

# THE JERÓNIMO MARTINS GROUP

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## The Jerónimo Martins Group

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This Annual Report of the Jerónimo Martins Group covers the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2017, and includes the areas of Distribution and Agribusiness in Portugal and the area of Distribution in Poland and Colombia, describing the results of the entities directly held by the Group.

## 1. Profile and Structure

### 1.1. Identity and Responsibilities

#### Asset Portfolio

Jerónimo Martins is a Group that has assets in the Food area, mostly in Distribution, with market leadership positions in Poland and Portugal. In 2017, it achieved sales of 16.3 billion euros (68% in Poland) and an EBITDA of 922 million euros (87% in Poland). The Group has a total of 104,203 employees and ended the year with a market capitalisation of 10.2 billion euros on the Euronext Lisbon.



In Poland, **Biedronka**, a chain of food stores with a positioning that combines the quality of its assortment, store environment and proximity locations with the most competitive prices in the market, is the Food Retail sales leader, operating 2,823 stores spread across the entire country. At the end of 2017, the Company reached 11.1 billion euros of sales, recording around 1.4 billion customer tickets.



Also in Poland, since May 2011, the Group has a chain in the drugstore sector, under the **Hebe** banner, which has 182 stores. This business concept is based on the offer of a Health and Beauty assortment with high quality advice, at very competitive prices.



In Colombia, **Ara** currently operates in three regions of the country: the Coffee Growing Region, the Caribbean Coast and Bogota. It is a chain of proximity food stores, mostly set up in residential neighbourhoods, with a positioning of quality at the best price, combining competitiveness with promotional opportunities in key categories for the Colombian consumer. At the end of the year, Ara was operating in 389 locations.



In Portugal, the Jerónimo Martins Group holds a leading position in Food Distribution, having reached a combined turnover of 4.6 billion euros in 2017. It operates with the banners **Pingo Doce** (422 supermarkets, including four Pingo Doce & Go) and **Recheio** (39 Cash & Carry and four platforms, three of them related to Food Service), which are leaders in the Supermarket and Cash & Carry segments, respectively.



Also in Portugal, through Pingo Doce, Jerónimo Martins has invested in developing projects that are complementary to the Food Retail business, namely **Refeições no Sítio do Costume** Restaurants, **Bem-Estar** Stores, Petrol Stations, as well as Clothing (for adults and children) and Shoes and Accessories, through the **New Code** and **Spot** banners, respectively. These last two are developed within the scope of partnerships with specialised operators.

#### Jerónimo Martins Agro-Alimentar

The main objective of **Jerónimo Martins Agro-Alimentar (JMA)** is to safeguard the Group's Companies ability to have a supply of some strategic products. It currently operates in the areas of Dairy Products, Livestock (Angus beef) and Aquaculture (sea bass and sea bream).

# Jerónimo Martins

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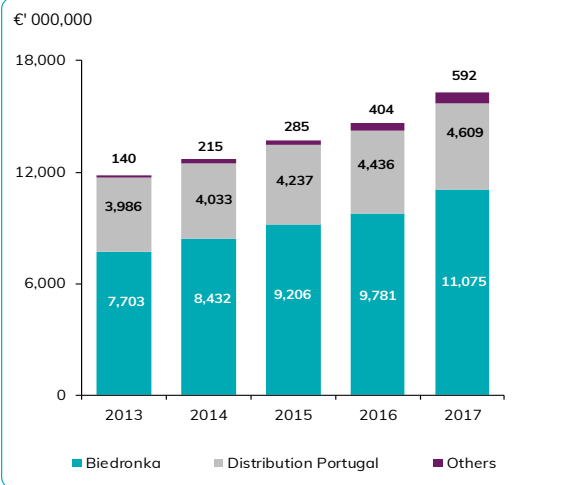
**Jerónimo Martins Restauração e Serviços** is engaged in developing projects in the Restaurants sector and, at the end of 2017, was operating the Jeronymo chain of kiosks and coffee shops with 21 points of sales.



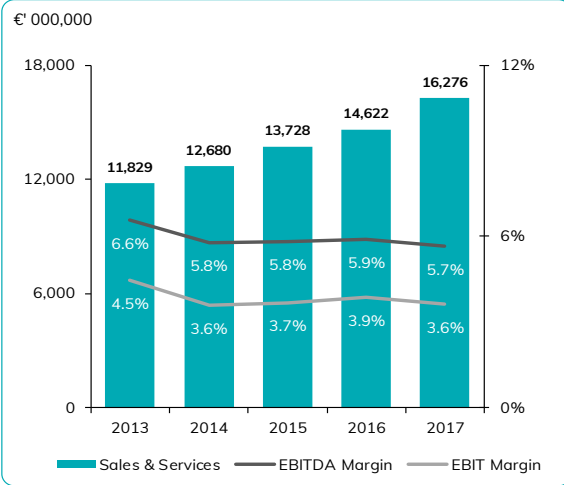
**Husnel**, a Specialised Retail chain selling chocolates and confectionery, had 24 stores at the end of 2017.

## 1.2. Operating and Financial Indicators

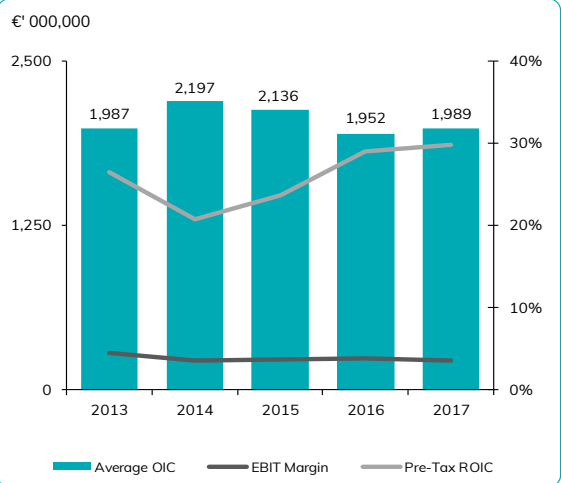
### Sales & Services



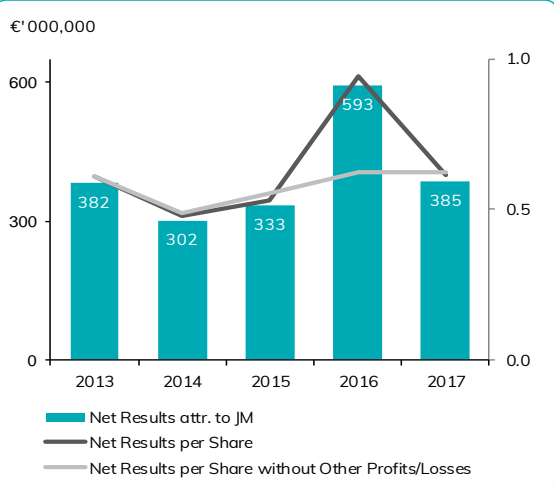
### Sales, EBITDA Margin & EBIT Margin



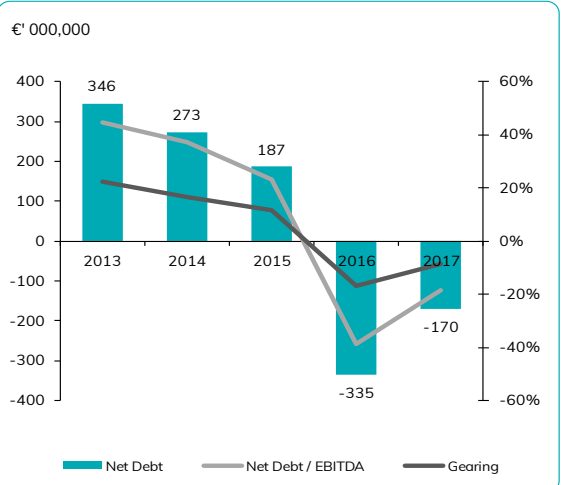
### Pre-Tax ROIC



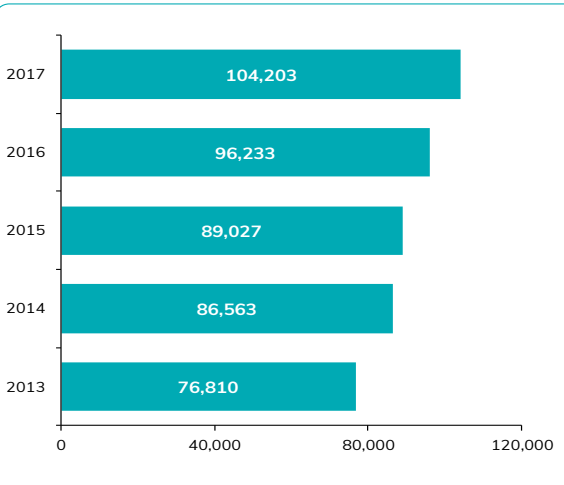
### Net Results and Net Results per Share



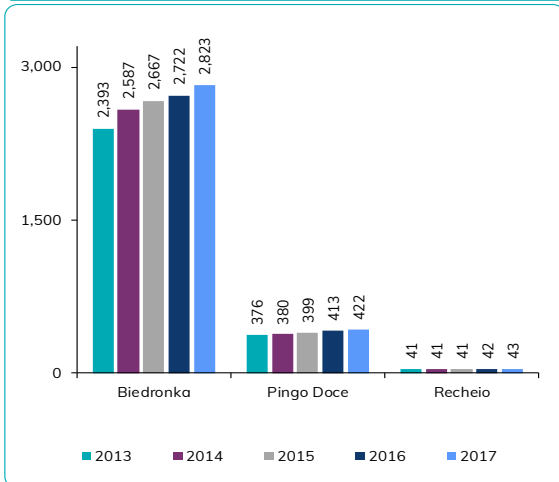
### Net Debt



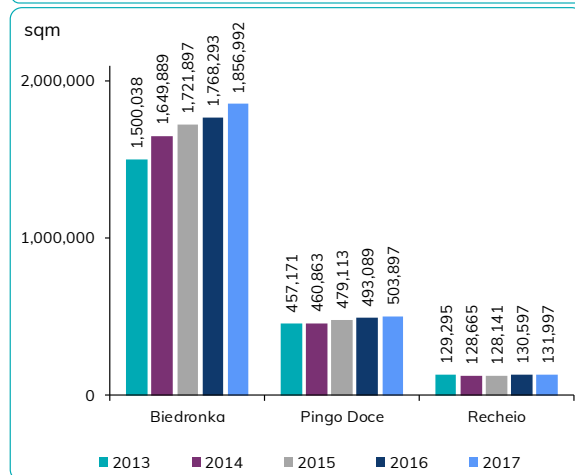
### Employees



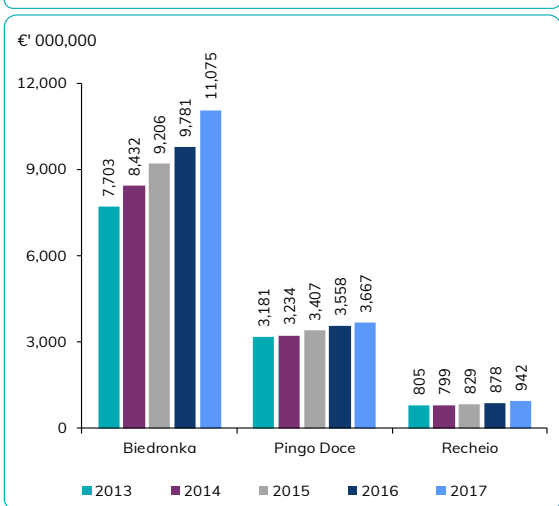
## Number of Stores



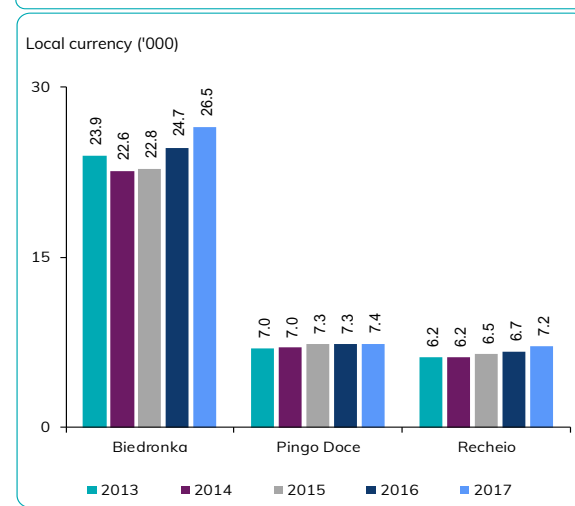
## Sales Area



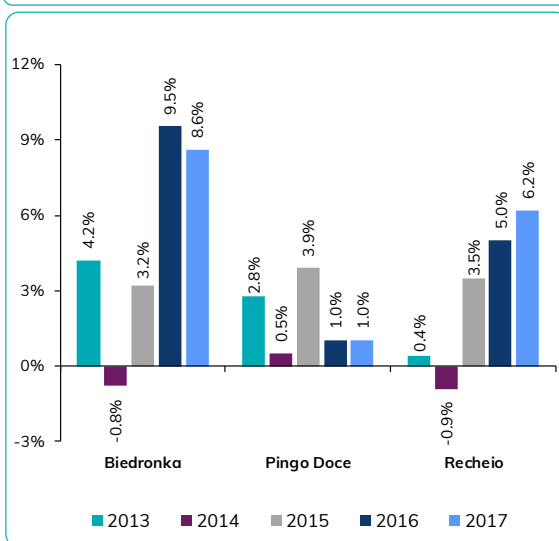
## Sales



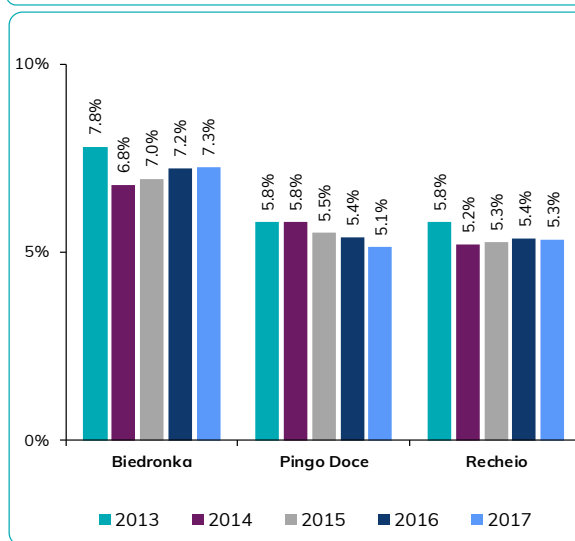
## Sales / sqm



## LFL Sales Growth



## EBITDA Margin



## 1.3. Statutory Bodies and Structure

### 1.3.1. Statutory Bodies

Election date: 14 April 2016

Composition of the Board of Directors elected for the 2016-2018 term



**Pedro Manuel de Castro Soares dos Santos**  
Chairman of the Board of Directors and Chief Executive Officer  
Born on 7 March 1960  
Chairman of the Board of Directors since December 2013  
Chief Executive Officer of the Group since April 2010  
Member of the Board of Directors since March 1995



**Andrzej Szlezak**  
Born on 7 July 1954  
Member of the Board of Directors since April 2013



**António Pedro de Carvalho Viana-Baptista**  
Born on 19 December 1957  
Member of the Board of Directors since April 2010



**Artur Stefan Kirsten**  
Born on 22 February 1961  
Member of the Board of Directors since April 2015



**Clara Christina Streit**  
Born on 18 December 1968  
Member of the Board of Directors since April 2015  
Member of the Audit Committee since April 2016



**Francisco Manuel Seixas da Costa**  
Born on 28 January 1948  
Member of the Board of Directors since April 2013



**Hans Eggerstedt**  
Born on 12 March 1938  
Member of the Board of Directors since June 2001  
Member of the Audit Committee since March 2007



**Henrique Manuel da Silveira e Castro Soares dos Santos**  
Born on 7 November 1968  
Member of the Board of Directors since April 2015



**Sérgio Tavares Rebelo**  
Born on 29 October 1959  
Member of the Board of Directors since April 2013  
Chairman of the Audit Committee since April 2016

**Statutory Auditor and External Auditor**

Ernst & Young Audit & Associados, SROC, S.A.\*  
Av. República 90, 6.º, 1600 - 206 Lisboa, Portugal  
Represented by:

**João Carlos Miguel Alves (R.O.C. no. 896)**

Substitute:

**Rui Abel Serra Martins (R.O.C. no. 1119)**

**Company Secretary**

**Ana Luísa Abreu Coelho Virgínia**

Substitute:

**Carlos Miguel Martins Ferreira**

**Chairman of the Board of the Shareholders' Meeting**

**Abel Bernardino Teixeira Mesquita**

**Secretary of the Board of the Shareholders' Meeting**

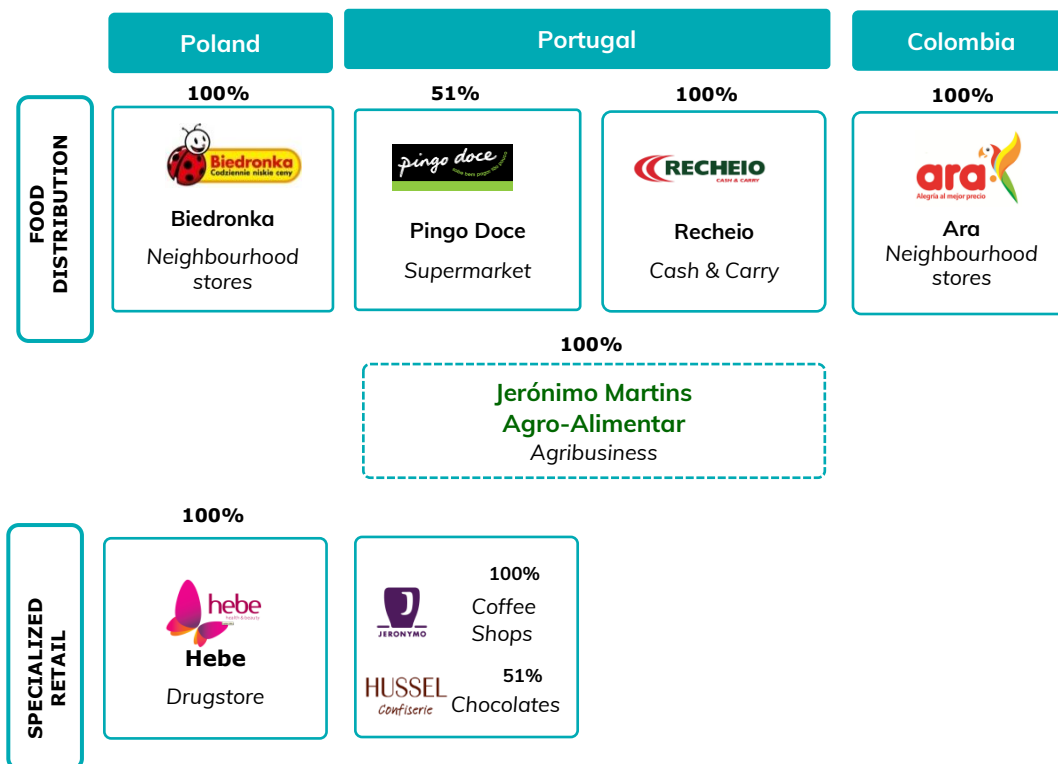
**Nuno de Deus Pinheiro**

\* Appointed in 6 April 2017

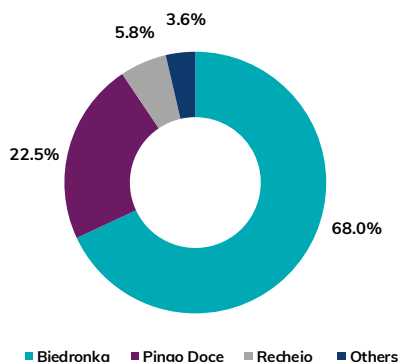


## 1.3.2. Business Structure

JERÓNIMO MARTINS	
<b>2017 Sales</b> 16,276 million euros	<b>2017 EBITDA</b> 922 million euros



Sales by Business Area 2017



EBITDA by Business Area 2017

Million euros	EBITDA	% Total
Biedronka	805	87.3%
Pingo Doce	188	20.4%
Recheio	50	5.5%
Others	-122	-13.2%
<b>JM</b>	<b>922</b>	<b>100%</b>

## 2. Strategic Positioning

### 2.1. Mission

Jerónimo Martins is an international Group with its head office in Portugal, operating in the food area, essentially in the Distribution sector, aiming to satisfy the needs and expectations of its stakeholders and the legitimate interests of its shareholders in the short, medium and long term, while simultaneously contributing towards the sustainable development of the regions in which it operates.

As key pillars for its mission and within the scope of its approach to Corporate Responsibility, Jerónimo Martins adopts continuous and sustainable value creation and growth.

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

### 2.2. Strategic Vision

#### Creating Value and Growth

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

1. Continuous promotion of sustainable growth;
2. Careful risk management to preserve the value of its assets and to reinforce the robustness of its balance sheet;
3. Maximisation of the effect of scale and synergies;
4. Fostering of proposals for differentiation to ensure competitive advantages.

These four aspects aim to accomplish the following strategic objectives:

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

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

- Reinforcing the importance to the customer/consumer, in addition to guaranteeing price competitiveness;
- Improving their operational efficiency;
- Incorporating technological developments;
- Identifying opportunities for profitable growth.

## 2.3. Operational Profile

Jerónimo Martins operational positioning reflects a clear, value food retail approach, focused on value and strategically geared towards mass-market.

The Group offers proximity and convenient food solutions for all consumers, at very competitive prices, which requires operating with maximum efficiency and lean cost structures. All value propositions are marked by strong differentiation in three essential aspects: the variety and quality of fresh food, strong private brands, and a quality store environment.

The success of the Group formats is leveraged on market leadership, which within a mass-market approach, is linked to relevant size, and is essential for creating economies of scale that enable us to increase the efficiency of Group logistics and operations. That is the only way to offer the best prices and boost notoriety and trust, so essential for building lasting relationships with strategic business partners and with consumers.

## 3. Awards and Recognition

### Corporate

- Jerónimo Martins stands in 56<sup>th</sup> place in the “Global Powers of Retailing 2018” ranking, its best position ever in this annual survey by Deloitte, having risen eight places compared to the 64<sup>th</sup> place recorded in the previous edition;
- The Group was included in the **FTSE4Good Global Index** and **FTSE4Good Europe Index**, which identify the best companies at managing sustainability risks through commitments they have taken on and activities carried out when running their businesses;
- In recognition of its good performance, the Group was confirmed on the **STOXX ESG** and **STOXX Sustainability** indices, more specifically the **STOXX Global ESG Environmental Leaders**, the **STOXX Europe Sustainability** and the **EURO STOXX Sustainability**, which represent the companies that are the world leaders in social, environmental and governance matters;
- Jerónimo Martins was also acknowledged by remaining on the **Ethibel Excellence Investment Registers** and the **Ethibel Sustainability Index Excellence Europe**, which highlight the companies with the best performance in sustainable and ethical investments;
- The Group also maintained its inclusion in the **Euronext Vigeo Index: Eurozone 120**, an index which distinguishes the companies with the best performance in over 300 indicators regarding social, environmental and governance aspects;
- In 2017, besides remaining in the **MSCI ACWI ESG Leaders** and **MSCI ACWI SRI** indices, which represent companies with a high performance in social, environmental and governance areas, the Group achieved an AA rating, just one level away from the leadership threshold;
- “**Best Investor Relations Officer**” award (Cláudia Falcão), given at the 30<sup>th</sup> edition of the Investor Relations & Governance Awards, promoted by the consultants, Deloitte;
- Jerónimo Martins Polska won 2<sup>nd</sup> place in **The Most Valuable Polish Brand 2016** ranking, attributed by the “Rzeczpospolita” newspaper;
- For the second year running, Jerónimo Martins Polska achieved 2<sup>nd</sup> place in the **500 Biggest Companies** list, recognized by the “Rzeczpospolita” newspaper;
- Jerónimo Martins Polska was classified in 2<sup>nd</sup> place in the **Most Patriotic Companies in Poland Index**;
- Jerónimo Martins Polska won 2<sup>nd</sup> place in the list of the **1,000 Biggest Companies in Poland**, in terms of sales, compiled by “Gazeta Finansowa”;
- Jerónimo Martins Polska is among the 10 top **Responsible Companies** in the ranking compiled by “Dziennik Gazeta Prawna”;
- Jerónimo Martins Polska was acknowledged by the publication “Polityka Weekly”, with the **White Leaf 2017** of “Corporate Social Responsibility”, for the work it carried out in projects promoting and implementing Sustainable Development Goals, regarding Reformulations and Nutrition;

- Jerónimo Martins Polska was awarded by the “Forum Odpowiedzialnego Biznesu”, at the 15<sup>th</sup> edition of the **Responsible Business Forum Report**, for its best practices in reporting on Sustainability, regarding the Environment and Support to Surrounding Communities;
- Jerónimo Martins Polska won 4<sup>th</sup> place in the Biggest Companies in Central and Eastern Europe ranking - “**TOP 500 CEE**” - attributed by the Coface Group and the “Rzeczpospolita” newspaper;
- Jerónimo Martins Polska won 1<sup>st</sup> place in the “**Effie Awards**”, in the Retail category, with the “Gang Świeżaków 2” campaign;
- Jerónimo Martins Colombia was nominated at the **Premios Portafolio**, in the category for best “Human Resources Management”, attributed by the daily newspaper, “Portafolio”.

## Biedronka

- Biedronka was recognised as **Retailer of the Year 2016 – Selected by Suppliers**, an initiative of “AC Nielsen Polska”;
- Biedronka received the title **Consumer Quality Leader 2017**, awarded within the scope of the Polish Quality and Service Programme;
- Biedronka won 1<sup>st</sup> place among **The Media’s Most Popular Retail Companies**.

## Pingo Doce

- Three ads in Pingo Doce's campaign “Make Your Table a Better Place” took the first three places in the **YouTube Ads Leaderboard** in Portugal, during February;
- Within the scope of the 28<sup>th</sup> edition of the “500 Biggest & Best 2017”, Pingo Doce was awarded in the category “**Greatest Contribution towards Employment**”. Between 2014 and 2016, the Company stood out with regard to creating jobs in Portugal, taking on an additional 3,080 employees. This award is promoted every year by the magazine “Exame”, in partnership with Informa D&B and Deloitte, with the objective of acknowledging the major companies in Portugal that make a positive contribution towards the domestic economy;
- 11 Pingo Doce Private Brand wines received 19 medals in three international wine contests:
  - Decanter World Wines Event contest - 10 medals received, with a special note for the Vinho do Porto LBV Tinto Pingo Doce 75cl, which earned a **Platinum Medal**;
  - Wine Challenge International Contest - eight medals received, with a special note for the Vinho do Porto 10 Anos Pingo Doce 75 cl and the Vinho Douro Reserva Tinto Pingo Doce Edição Limitada 75 cl (2016 harvest), both awarded with **Silver Medals**;
  - Concours Mondial De Bruxelles contest, where the Vinho Palmela Reserva Tinto 75 cl (2014 harvest) received the **Silver Medal**;
- The Pingo Doce brand was awarded at the Vertex Awards 2017, where the awards received in the Popcorn range (**Gold**) and Babycare range (**Silver**) should be highlighted.

## Recheio

- For the third year running, Consumer Choice – Centro de Avaliação da Satisfação do Consumidor awarded Recheio the **Choice of the Professionals** seal, in the “Wholesale Distribution” category.

## Hebe

- In the “Drugstore” category, Hebe won the “Most Customer-Friendly Company” award, attributed by Polski Program Jakości Obsługi;
- The professional cosmetics magazine “Wiadomości Kosmetyczne” gave Hebe three “**Drogeria Roku**” awards, in the “Assortment”, “Trends” and “Store Layout” categories.