

Overview of Company's Activities 2017

Dear Shareholders,

The Board of Directors of Al Meera Consumer Goods Company Q.S.C. is pleased to present the Company's Consolidated Financial Statements and Independent Auditor's Report for the year ended 31 December 2017.

REVIEW OF 2017 PERFORMANCE

Operations highlights

- Listed over 20,000 individual items as direct replacements for those from blockading countries, since the announcement of the blockade, from dozens of supporting countries including Turkey, Azerbaijan, Brazil, Lebanon, Kuwait and Oman.
- Established partnership with the MEC and Bedaya to support and sell Qatari home-produced goods – locally grown vegetables and locally produced milk – in Al Meera's key stores to further strengthen its collaboration with local farmers.
- Continued to work closely with Small and Medium Enterprises (SMEs) to allow startups to grow with Al Meera, while enriching consumers' choices and balancing the big players' influence of the market.
- Opened four new Al Meera community shopping malls located in Umm Salal Ali, Al Wakra East, Leaibab 2, and Umm Garn in Qatar.
- Opened three convenience stores; two in education institutions – Doha Institute and HBKU (Qatar Foundation) – and a third in Al Udeid Army Camp.
- Finalised plans to open six new Al Meera community shopping malls in 2018, located in Al Khor, Rawdat Aba El Heran, Al Saliya, Leaibab 1, Azghawa and Rawdat Al Hamama.
- Finalised plans to open Al Meera Msheireb Downtown Doha store in 2018, with fifty percent of the store area dedicated to housing an organic speciality store.
- Signed lease contracts for four plots of land in the Sultanate of Oman – Al Amirat, Salalah, Sur and Al Suwaiq.
- Completed design work for Al Amirat branch, and the master site plan for the Salalah branch and submitted plans for approval.
- Commenced a project to conduct a detailed strategic review of the business, with the aim of better understanding the constantly changing marketplace.
- Commenced a project to launch a new personalised, customer focused, lifestyle loyalty programme in 2018, aimed at offering Al Meera customers, transaction and interaction based recognition, together with privileges, tangible rewards and benefits.
- Awarded the ISO 9001:2015 certificate by Bureau Veritas Certification Holding SAS – UK, as a testament to the Company's unwavering commitment to quality.
- Received an accolade from Forbes Middle East for its pivotal role in shaping Qatar's economy and leading the country towards another successful era.
- Won Qatar University's (QU) responsible leadership award in recognition of its draft of the global management project «Social responsibility and its impact on local and international companies».
- Received the 2017 Best Investor Relations – Small Cap Award sponsored by Qatar Stock Exchange and Iridium.

Financial highlights

- Group sales increased 10.0% (QAR 260.8 million), from QAR 2,604.4 million to QAR 2,865.2 million.
- Group gross profit increased 9.0% (QAR 39.7 million), from QAR 442.2 million to QAR 481.9 million.
- Group gross shops rental income increased 0.3% (QAR 0.2 million), from QAR 69.3 million to QAR 69.5 million.
- Group operating income increased 6.8% (QAR 36.1 million), from QAR 531.6 million to QAR 567.7 million.
- Group net profit attributable to equity holders of the parent decreased 2.6% (QAR 5.1 million) from QAR 199.2 million to QAR 194.3 million.

FINANCIAL RESULTS

Sales and gross profit

Sales for the year totaled QAR 2,865.2 million, an increase of 10.0% (QAR 260.8 million), compared to QAR 2,604.4 million in 2016. The eight new stores opened in 2017 (Umm Salal Ali, Al Wakra East, Leaibab 2, Umm Garn, Muzn – Oman, Doha Institute, HBKU (Qatar Foundation), and Al Udeid Army Camp) and two new stores opened in the last quarter of 2016 (Bu Sidra and North Saliya) together contributed QAR 226.3 million to the total sales. Like for like sales from 46 stores operating in Qatar and Oman, grew by 3.3% in 2017.

Group gross profit increased by 9.0% to QAR 481.9 million, compared to 2016.

Operating income

Shop rental income from leased shops in company's malls increased slightly (0.3%) from QAR 69.3 million in 2016 to QAR 69.5 million in 2017.

2017 has been a difficult year for the rental market in Qatar. Many tenants experienced a decline in sales. This prompted Al Meera to grant rent reductions where needed, and in specific cases a rent waiver to assist them to cope with the difficult market conditions. This was done even though the gesture negatively impacted shop rental income in 2017.

Operating income increased by 6.8%, from QAR 531.6 million to QAR 567.7 million, attributable mainly to increased sales.

Net profit attributable to equity holders of the parent

Despite a challenging year, the group ended the year 2017 with net profit attributable to equity holders of the parent of QAR 194.3 million, a decrease of 2.6%, compared to 2016.

Earnings per share

Earnings per share attributable to equity holders of the parent in 2017 equated to QAR 9.70 per share, compared to QAR 9.96 in 2016.

Dividends for shareholders – 2017

On 27 February 2018, the Board of Directors proposed cash dividend of QR 8.50 per share amounting to QAR 170 million for the shareholders which is subject for approval of the Annual General Assembly.

Total assets

Total assets increased by 0.5% (QAR 10.1 million), from QAR 2,209.3 million in 2016 to QAR 2,219.4 million as at 31 December 2017.

Total equity

Total equity decreased by 1.5% (QAR 21.1 million) from QAR 1,442.6 million to QAR 1,421.5 million as at 31 December 2017.

Bank debt

Bank borrowings – current and non-current as at 31 December 2017, totaled QAR 121.7 million, compared to QAR 133.9 million as at 31 December 2016. This relates to a loan taken from Qatar Development Bank (QDB) to partially fund the acquisition and store renovations.

Key Performance Indicators (2006 – 2017)

	In Millions Qatari Riyals											
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net sales	2,865.2	2,604.4	2,449.1	2,176.0	1,946.0	1,503.5	1,163.7	914.8	863.5	748.7	577.2	507.9
Total assets	2,219.4	2,209.3	1,966.4	1,990.9	1,795.3	1,046.2	764.9	434.5	393.1	411.5	379.6	351.9
Average total assets	2,214.4	2,087.8	1,978.6	1,893.1	1,420.7	905.5	599.7	413.8	402.3	395.5	365.7	333.8
Total equity	1,421.5	1,442.6	1,425.2	1,444.7	1,404.0	305.2	271.5	249.2	220.9	220.4	228.5	221.9
Average total equity	1,432.0	1,433.9	1,434.9	1,424.3	854.6	288.3	260.4	235.1	220.7	224.5	225.2	111.0
Total equity attributable to equity holders of the parent	1,380.3	1,401.7	1,385.0	1,404.8	1,364.2	302.9	271.5	249.2	220.9	220.4	228.5	221.9
Average equity attributable to equity holders of the parent	1,391.0	1,393.4	1,394.9	1,384.5	833.6	287.2	260.4	235.1	220.7	224.5	225.2	212.7
Total liabilities	797.9	766.7	541.2	546.2	391.4	740.9	493.4	185.3	172.1	191.1	151.0	130.0
Total bank debts	121.7	133.9	88.5	88.3	0.0	408.5	246.6	0.0	0.0	0.0	0.0	0.0
Total current assets	636.7	777.2	711.7	837.7	1,006.3	450.3	243.7	215.7	215.9	260.6	209.1	195.8
Total current liabilities	647.8	606.3	430.4	434.6	370.3	314.5	230.3	172.6	161.3	183.5	144.6	124.1
Finance costs	2.6	3.6	2.9	1.4	3.7	12.1	6.5	0.0	0.0	0.0	0.0	0.0
EBIT	197.1	203.8	165.3	228.2	198.8	117.3	83.8	65.5	45.5	63.8	36.0	34.5
Net profit attributable to owners of the company	194.1	199.2	162.1	226.6	196.1	105.8	77.3	65.5	45.5	63.8	36.0	34.5
EBITDA	254.8	251.9	200.9	252.7	233.6	141.4	99.3	77.8	56.1	74.1	46.6	45.4
Number of shares in millions	20,000	20,000	20,000	20,000	19,101	11,757	10,000	10,000	10,000	10,000	10,000	10,000
Gross profit percentage	16.8%	17.0%	17.4%	16.7%	16.4%	17.0%	15.1%	13.4%	12.0%	13.3%	12.4%	10.0%
Net profit percentage	6.8%	7.6%	6.6%	10.4%	10.1%	7.0%	6.6%	7.2%	5.3%	8.5%	6.2%	6.8%
Return on average total assets	8.8%	9.5%	8.2%	12.0%	13.8%	11.7%	12.9%	15.8%	11.3%	16.1%	9.9%	10.3%
Return on average equity attributable to equity holders of the parent	13.9%	14.3%	11.6%	16.4%	23.5%	36.8%	29.7%	27.9%	20.6%	28.4%	16.0%	16.2%
Total liabilities to equity ratio	56.1%	53.1%	38.0%	37.8%	27.9%	242.7%	181.8%	74.3%	77.9%	86.7%	66.1%	58.6%
Bank debts to equity ratio	8.6%	9.3%	6.2%	6.1%	0.0%	133.8%	90.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Current ratio	1.0	1.3	1.7	1.9	2.7	1.4	1.1	1.2	1.3	1.4	1.4	1.6
Times finance cost earned	74.7	56.9	57.7	160.4	54.0	9.7	12.9	0.0	0.0	0.0	0.0	0.0
Earnings per share	9.70	9.96	8.10	11.33	10.27	9.00	7.73	6.55	4.55	6.38	3.60	3.45
Nominal value per share	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Book value per share	69.02	70.09	69.25	70.24	71.42	25.77	27.15	24.92	22.09	22.04	22.85	22.19



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL MEERA CONSUMER GOODS COMPANY Q.S.C.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Meera Consumer Goods Company Q.S.C. (the "Parent Company") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Goodwill impairment assessment

As described in Note 7 to the consolidated financial statements the goodwill balance as of the reporting date is QR 344,097,998, which represents around 16% of the total assets of the Group.

The management uses the value in use assessment to support the carrying value of the goodwill and the resulting impairment, if any. This assessment involves the application of subjective judgement about future business performance. Therefore, the assumptions made by management in the impairment review have been considered by the audit team to be the key areas of judgement, notably the cash flow forecasts, overall growth rates, inflation rates, terminal

value and the discount rates applied. Therefore, this has been considered as a key audit matter.

How our audit addressed the key audit matter

We evaluated management's future cash flow forecasts and the process by which they were determined and approved, including ensuring that forecasts were consistent with the latest Board approved budgets and the mathematical accuracy of the underlying calculations were accurate. We also considered the accuracy of previous forecasts made by management.

We obtained and evaluated the corroborating evidence regarding the carrying value of goodwill, and the related disclosures, such as key assumptions for growth rates in the cash flow forecasts by comparing them to historical results, economic forecasts and the discount rates by independently estimating a range based on market data. We performed sensitivity analysis around these assumptions to ascertain the extent of change that individually would be required for the goodwill to be impaired. We involved our internal specialists for this purpose.

Other Information included in the Group's 2017 Annual Report

Other information consists of the information included in Annual Report other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. The Group's 2017 Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL MEERA CONSUMER GOODS COMPANY Q.S.C. (CONTINUED)

Report on the Audit of Consolidated Financial Statements (Continued)

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management of the Parent Company is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Legal and Other Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company, an inventory count has been conducted in accordance with established principles, and the financial statements comply with the Qatar Commercial Companies' Law No. 11 of 2015 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year, which might have had a material adverse effect on the Group's financial position or performance.

Ihab Marzouk
of Ernst & Young
Auditor's Registration No. 338

Date: 27 February 2018
Doha

AL MEERA CONSUMER GOODS COMPANY Q.S.C. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	2017 QR	2016 QR
Sales	2,865,160,019	2,604,445,088
Cost of sales	(2,383,300,077)	(2,162,238,923)
Gross profit	481,859,942	442,206,165
Shops rental income	69,509,192	69,255,385
Other income	16,312,003	20,124,223
General and administrative expenses	(311,360,084)	(278,163,392)
Depreciation and amortisation	(57,684,733)	(48,150,302)
Share of loss of an associate	(1,551,769)	(1,478,239)
Finance costs	(2,638,538)	(3,581,182)
Profit before tax	194,446,013	200,212,658
Income tax expense	(171,504)	(335,274)
Profit for the year	194,274,509	199,877,384
Attributable to :		
Equity holders of the parent	194,048,081	199,155,622
Non-controlling interests	226,428	721,762
	194,274,509	199,877,384
Earnings per share		
Basic and diluted earnings per share attributable to equity holders of the parent	9.70	9.96

AL MEERA CONSUMER GOODS COMPANY Q.S.C. CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 QR	2016 QR
PROFIT FOR THE YEAR	194,274,509	199,877,384
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Investment securities:		
Net change in the fair value	(30,794,992)	1,643,265
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	163,479,517	201,520,649
Attributable to:		
Equity holders of the parent	163,253,089	200,798,887
Non-controlling interests	226,428	721,762
	163,479,517	201,520,649

AL MEERA CONSUMER GOODS COMPANY Q.S.C. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	2017 QR	2016 QR
ASSETS		
Non-current assets		
Property and equipment	1,102,989,156	920,678,425
Goodwill	344,097,998	344,097,998
Other intangible assets	5,754,370	7,288,654
Investment securities	129,748,485	159,926,871
Investment in associates	98,497	98,497
Total non-current assets	1,582,688,506	1,432,090,445
Current assets		
Inventories	196,517,603	184,862,105
Trade and other receivables	68,926,794	83,345,459
Amounts due from related parties	10,562,087	8,477,240
Bank balances and cash	360,694,848	500,553,676
Total current assets	636,701,332	777,238,480
TOTAL ASSETS	2,219,389,838	2,209,328,925
EQUITY AND LIABILITIES		
Equity		
Share capital	200,000,000	200,000,000
Legal reserve	901,289,603	901,289,603
Optional reserve	21,750,835	21,750,835
Other reserves	(26,096,996)	(7,120,717)
Retained earnings	283,393,408	285,829,206
Equity attributable to equity holders of the parent	1,380,336,850	1,401,748,927
Non-controlling interests	41,117,279	40,890,851
Total equity	1,421,454,129	1,442,639,778
Non-current liabilities		
Loans and borrowings	108,972,229	121,546,529
Employees' end of service benefits	31,489,217	28,843,897
Retentions payable	9,423,111	9,944,299
Deferred tax liability	207,841	36,337
Total non-current liabilities	150,092,398	160,371,062
Current liabilities		
Trade and other payables	635,157,118	594,007,976
Loans and borrowings	12,686,193	12,310,109
Total current liabilities	647,843,311	606,318,085
Total liabilities	797,935,709	766,689,147
TOTAL EQUITY AND LIABILITIES	2,219,389,838	2,209,328,925

AL MEERA CONSUMER GOODS COMPANY Q.S.C. CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 QR	2016 QR
OPERATING ACTIVITIES		
Profit before tax	194,446,013	200,212,658
Adjustments for:		
Depreciation and amortisation	57,684,733	48,150,302
Interest income	(4,822,333)	(7,259,270)
Allowance (reversed) recognised for credit loss	(1,037,142)	178,048
Provision for employees' end of service benefits	7,749,461	5,745,073
Provision for obsolete and slow moving inventories	1,041,078	2,787,305
Share in loss of an associate	1,551,769	1,478,239
Transfers from Capital work in progress to expenses	82,779	-
(Gain) loss on disposal of property and equipment	(230,465)	15,912
Dividend income	(7,524,013)	(9,800,370)
Finance costs	2,638,538	3,581,182
Operating profit before changes in working capital	251,580,418	245,089,079
Working capital changes:		
Inventories	(12,696,576)	(4,230,150)
Trade and other receivables	14,605,370	(31,872,239)
Amounts due from related parties	(2,084,847)	(2,816,861)
Trade and other payables	32,751,742	156,950,241
Cash flows from operating activities	284,156,107	363,120,070
Employees' end of service benefits paid	(5,104,141)	(2,700,872)
Payment of contribution to social and sports fund	(4,751,925)	(3,820,434)
Net cash flows from operating activities	274,300,041	356,598,764
INVESTING ACTIVITIES		
Purchase of investment securities	(228,900,497)	(58,505,662)
Proceeds from sale of investment securities	228,283,891	111,161,918
Purchase of property and equipment	(238,645,049)	(276,219,852)
Purchase of intangible assets	-	(91,148)
Proceeds from disposal of property and equipment	331,555	99,477
Net movement in deposits maturing after 90 days	147,016,000	(24,616,000)
Net movement in restricted bank accounts	(5,714,987)	(17,061,382)
Dividends received	7,524,013	9,800,370
Interest received	5,075,690	7,410,362
Net cash flows used in investing activities	(85,029,384)	(248,021,917)
FINANCING ACTIVITIES		
Dividends paid	(173,588,798)	(162,252,413)
Net movement in Loans and borrowings	(12,198,216)	45,328,549
Finance costs paid	(2,638,538)	(3,581,182)
Net cash used in financing activities	(188,425,552)	(120,505,046)
NET INCREASE IN CASH AND CASH EQUIVALENTS	845,105	(11,928,199)
Cash and cash equivalents at 1 January	268,701,916	280,630,115
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	269,547,021	268,701,916