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# 1.



Warsaw



Lisbon

We serve more than four million consumers every day in Portugal, Poland and Colombia.



Bogota

## Profile and Structure

This Annual Report of the Jerónimo Martins Group covers the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2016, and includes the areas of Distribution in Portugal (also Agro Business), Poland and Colombia, describing the results of the entities directly held by the Group.

# 1.



## 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 2016, it achieved sales of 14.6 billion euros (67% in Poland) and an EBITDA of 862 million euros (82% in Poland). The Group has a total of 96,233 employees and ended the year with a market capitalisation of 9.3 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 2,722 stores spread across the entire country. At the end of 2016, the Company reached 9.8 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 153 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, since September 2016, 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 221 locations.



In Portugal, the Jerónimo Martins Group holds a leading position in Food Distribution, having reached a combined turnover of 4.4 billion euros in 2016. It operates with the banners **Pingo Doce** (413 supermarkets, including four Pingo Doce & Go) and **Recheio** (38 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.



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 Restauração e Serviços** is engaged in developing projects in the Restaurants sector and at the end of 2016, was operating the Jeronymo chain of kiosks and coffee shops with 19 points of sales.

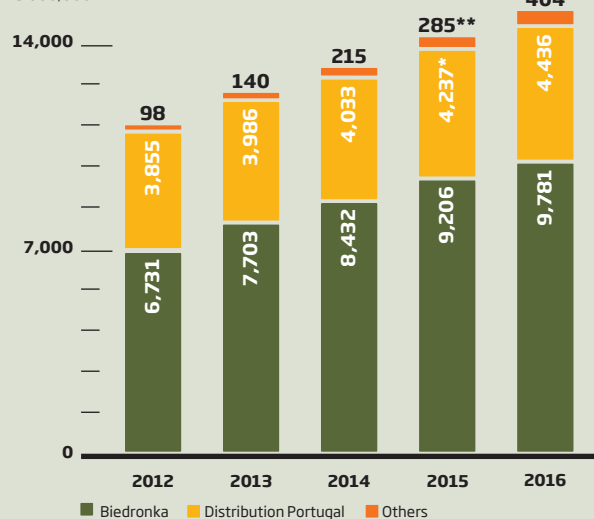


**Hussel**, a Specialised Retail chain selling chocolates and confectionery, had 24 stores at the end of 2016.

## 1.2. Operating and Financial Indicators

### Sales & Services

€'000,000

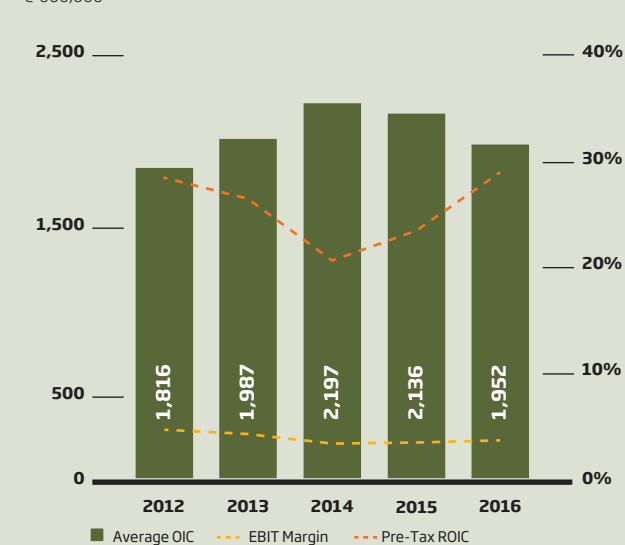


\* Restated figure from 4,240 published in 2015.

\*\* Restated figure from 283 published in 2015.

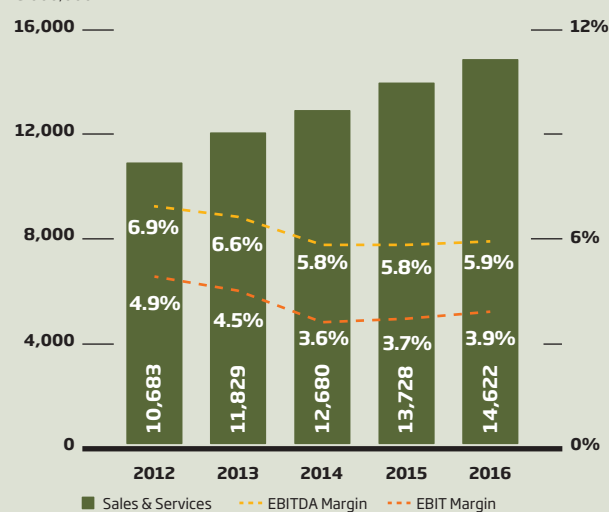
### Pre-Tax ROIC

€'000,000



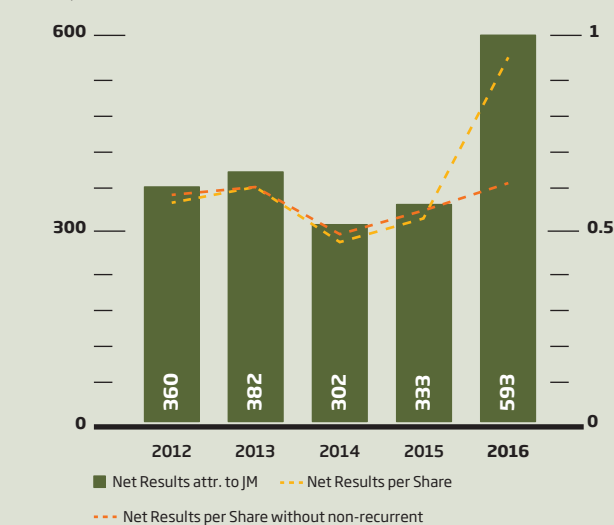
### Sales, EBITDA Margin & EBIT Margin

€'000,000



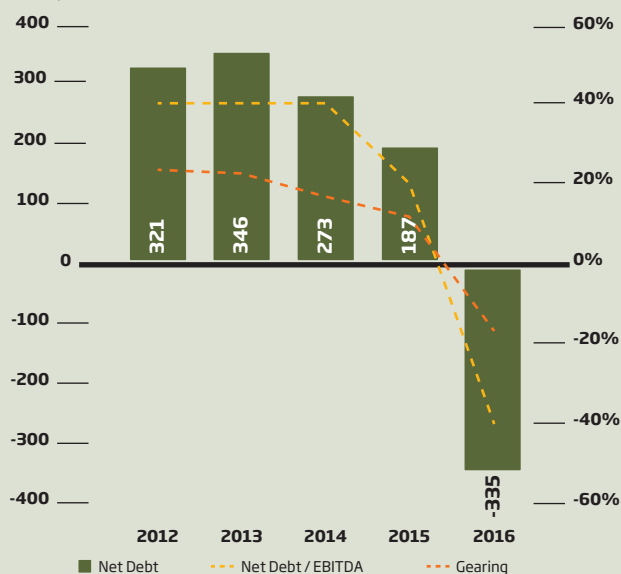
### Net Results and Net Results per Share

€'000,000

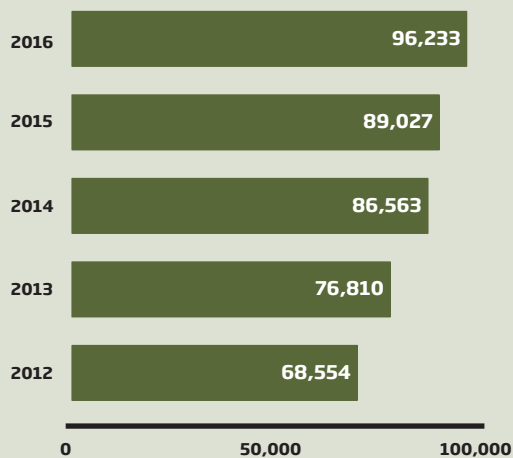


## Net Debt

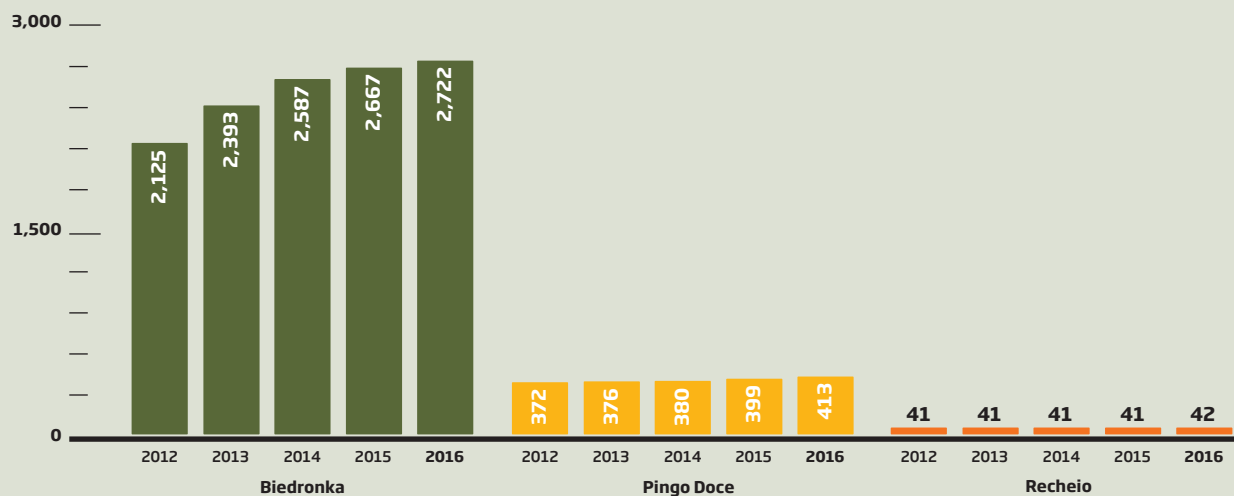
€' 000,000



## Employees

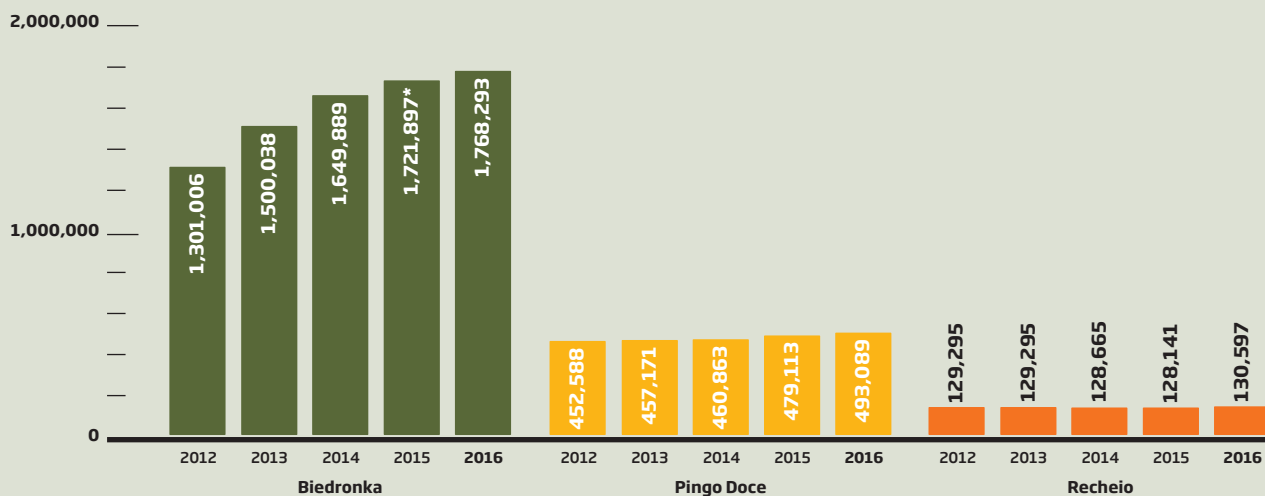


## Number of Stores



## Sales Area

sqm

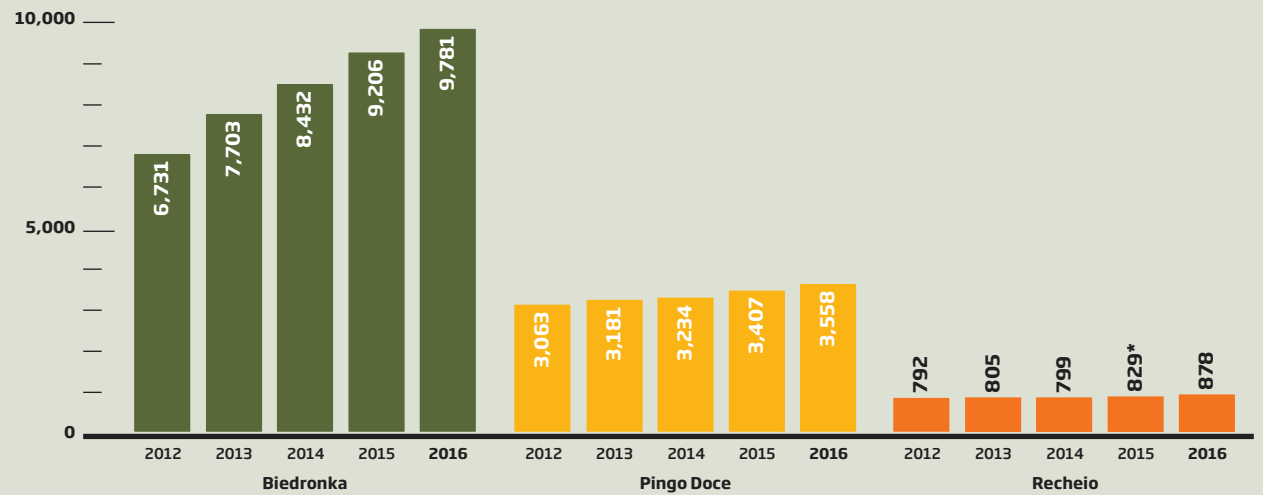


\* Restated figure from 1,717,944 published in 2015 FY.

1. Who we are

### Sales

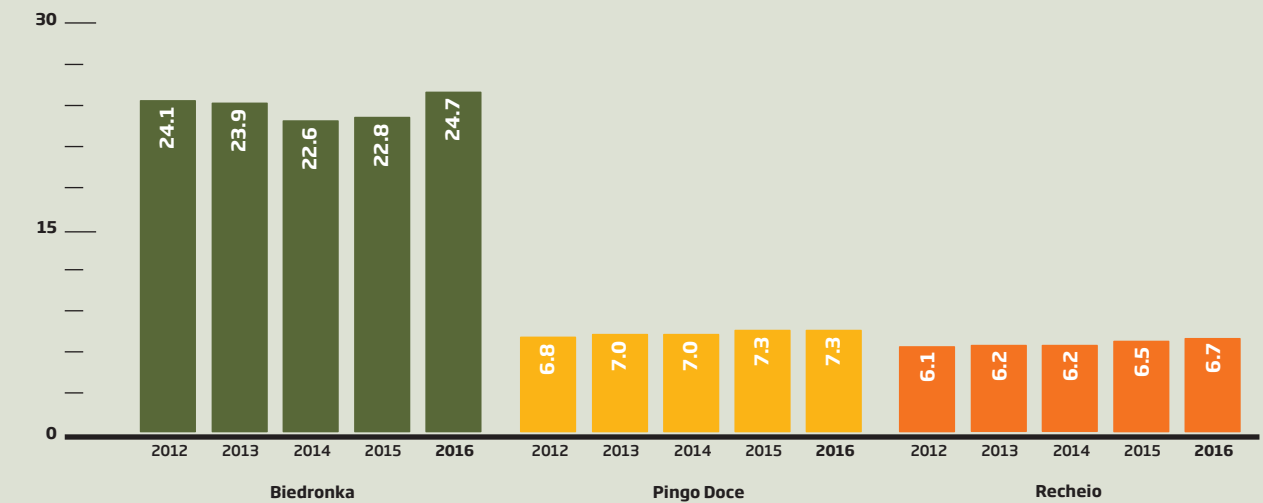
€' 000,000



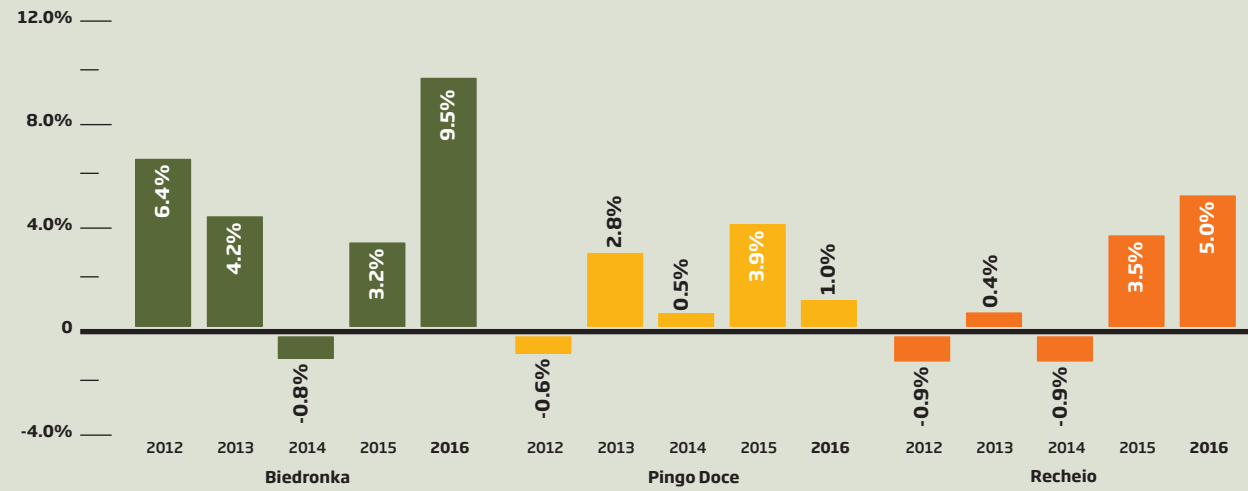
\* Restated figure from 832 published in 2015.

### Sales / sqm

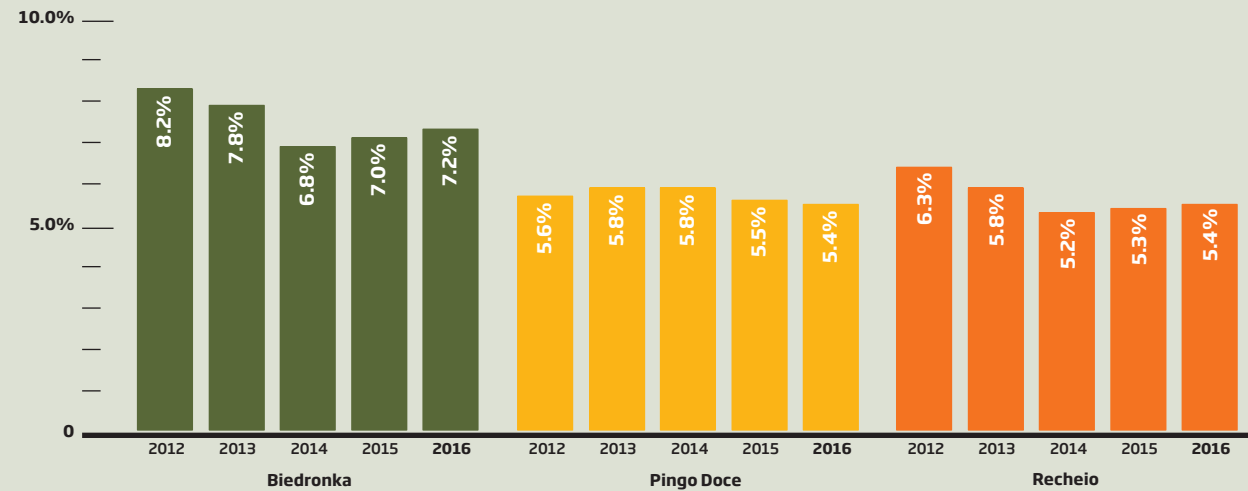
local currency ('000)



## LFL Sales Growth



## EBITDA Margin





## 1.3. Statutory Bodies and Structure

### 1.3.1. Statutory Bodies

**Election date:** 14<sup>th</sup> April, 2016

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



**Pedro Manuel de Castro Soares dos Santos**

Born on 7<sup>th</sup> March, 1960

- Chairman of the Board of Directors and Chief Executive Officer
- 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<sup>th</sup> July, 1954

- Member of the Board of Directors, since April 2013



**António Pedro de Carvalho Viana-Baptista**

Born on 19<sup>th</sup> December, 1957

- Member of the Board of Directors, since April 2010



**Artur Stefan Kirsten**

Born on 22<sup>nd</sup> February, 1961

- Member of the Board of Directors, since April 2015



**Clara Christina Streit**

Born on 18<sup>th</sup> 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<sup>th</sup> January, 1948

- Member of the Board of Directors, since April 2013



**Hans Eggerstedt**

Born on 12<sup>th</sup> March, 1938

- Member of the Board of Directors, since June 2001
- Member of the Audit Committee, since March 2007



**Henrique Soares dos Santos**

Born on 7<sup>th</sup> November, 1968

- Member of the Board of Directors, since April 2015



**Sérgio Tavares Rebelo**

Born on 29<sup>th</sup> October, 1959

- Member of the Board of Directors, since April 2013
- Chairman of the Audit Committee, since April 2016

### **Statutory Auditor and External Auditor**

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.  
Palácio Sottomayor, Rua Sousa Martins, 1 – 3<sup>rd</sup> floor,  
1050-217 Lisbon

### **Represented by:**

João Rui Fernandes Ramos (R.O.C. no. 1,333) or  
António Joaquim Brochado Correia (R.O.C. no. 1,076)

### **Substitute:**

José Manuel Henriques Bernardo (R.O.C. no. 958)

### **Company Secretary**

Ana Luísa Abreu Coelho Virgínia

### **Substitute:**

Carlos Miguel Martins Ferreira

### **Chairman of the Shareholders' Meeting**

Abel Bernardino Teixeira Mesquita

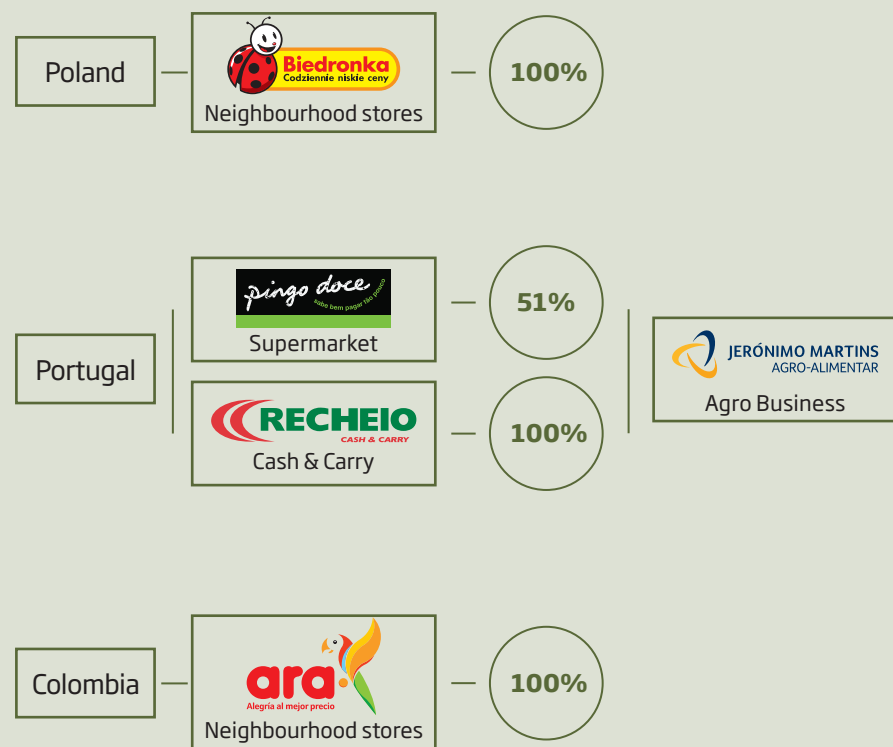
### **Secretary of the Shareholders' Meeting**

Nuno de Deus Pinheiro

## 1. Who we are

### 1.3.2. Business Structure

#### Food Distribution



#### Specialised Retail



## Financial Indicators

### Consolidated Sales

(million euros)

**14,622**

### EBITDA

(million euros)

**862**

### EBITDA Margin

**5.9%**

### Jerónimo Martins Share

(euros)

**14.74**

(31/12/2016)

### Share YTD

**+ 22.9%**

### Market Cap

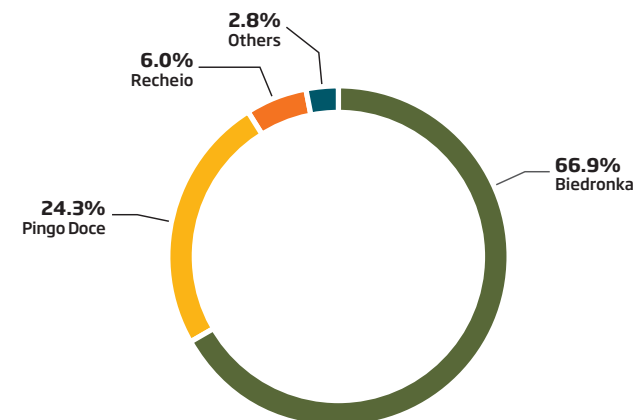
(million euros)

**9,300**

### Pre-tax ROIC

**29.1%**

### Sales by Business Area 2016



### EBITDA by Business Area 2016

(million euros)

	EBITDA	Total
Biedronka	707	82.1%
Pingo Doce	192	22.2%
Recheio	47	5.5%
Others	-84	-9.8%
<b>JM</b>	<b>862</b>	<b>100%</b>



## Strategic Positioning

The success of our formats is leveraged on our market leadership, which within a mass-market approach, is linked to relevant size, is essential for creating economies of scale.

# 2.

### 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:

- strengthening their price competitiveness and value proposition;
- improving their operational efficiency;
- incorporating technological developments;
- identifying opportunities for profitable growth.

## 2.3. Operational Profile

Our 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 our value propositions are marked by strong differentiation in three essential aspects: variety and quality of fresh food, strong private brands, and quality store environment.

The success of our formats is leveraged on our market leadership, which within a mass-market approach, is linked to relevant size, is essential for creating economies of scale that enable us to increase efficiency in our 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 our consumers.



## Awards and Recognition

For the first time, the Jerónimo Martins Group was included in the sustainability indices of the London Stock Exchange.

# 3.

### Corporate

- The Jerónimo Martins Group is the 64<sup>th</sup> largest retailer in the world in the **Global Powers of Retailing 2017** ranking, a survey carried out by the consultants Deloitte in partnership with the North American magazine "Stores";
- For the first time, the Jerónimo Martins Group was included in the sustainability indices of the London Stock Exchange: **FTSE4Good Global Index** and **FTSE4Good Europe Index**;
- The Jerónimo Martins Group was distinguished with an honourable mention in the **Most Effective Domestic Community Investment** category, awarded by the Ethical Corporation Responsible Business Awards, for its project "Fighting Food Waste on All Fronts";
- Jerónimo Martins scored an "A-" in the **CDP Climate 2016** - the second highest - positioning the Group at the "Leadership" level, recognising performance regarding climate strategy, including transparency in reporting information and risk management;
- At the **CDP Forests 2016** Jerónimo Martins scored an overall "A-" for palm oil, positioning the Group at the "Leadership" level. The commodities soy, paper, wood and beef obtained a classification of "B", the equivalent of the "Management" level.

### Biedronka

- Jerónimo Martins Polska achieved 1<sup>st</sup> place in **The Great Modernizers of Europe 2015** ranking, awarded by Institute of European Business;
- Jerónimo Martins Polska achieved 1<sup>st</sup> place in **The Powers of Business 2015** ranking, awarded by Institute of Modern Business;
- Jerónimo Martins Polska was recognised as **The Most Socially Responsible Chain** and as **The Most Reliable Player** in the "Market of the Year - Retail Chains 2016" award, organised by the publisher "Wydawnictwo Gospodarcze";
- Jerónimo Martins Polska was recognised as one of the **Most Patriotic Companies in Poland**, having achieved the following:
  - 1<sup>st</sup> place in the ranking in terms of turnover in 2015 for foreign companies;
  - 1<sup>st</sup> place in the ranking of the Biggest Employers in 2015;
  - 7<sup>th</sup> place in the ranking of the Biggest Taxpaying Companies in 2015;
  - 8<sup>th</sup> place in the ranking of the Companies that Invest the Most in 2015;

- Jerónimo Martins Polska was recognised with a **Golden Laurel of Super Biznes** in the “Corporate Social Responsibility” category, for organising Biedronka’s Children’s Literature Prize;
- Jerónimo Martins Polska won 1<sup>st</sup> place in the list of the **Biggest Employers in Poland**, compiled by “Gazeta Finansowa”;
- Jerónimo Martins Polska was recognised by the publication “Polityka Weekly” with a **White Leaf** for “Corporate Social Responsibility”, for the work carried out regarding environmental certification;
- Biedronka’s Dada range of products was recognised as a **Super Product of the Year 2015**, by the magazine “Mam dziecko”;
- Biedronka’s BeBeauty, Dada and Puffi and Kitty brands won the **Brand 2016 – Quality, Trust, Reputation** award in the bath salts, nappies and pet food categories, respectively;
- Biedronka received **The Consumers’ Choice 2016** award, attributed by the Center for Consumer Satisfaction Evaluation, in the “Retailer” category;
- Biedronka was recognised as **Retailer of the Year 2015** – Selected by Suppliers, attributed by AC Nielsen Polska;

- Biedronka received the title **The Star of Service Quality 2016**, awarded within the scope of the Polish Quality and Service Programme;
- Biedronka won the **Superbrand** award in the “Shopping – Convenience Store” category, having also been recognised with the title “Created In Poland Superbrands 2015/2016” awarded to brands created in Poland;
- Biedronka’s Children’s Literature Prize received the **Social Campaign of the Year 2015** award.

## Pingo Doce

- Pingo Doce Private Brand wines won three **Gold Medals**, four **Silver Medals**, four **Bronze Medals** and six **Medals of Recommendation** in the International Wine Challenge, Concours Mondial de Bruxelles and Decanter World Wine contests;
- The **Pearl Awards** distinguished the magazine “Sabe Bem” (Tastes Good) with the bronze in the “Best Retail” category.

## Recheio

- It was certified with the **Choice of the Professionals** seal, attributed by “Consumer Choice – Centro de Avaliação da Satisfação do Consumidor”, in the “Wholesale Distribution” category;
- Winner of a **Master da Distribuição**, in the “Best Wholesaler” category, awarded by the magazine “Distribuição Hoje”.

## Hebe

- Hebe won the **Drugstore of the Year 2016** award, in the “Assortment definition strategy” category, awarded by the publisher “Wydawnictwo Gospodarcze”;
- It was considered a **Customer Friendly Company** by Fundacja Obserwatorium Zarządzania;
- It was recognised as a brand **Created in Poland** by Superbrands.