30,000 thousand of Treasury Bonds, issued by the Portuguese and German Republics, which was used to temporary apply surplus of liquidity, and it was sold during February 2009. As they were financial assets held for trade, the Bonds were revaluated at their market value as of 31st December 2008, being this revaluation recognized in the income statement (EUR 1.709 thousand) - see note 4.

Note 27 provides additional information on the Company's exposure to interest rate risk.

19. Cash generated from operations

	2008	2007
Net results	26,992	81,614
Adjustments for:		
Taxes	3,349	(1,850)
Depreciations	72	60
Net financial costs	(86,117)	(43,179)
Profit / losses in subsidiaries	52,530	(19,024)
Profit / losses in available-for-sale financial investments	2,116	(17,543)
Profit / losses on tangible assets disposals	(1)	-
	(1,059)	78
Changes in working capital:		
Trade debtors, accrued income and deferred costs	1,073	(567)
Trade creditors, accrued costs and deferred income	(127)	603
Provisions and employee benefits	103	(318)
	(10)	(204)

20. Capital and reserves

20.1 Share capital and share premium account

The authorised share capital is represented by 629,293,220 ordinary shares (2007: 629,293,220), all with one euro par value.

The owners of ordinary shares have the right to receive dividends in accordance with the deliberations of the General Meeting, and have the right to 1 vote for each share owned. There are no preferential shares. Rights relating to shares held in portfolio by the company are suspended until they are placed on the market again.

During the year 2008, no changes occurred in the amount of EUR 22,452 thousand showed in share premium account in 2007.

20.2 Own shares

The reserve for own shares reflects the cost of shares held by the company in portfolio. As of 31 December 2008, the company held 859,000 own shares (2007: 859,000).

20.3 Reserves

	Cash Flow Hedging reserve	Available-for- sale financial instruments	Total
Balance as at 1 January 2007	137	8,207	8,344
Fair value of cash flow hedging instruments:			
- Gross value	(59)		(59)
- Deferred tax	16		16
Fair value adjustment of available-for-sale financial instruments		(6,991)	(6,991)
Balance as at 1 January 2008	94	1,216	1,310
Fair value of cash flow hedging instruments:			
- Gross value	(780)		(780)
- Deferred tax	206		206
Fair value adjustment of available-for-sale financial instruments		(1,216)	(1,216)
Balance as at 31 December 2008	(480)	-	(480)

These reserves are not able to be distributed to the shareholders.

20.4 Retained earnings

On 31st December 2008, the total amount of retained earnings was EUR 335,532 thousand, resulting from profit generated in the financial year, and previous years.

Of this amount, the following are not able to be distributed: EUR 39,122 thousand corresponding to the legal reserve (articles 218, 295 and 296 of the Legal Code for Commercial Companies); and EUR 6,060 thousand corresponding to the own shares reserve. (Article 324 of the Legal Code for Commercial Companies).

20.5 Dividends

In accordance with the dividend distribution policy announced several years ago and described in chapter 2.5 – Corporate Governance, which is an integral part of the consolidated annual report, the Board of Directors proposes to the shareholders the distribution of the amount 69,127,764.20 Euros, which corresponds to a dividend per share of EUR 0.11.

21. Earnings per share

21.1 Basic and diluted earnings per share

Basic earnings per share are calculated based on the net profit of EUR 26,992 thousand (2007: profit of EUR 81,614 thousand) attributable to ordinary shareholders and on weighted average outstanding ordinary shares, numbering 628,434,220 (2007: 628,434,220). The diluted earnings per share are equal to basic earnings per share as there are no dilution events.

	2008	2007
Ordinary shares issued at the beginning of year*	629,293,220	629,293,220
Own shares at the beginning of year*	859,000	859,000
Own shares acquired during the year	-	-
Ordinary shares issued during the year	-	-
Weighted average outstanding shares (equal to diluted)	628,434,220	628,434,220
Net profit of the year attributable to ordinary shareholders	26,992	81,614
Diluted net profit of the year attributable to ordinary shareholders	26,992	81,614
Earnings per share – Euros	0.043	0.130
Diluted earnings per share – Euros	0.043	0.130

22. Borrowings

This note provides information on the terms of loan contracts and other forms of financing. For further details regarding the company's exposure to interest rates see note 27.

22.1 Current and non-current loans

	2008	2007
Non-current loans		
Bank loans – Commercial Paper	30,000	-
Bank loans – Commercial Paper (Zloty - PLN)	-	27,828
Non-convertible Bond loans	70,000	110,000
Financial lease liabilities	5	7
	100,005	137,835
Current loans		
Bank loans – Commercial Paper	55,000	-
Bank overdrafts	-	27
Financial lease liabilities	8	10
	55,008	37

22.2 Loan terms and maturities

	Average rate	Total	Payable in less than 1 year	Payable between 1 and 5 years
Bank loans – Commercial Paper	4.82%	85,000	55,000	30,000
Non-convertible Bond loan: JM2011 e JM2012	5.24%	70,000	-	70,000
Financial lease liabilities	5.49%	13	8	5
		155,013	55,008	100,005

JMH uses, with other Group companies, Grouped credit lines, which means that, until the maximum amount approved by a financial entity, it can be used simultaneously by more than one company. Thus, the amount of credit lines, granted to JMH, which are not being used rise to EUR 53.000 thousand.

22.3 Bond loans

	2008	2007
Non-convertible Bond loan: JMH/03	-	40,000
Non-convertible Bond loan: JM2011 e JM2012	70,000	70,000
	70,000	110,000

Non-convertible bonds

In October 2003, the company issued a bond loan in the amount of EUR 40,000 thousand, with variable interest rate, with maturity in 2010. This bond loan was fully reimbursed in April 2008.

In September 2007, was issued a bond loan in the amount of EUR 70,000, with variable interest rate, and maturity of EUR 35,000 thousand in 2011 and EUR 35,000 thousand in 2012.

22.4 Bank loans: Commercial paper

There are several bank loans in the form of a commercial paper programme, in the global amount of EUR 225,000 thousand, with variable interest rate. In the end of 2008, of the total amount subscribed, only EUR 85,000 thousand were in use, with the following maturity:

Maturity	Amount
2009	55,000
2011	10,000
2012	20,000

Additionally, JMH subscribed a bank loan in the form of a commercial paper programme, in the amount of 100 million Zlotys (Polish currency), with maturity in 2010 and variable WIBOR interest rate (Polish interest rate). This programme was cancelled in 2008.

22.5 Financial lease liabilities

In December 31st, 2008, the responsibilities with financial leases are as follows:

	2008	2007
Payments in less than 1 year	9	10
Payments between 1 and 5 years	5	8
Total future payment	14	18
Payment of future interest	(1)	(1)
Present value of liabilities	13	17

23. Financial debt

	2008	2007
Non-current loans	100,005	137,835
Current loans	55,008	37
Derivative financial instruments	2,773	2,629
Accruals and deferrals (financial headings only)	1,050	1,198
Deposits on hand	(76)	(49)
Short-term investments	(47,194)	(4,100)
	111,566	137,550

24. Financial risks

JMH is exposed to several financial risks, namely: market risk (which includes interest rate and price risks), liquidity risk and credit risk. Risk management is focused in the unpredictable nature of the financial markets and tries to minimize its adverse effects in the company financial performance. The information regarding financial risks management is detailed in the Management Report.

25. Provisions and adjustments to the net realisable value

2008	Opening balance	Provisions set up	Provisions used	Closing balance
Investments in subsidiaries	217,109	52,530	-	269,639
Available for sale financial investments	-	2,116	-	2,116
Total adjustments to the net realisable value	217,109	54,646	-	271,755
Employee benefits	14,342	814	(711)	14,445
Total provisions	14,342	814	(711)	14,445

The adjustment set up on Investments in subsidiaries, in the amount of EUR 52.530 thousand, is related to the reduction in the fair value of a subsidiary, as a result of a dividend distribution. The adjustment on Available for sale investments is detailed in note 15.

2007	Opening balance	Provisions set up	Provisions used	Closing balance
Investments in subsidiaries	259,370	-	(42,261)	217,109
Loans to subsidiaries	26,267	75	(26,342)	-
Total adjustments to the net realisable value	285,637	75	(68,603)	217,109
Employee benefits	14,647	337	(642)	14,342
Other provisions	14	-	(14)	-
Total provisions	14,661	337	(656)	14,342

During 2007, considering the impossibility of identifying any official record of their existence, JMH proceeded with the write-off of its investments in Empal – Emp. Ind. de Produtos Alimentares, Lda. and Soc. Com. De Representações Socorel Lda., both with their head-office in Angola. Also in 2007, JMH proceeded with the liquidation of Jerónimo Martins Holdings (UK) Ltd, with its head-office in the United Kingdom, as well as with the disposal of its investment in Jerónimo Martins Finance Company (1) Ltd, with its head-office in Ireland.

All these investments were entirely provisioned (EUR 23,162 thousand). In 2007, was also an adjustment on the realizable value of a subsidiary which originated a reduction in the provisions amount of 19,099 thousand. In aggregated terms in 2007, the adjustments for financial investments realizable values, were reduced in EUR

42,261 thousand.

Additionally, as a result of the disposal of its investment in Jerónimo Martins Finance Company (1) Ltd, with its head-office in Ireland, the loans on the amount of EUR 26,342 thousand, which were totally provisioned, were also reduced.

26. Trade creditors and accrued costs

	2008	2007
Payables to subsidiaries	351	174
Other trade creditors	235	274
Other non-trade creditors	8	8
Accrued costs	3,702	3,302
	4,296	3,758

The heading accrued costs is made up of salaries and wages payable in the amount of EUR 1,387 thousand, and interest's payable in the amount of EUR 1,902 thousand. The remaining EUR 413 thousand respect to various costs (utilities, insurance, consultants, rents, etc.), relating to 2008 and not invoiced by the respective entities prior to the end of the year.

27. Derivative financial instruments

	Notional	2008				Notional	2007			
		Assets		Liabilities			Assets		Liabilities	
		Current	Non Current	Current	Non Current		Current	Non Current	Current	Non Current
Derivatives held for trading										
Interest rate swap	30 million EUR	-	-	-	2,120	80 million EUR	220	43	-	3,561
Credit default swap		-	-	-	-	100 million EUR	-	542	-	-
Cash flow hedge derivatives										
Interest rate swap	35 million EUR	-	-	-	653	10 million EUR	127	-	-	-
Total assets/liabilities negotiation derivatives		-	-	-	2,120		220	585	-	3.561
Total assets/liabilities hedge derivatives		-	-	-	653		127	-	-	-
Total assets/liabilities derivatives		-	-	-	2,773		347	585	-	3.561

In 2008 the values shown include interest receivable or payable related with these financial instruments that are due. The net payable amount is EUR 252 thousand (2007: EUR 186 thousand).

Derivatives held for trading

Interest rate swap

JMH enters into interest rate swaps with the intention of making an economic hedge of the interest rate risk on its future interest payments on the bond loans. At 31 December 2008, the total amount of loans was EUR 70,000 thousand (2007: EUR 110,000 thousand). Some of these swaps expired in 2008, the remaining were cancelled during the year. In this sense, in the end of 2008 JMH had no interest rate swaps contracted (the notional of the derivatives financial instruments was, in 2007, EUR 80,000 thousand).

The changes to the Fair Value of these instruments were recognised in the income statement, in the amount of negative EUR 6,258 thousand (2007: negative EUR 1,886 thousand).

In 2008, following the acquisition of EUR 30,000 thousand Treasury Bonds (see note 18), JMH entered into a interest rate swap (called "Asset Swaps") with a notional of EUR 30,000 thousand, to hedge the economic interest rate risk of bonds, while credit risk is not hedged. The fair value of these instruments was recognised in the income statement, in the amount of negative EUR 2,120 thousand, the liquid impact, considering the change in fair value of the hedged asset, was negative EUR 411 thousand.

Credit default swap

JMH contracted, in 2007, a credit default swap with the intention of minimizing the impact of the credit spreads increase resulting from exogenous effects to JMH. During 2008, this instrument was fully cancelled. The changes in fair value regarding this instrument were recognised in the income statement, in the amount of EUR 2,539 thousand (2007: EUR 542 thousand).

Cash flow hedge

JMH partially hedges future interest payments on the loans, using for that interest rate swaps, in which pays fixed interest rate and receives variable interest rate, with a notional of EUR 35,000 thousand (2007: EUR 10,000 thousand). This is a hedging of interest rate risk associated with variable-rate interest payments arising from recognised financial liabilities. The hedged risk is indexed to the variable rate associated with the loans. The objective of the hedge is to convert the loans with variable interest rate into fixed interest rate. The changes in fair value of these instruments were recognised in Other reserves in the amount of negative EUR 780 thousand (2007: EUR 59 thousand).

27.1 Impacts on Financial Statements

	2008	2007
Fair value of the financial instruments at 1st January	(2,629)	(1,012)
(Receivings) / Payments made	6,335	(335)
Fair value of financial instruments that do not qualify as hedge accounting (P&L)		
- Interest rate and credit derivative instruments	(3,719)	(1,344)
- Treasury bonds derivative instruments	(2,120)	-
Fair value of financial instruments that qualify as hedge accounting (Reserves)	(780)	(59)
Interest expense from financial instruments that qualify as hedge accounting (P&L)	140	121
Fair value of the financial instruments at 31st December	(2,773)	(2,629)

28. Employee benefits

Amounts of employee benefits in the balance sheet:

	2008	2007
Retirement benefits - defined benefit plan paid for by the group	14,316	14,342
Seniority awards	129	-
Total	14,445	14,342

Amounts reflected in the income statement – staff costs (note 3):

	2008	2007
Retirement benefits – defined contribution plan	213	202
Retirement benefits - defined benefit plan paid for by the group	610	337
Seniority awards	204	-
Total	1,027	539

28.1 Defined contribution plans for employees, with a third party managed fund

The company has a defined contribution plan for all employees who have permanent contract status, with a third party managed fund.

This kind of plan allows costs control related to the attribution of benefits, while simultaneously creates an incentive for the employees to participate in their own pension scheme.

Changes in the year:

	2008	2007
Liabilities at 1 January	-	-
Staff costs on the year	213	202
Contributions of the year	(213)	(202)
Liabilities at 31 December	-	-

28.2 Group managed defined benefit plans for former employees

Independent actuaries evaluate this plan 6-monthly. According to the actuarial calculation reported on 31 December 2008 the liability is EUR 14,316 thousand, provisioned entirely in liabilities in the employee benefits heading.

Changes in the year:

	2008	2007
Balance at 1 January	14,342	14,647
Interest costs	743	716
Actuarial (gains)/ losses	(133)	(379)
Retirement pensions paid in	(636)	(642)
Balance at 31 December	14,316	14,342

Actuarial assumptions used:

Mortality table	TV 88/90
Discount rate	6.0%
Pensions growth rate	3.0%

28.3 Other long-term benefits granted to employees

The Company has adopted, during 2008, an incentive program based on the attribution of awards to senior employees.

The program consists in the attribution of awards to senior employees when they reach 5, 10, 15 and 25 years of service. The responsibilities of the Group, regarding the seniority awards of 5 and 10 years, are defined contributions, and are recognised as costs in the year they are paid. As for the seniority awards of 15 and 25 years, as they are long-term defined benefits, at the expense of the company, the responsibilities are evaluated annually by an independent actuary. At the time of introduction of this program the past service liabilities amounted EUR 137 thousand.

According to the actuarial calculation reported as of 31 December, the liabilities amount to EUR 129 thousand, and are provisioned entirely, in liabilities, in the employee benefits heading.

Movement in the year:

	2008
Balance at 1 January	-
Past services costs	137
Current service costs	19
Actuarial (gains)/ losses	48
Bonus paid in	(75)
Balance at 31 December	129

Actuarial assumptions used:

Mortality table	TV 88/90
Discount rate	6.0%
Pensions growth rate	3.0%

29. Guarantees

The guarantees given to D.G.C.I. (Portuguese Tax Authority), amount to EUR 1.335 thousand.

	2008	2007
Guarantees for D.G.C.I. (Portuguese tax authorities)	1,385	1,335
Other guarantees provided	1,577	-
	2,962	1,335

30. Contingencies

- The Portuguese tax authorities have informed Jerónimo Martins, SGPS, S.A., that should restate the dividends received, amounting to EUR 6,498 thousand, from its subsidiary in the Madeira Free Zone in 2004, considering them as interest for tax purposes. According to the Portuguese tax authorities the said income should be subject to Corporate Income Tax (CIT) in opposition to the dividends received that are exempt. Jerónimo Martins' Management, supported by their tax consultants and legal advisors, consider that the report issued by the tax authorities does not have any legal basis or validity, and will use all the resources at its disposal to challenge it. Jerónimo Martins' Management believe that they are entirely right concerning this matter.
- The Portuguese tax authorities have claimed EUR 989 thousand from Jerónimo Martins in relation to the CIT for an indemnity paid by the Company due to an agreement reached in arbitration court, and which the Tax Authorities considered as dealing with a payment to an entity subject to a more favourable tax regime, and therefore not accepted for tax purposes. The Management of Jerónimo Martins, with the support of its tax and legal advisers, does not consider the report of the Tax Authorities to have legal basis or validity, and thus has already used all the resources at its disposal to challenge it.

31. Related parties

31.1 Benefits attributed to directors

Complementary retirement plans

At the Annual General 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.

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 General 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.

31.2 Remuneration paid to directors

The fixed, variable and contributions to the pension plans were:

	2008	2007
Executive directors	1,869	1,834
Non-executive directors	1,144	882
	3,013	2,716

The amount considered remuneration for non-executive Directors, in 2008, includes EUR 14 thousand relating to remuneration paid to non-Executive Directors taking part in the Auditing Commission (2007: EUR 12 thousand).

None of the Directors received any additional remuneration from any other Group company.

32. Subsidiaries, joint-ventures and available for sale investments

The direct investments owned by JMH, at 31 December 2008, are as follows:

Companies	Notes	Head Office	% Owned	Stake held directly	Total assets	Shareholder's Equity	Net profit /loss
<u>Investments in subsidiaries</u>							
Jerónimo Martins – Distrib. de Prod. de Consumo, Lda.	a)	Lisbon	99.99%	1,746	109,113	12,915	763
Recheio, SGPS, S.A.	a)	Lisbon	15.93%	23,888	685,795	459,202	2,654
Desimo – Desenvolvimento e Gestão Imobiliária, Lda.	a)	Lisbon	100.00%	50	558	103	(19)
JMR - Gestão de Empresas de Retalho, SGPS, SA	a)	Lisbon	51.00%	168,300	1,622,052	1,117,590	68,976
Comespa-Gestão de Espaços Comerciais, S.A.	a)	Lisbon	51.00%	26	16,440	189	63
Jerónimo Martins Serviços, S.A.	a)	Lisbon	100.00%	50	3,397	212	(340)
Servicompra – Consultores de Aprovisionamento, Lda	a)	Lisbon	96.00%	5	198,865	198,865	(2)
Imocash – Imobiliário de Distribuição, S.A.	a)	Lisbon	1.00%	30	64,221	8,438	460
Larantigo – Sociedade de Construções, S.A.	a)	Lisbon	0.20%	1	2,763	2,262	1,370
Hermes - Soc. de Invest. Mobiliários e Imobiliários, Lda.	a) b)	Funchal	99.99%	999	36,495	34,611	534
Eva – Soc. de Investimentos Mobiliários e Imobiliários, Lda	a)	Funchal	5.60%	28	72,024	72,022	967
PSQ – Soc. de Investimentos Mobiliários e Imobiliários, Lda	a)	Funchal	11.00%	55	46,399	46,398	(78)
Friedman – Soc. de Investim. Mobiliários e Imobiliários, Lda	a)	Funchal	100.00%	5	28	24	(3)
<u>Investments in joint-ventures</u>							
Unilever Jerónimo Martins, Lda.		Lisbon	32.50%	8,862	725,945	87,927	51,860
Bliska Sp. Z.o.o.	c)	Poland	50.00%	65	1,503	(1,940)	(1,439)
<u>Available-for-sale financial investments</u>							
BCP - Banco Comercial Português, S.A.	d)	Oporto	0.05%	1,950	88,166,161	4,899,255	618,646

a) For the purposes of the article 486, paragraph 3, of the Portuguese Commercial Companies Code, we declare that we hold the control of the companies indicated.

b) A value adjustment provision has been set up.

c) The amounts showed refer to the 2007 accounts. This company reports its accounts in polish Zloty (PLN). The amounts showed were converted at December 31st, 2007 exchange rate (0.27828).

d) The amounts showed refer to the 2007 accounts.

33. Group Companies and Joint-Ventures– Direct and indirect stakes

Table below describes the companies directly and indirectly held by Jerónimo Martins, SGPS, SA, as of 31 December 2008:

Group Companies

Companies	Head Office	% Owned
JMR – Gestão de Empresas de Retalho, SGPS, S.A.	Lisbon	51.00
Pingo Doce – Distribuição Alimentar, S.A.	Lisbon	51.00
Supertur – Imobiliária, Comércio e Turismo, S.A.	Lisbon	51.00
Feira Nova – Hipermercados, S.A.	Lisbon	51.00
Bazar Novo – Distribuição de Produtos Não Alimentares, Lda.	Lisbon	51.00
JMR - Prestação de Serviços para a Distribuição, S.A.	Lisbon	51.00
Imoretalho – Gestão de Imóveis, S.A.	Lisbon	51.00
Casal de São Pedro – Administração de Bens, S.A.	Lisbon	51.00
Jerónimo Martins Finance Company (2), Limited	Dublin (Ireland)	51.00
EVA – Sociedade de Investimentos Mobiliários e Imobiliários, Lda.	Funchal	51.00
Cunha & Branco – Distribuição Alimentar, S.A.	Lisbon	51.00
Electric Co – Distribuição de Produtos não Alimentares, Lda.	Lisbon	51.00
Jerónimo Martins Retail Services, S.A.	Klostern (Switzerland)	51.00
Comespa - Gestão de Espaços Comerciais, S.A.	Lisbon	51.00
Escola de Formação Jerónimo Martins, S.A.	Lisbon	51.00
Funchalgest- Sociedade Gestora de Participações Sociais, S.A.	Funchal	75.50
João Gomes Camacho, S.A.	Funchal	75.50
Lidosol II – Distribuição de Produtos Alimentares, S.A.	Funchal	75.50
Lidinvest – Gestão de Imóveis, S.A.	Funchal	75.50
Recheio, SGPS, S.A.	Lisbon	100.00
Recheio - Cash & Carry, S.A.	Lisbon	100.00
Imocash – Imobiliário de Distribuição, S.A.	Lisbon	100.00
Larantigo – Sociedade de Construções, S.A.	Lisbon	100.00
Masterchef, S.A.	Lisbon	100.00
SCGR - Comércio por Grosso e a Retalho, S.A.	Lisbon	100.00
PSQ – Sociedade de Investimentos Mobiliários e Imobiliários, Lda.	Funchal	100.00
Belegginmaatschappij Tand B.V.	Rotterdam (Holand)	100.00
Jerónimo Martins Dystrybucja S.A.	Kostrzyn (Poland)	100.00
PLUS Discount Sp. Z.o.o.	Poznan (Poland)	100.00
Optimum Mark Sp. Z.o.o.	Warszawa (Poland)	100.00
Jerónimo Martins – Distribuição de Produtos de Consumo, Lda.	Lisbon	100.00
Caterplus – Comercialização e Distribuição Produtos de Consumo, Lda.	Lisbon	49.00
Hussel Ibéria – Chocolates e Confeitaria, S.A.	Lisbon	51.00
PGJM – Importação e Distribuição de Perfumes e Cosméticos, S.A.	Lisbon	50.00
Jerónimo Martins – Restauração e Serviços, S.A.	Lisbon	100.00
Hermes – Sociedade Investimentos Mobiliários e Imobiliários, Lda.	Funchal	100.00
Friedman - Sociedade Investimentos Mobiliários e Imobiliários ,Lda.	Funchal	100.00
Desimo – Desenvolvimento e Gestão Imobiliária, Lda.	Lisbon	100.00
Jerónimo Martins – Serviços, S.A.	Lisbon	100.00
Servicompra – Consultores de Aprovisionamento, Lda.	Lisbon	100.00

Joint-ventures

Companies	Head Office	% Owned
Unilever Jerónimo Martins, Lda.	Lisbon	45.00
Fima - Produtos Alimentares, S.A.	Lisbon	45.00
Víctor Guedes – Indústria e Comércio, S.A.	Lisbon	45.00
Indústrias Lever Portuguesa, S.A.	Lisbon	45.00
Olá – Produção de Gelados e Outros Produtos Alimentares, S.A.	Lisbon	45.00
Bliska Sp. Z.o.o.	Warszawa (Poland)	50.00

34. Transactions with related parties

Note: transactions with related parties are always carried out at market prices.

34.1 Technical and administrative services provided

As the Group's holding company, Jerónimo Martins co-ordinates and provides consultancy services to its subsidiaries. The functional areas of support to the Group range from administration to institutional relations, development and strategy, planning and control, legal and fiscal affairs, risk control, internal audit, human resources, financial operations, consolidation and accounting, security and communication. In this sense, JMH is remunerated for those services.

Income from technical and administrative services provided during 2008 was EUR 8,976 thousand (2007: EUR 8,956 thousand).

34.2 Financial services

The Financial Operations Division of the holding centrally ensures part of the Jerónimo Martins Group companies' financial management.

This management includes acting on behalf of the companies in the negotiation and contracting with banks and other financial institutions, debt conditions and application of funds. The purpose of this centralized management is to obtain more favourable conditions for funding and applications than would be obtained if negotiated on an individual basis. This centralised management is remunerated, adding up in 2008 to the amount of EUR 2,888 thousand (2007: EUR 2,593 thousand).

This management includes also the centralised treasury, responsible for payments to suppliers, employees and other entities, as well as daily cash management. This management is also remunerated, adding up in 2008 to the amount of EUR 399 thousand (2007: EUR 351 thousand).

34.3 Lease of property

JMH develops its activity in premises rented to a subsidiary, which represented costs of EUR 267 thousand (2007: EUR 297 thousand).

34.4 Supplementary income

JMH makes an annual debit to a joint-venture company relating to a sales commission. In 2008, this debit was EUR 133 thousand (2007: EUR 114 thousand).

34.5 Loans to subsidiaries (current and non-current loans)

JMH granted loans to subsidiaries, which generated interest in the amount of EUR 26,146 thousand (2007: EUR 18,288 thousand).

Companies	2008	2007
Joint-ventures	10,460	9,192
Subsidiaries	15,686	9,096
Total	26,146	18,288

34.6 Debits relating to staff

As a group, JMH takes advantage of the synergies existing amongst its various companies and frequently transfers staff from one company to another, according to the needs of the various businesses. In 2008, total costs incurred with personnel from other companies amounted to EUR 2,167 thousand (2007: EUR 2,320 thousand).

34.7 Open balances as of 31 December 2008

Companies	Current Loans	Non-current Loans	Accounts receivable	Accrued Income	Accounts Payable	Accrued costs
Group companies						
Casal de São Pedro – Administração Bens, S.A.	-	-	33	-	-	-
Comespa - Gestão de Espaços Comerciais, S.A.	-	-	3	-	-	-
Cunha & Branco – Distribuição Alimentar, S.A.	-	-	3	-	-	-
Desimo – Desenv. Gestão Imobiliária, Lda.	-	441	-	12	-	-
Escola de Formação Jerónimo Martins, S.A.	-	-	-	-	5	-
Feira Nova – Hipermercados, S.A.	-	-	58	752	131	-
Hermes – Soc. Inv. Mobiliários Imobiliários, Lda.	-	32,740	-	-	-	-
Hussel Ibéria – Chocolates e Confeitaria, S.A.	-	-	2	1	-	-
Imocash – Imobiliário de Distribuição, S.A.	-	-	-	-	1	-
Imoretalho – Gestão de Imóveis, S.A.	-	-	310	-	28	-
João Gomes Camacho, S.A.	-	-	2	16	-	-
Jerónimo Martins – Dist. Prod. Consumo, Lda.	79,033	-	433	17	-	-
Jerónimo Martins Dystrybucja S.A.	-	-	-	593	-	-
Jerónimo Martins – Restauração e Serviços, S.A.	-	-	1	-	-	-
Jerónimo Martins Serviços, S.A.	-	500	20	-	-	478
JMR – Gestão Empresas Retalho, SGPS, S.A.	-	-	27	-	-	-
JMR – Prestação de Serviços para a Distribuição, S.A.	-	-	30	-	27	-
Lidosol II – Distrib. Produtos Alimentares, S.A.	-	-	4	63	-	-
Pingo Doce – Distribuição Alimentar, S.A.	-	-	171	766	135	-
Recheio - Cash & Carry, S.A.	-	-	299	270	10	-
Recheio, SGPS, S.A.	22,345	347,451	936	-	-	-
Servicompra – Cons. Aprovisionamento, Lda.	-	208,590	-	-	-	-
Supertur – Imobiliária, Comércio e Turismo, S.A.	-	-	7	-	-	-
Subtotal	101,378	589,722	2,339	2,490	337	478
Joint-ventures						
Bliska Sp. Z.o.o.	-	2,564	-	-	-	-
Unilever Jerónimo Martins, Lda.	-	186,048	216	774	14	-
Subtotal	-	188,612	216	774	14	-
TOTAL	101,378	778,334	2,555	3,264	351	478

35. Interests in joint ventures

The company owns (directly and indirectly) interests in the following joint ventures:

- Unilever Jerónimo Martins – JMH holds 45% of this group of companies dedicated to manufacturing and selling several products, as follows:
 - Fima – This subgroup of companies manufactures and sells food products, specifically edible fats and drinks, commercialising private labels as well as Unilever Group brands;

- Lever - This subgroup of companies manufactures and sells personal, home and industrial hygiene products for the hotel and food sectors. The brands marketed are property of the Unilever Group;
- Olá - This subgroup of companies manufactures and markets ice cream products under private labels and Unilever Group brands.
- Bliska - JMH holds 50% of this company, which operates in the Polish market, selling pharmaceutical, orthopaedic and health products.

36. Information on environmental matters

As referred in the management report, there are no environmental matters likely to affect the company's financial performance and situation, and the company is unaware of any contingent liability or obligation concerning environmental matters. Likewise, the company did not recognise in its financial statements any relevant costs or investment of environmental nature.

37. Events after the balance sheet date

By the closing date of this report, there are no relevant events that should be mentioned.

Lisbon, 5 March 2009

The Certified Accountant

The Board of Directors

Report of the Auditors for Statutory and Stock Exchange Regulatory Purposes in respect of the Individual Financial Information

(Free translation from the original version in Portuguese)

Introduction

1 As required by law, we present the Report of the Statutory Auditors for Stock Exchange Regulatory Purposes in respect of the Financial Information included in the Directors' Report and the financial statements of Jerónimo Martins, SGPS, SA., comprising the balance sheet as at 31 December 2008, (which shows total assets of Euros 1.157.670 thousand and a total of shareholder's equity of Euros 980.737 thousand, including a net profit of Euros 26.992 thousand), the statements of income by functions, the statement of changes in equity and the cash flow statement for the year then ended and the corresponding notes to the accounts.

Responsibilities

2 It is the responsibility of the Company's Board of Directors (i) to prepare the Board of Directors' Report and financial statements which present fairly, in all material respects, the financial position of the company, the changes in equity, the results of its operations and cash flows; (ii) to prepare the historic financial information in accordance with International Financial Reporting Standards as adopted by the EU while also meeting the principles of completeness, truthfulness, accuracy, clarity, objectivity and lawfulness, as required by the Portuguese Securities Market Code; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain an adequate system of internal control; and (v) the disclosure of any relevant matters which have influenced the activity and the financial position or results of the company.

3 Our responsibility is to verify the financial information included in the documents referred to above, particularly as to whether it is complete, truthful, accurate, clear, objective and lawful, as required by the Portuguese Securities Market Code, for the purpose of expressing an independent and professional opinion on that financial information, based on our audit.

Jerónimo Martins, SGPS, SA.
6 March 2009

Scope

4 We conducted our audit in accordance with the Standards and Technical Recommendations approved by the Institute of Statutory Auditors which require that we plan and perform the examination to obtain reasonable assurance about whether the financial statements are free of material misstatement. Accordingly, our examination included: (i) verification, on a test basis, of the evidence supporting the amounts and disclosures in the financial statements, and assessing the reasonableness of the estimates, based on the judgements and criteria of Management used in the preparation of the financial statements; (ii) assessing the appropriateness and consistency of the accounting principles used and their disclosure, as applicable; (iii) assessing the applicability of the going concern basis of accounting; (iv) assessing the overall presentation of the financial statements; and (v) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the financial information.

5 Our audit also covered the Directors' Report, having included the verification of its conformity with the financial information disclosed.

6 We believe that our examination provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the financial statements referred to above, present fairly in all material respects, the financial position of Jerónimo Martins, SGPS, SA. as at 31 December 2008, the changes in equity, the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the information included is complete, true, timely, clear, objective and licit.

Lisbon, 6 March 2009

PricewaterhouseCoopers & Associados, S.R.O.C., Lda.
represented by:

Jorge Manuel Santos Costa, R.O.C.

Report and Opinion of the Audit Committee

Dear Shareholders,

In accordance with the paragraph g) of article 423-F of the Commercial Companies Code, we herewith present our report on our supervisory activity and our opinion on the Jerónimo Martins, SGPS, S.A. report and individual accounts for the year ending 31 December 2008, as well as on the proposals presented by the Board of Directors.

This committee met four times during 2008 and carried out its duties on:

- i) the management of the Company, both on its compliance with the law and with the Company Articles of Association;
- ii) the effectiveness of the risk managements systems, the internal control system and the internal and external audit system; and
- iii) the preparation and disclosure of financial information as well as the review of the accuracy of the accounting documentation, accounting policies and valuation methods used by the Company, in order to ensure that these correspond to a correct evaluation of the equity and its results.

For this purpose, we have met with the heads of all departments we deemed necessary to clarify all matters within the scope of the Committee's functions. In particular, we have met with the heads of Internal Audit, the functional directors of Corporate Support and the Executive Committee from whom we received all the information deemed necessary.

We also met with the external auditor to monitor its work, as well as the conclusions reached.

Within the scope of the competence conferred upon us, we have found that:

- i) The management report shows a correct, clear and complete view of the most significant aspects of the evolution of the business and the position of the Company, and all existing risks, both operational and financial, are duly presented; and
- ii) the financial statements and respective annex give a true and fair view of the Company financial situation.

The Audit Committee having also as a function, established in its Internal Regulation, of assessing the Company's corporate structure and governance, 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 from the theoretical and practical points of view.

Therefore, taking into account the information received from the Board of Directors, the Company personnel and the conclusions outlined in the Report of the Auditors for Statutory and Stock Exchange Regulatory Purposes in Respect of the Individual Financial Information, we are of the opinion that:

- i) The Management Report should be approved;
- ii) The Financial Statements should be approved; and
- iii) The Board of Directors' results appropriation proposal should be approved.

Lisbon, 5th March 2009

Hans Eggerstedt
(President of the Audit Committee)

António Mendo Castel-Branco Borges
(Vogal)

Rui de Medeiros d'Espiney Patrício
(Vogal)