Transforming for the journey ahead

Annual Report 2019
Introduction

Established in 1981 to provide catering services to the Kingdom’s flag carrier Saudia, Saudi Airlines Catering Company (SACC) has blossomed into a broad and diversified enterprise offering a full suite of food and beverage, retail, hospitality, and support services to local and international clients.

Financial highlights

<table>
<thead>
<tr>
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<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (SAR)</td>
<td>2.16bn</td>
<td>2.04bn</td>
<td>1.95bn</td>
</tr>
<tr>
<td>Pay-out ratio</td>
<td>98.1%</td>
<td>99.1%</td>
<td>94.3%</td>
</tr>
<tr>
<td>Net profit after Zakat and Income Tax (SAR)</td>
<td>463.9m</td>
<td>459.3m</td>
<td>481.7m</td>
</tr>
<tr>
<td>Earnings per share (SAR)</td>
<td>5.66</td>
<td>5.60</td>
<td>5.87</td>
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</tbody>
</table>

Our three Operational Divisions

In-Flight Catering

Read more about how we are restructuring on page 32.

Retail

Read more about how we are restructuring on page 38.

Catering & Facilities

Read more about how we are restructuring on page 44.
Strategic Review
It gives me great pleasure to present the Annual Report of the Saudi Airlines Catering Company for 2019. Being the first year of our term as a new Board, I would like to thank all our predecessors for the invaluable foundations they established, which have enabled SACC to reach the leadership position it occupies today in our sector.

During the past year, SACC has made important strides in its journey of transformation and improvement, while delivering significant growth and diversification. Our strategy as a Board is now focused on diversifying our revenue streams in the F&B sector, while reducing our dependence on in-flight catering. Geographical expansion beyond our boundaries is also a current priority.

Despite challenging headwinds, our company is evolving to maximize the value we deliver for our shareholders, customers and the nation, mirroring the process of rapid positive change being felt across the Kingdom as a whole.

Rising above turbulence for increased profitability
In the face of ongoing market turbulence, SACC generated SAR 2.156 billion in revenue and a net profit of SAR 463.9 million in 2019, representing an increase of 1% over 2018 and resulting in an earnings per share of SAR 5.66.

Our In-Flight Catering division achieved a growth in net profit of 2.1% to reach SAR 883.6 million from an annual revenue of SAR 1.707 billion, whilst our Retail division generated SAR 176.7 million in revenue and a net profit of SAR 2.4 million, equating to a contraction of 46.7% from the previous year. Revenue and net profit from our Catering and Facilities division were SAR 197.3 million and SAR 2.0 million, respectively, representing an increase in profit for the year of 53.8%.

A strategy for comprehensive growth
Our priorities have remained unchanged, as have our commitments to our shareholders, stakeholders and clients. The enduring focus on achieving organic growth within our In-Flight Catering business has delivered strong returns, supporting the expansion of our key customer, Saudia, while our efforts to drive efficiency and ensure quality for all our clients have also been highly successful in 2019.

This success has been overseen by an active and engaged Board of Directors, which has provided perceptive oversight while pursuing a proactive role in defining SACC’s strategic parameters. The Board’s broad mix of expertise and knowledge has also allowed us to develop new, effective task forces across our business lines.

Delivering on our vision in 2020
Looking to 2020, we remain committed to our strategy of business line development and diversification. With the grace of God, we will continue to flourish as a dynamic multi-service business, varying our activities and revenue streams around our core sectors by building complimentary capabilities in growth areas such as rail, hospitality, laundry, retail and the Hajj/Umrah space. We will also continue to actively explore opportunities for growth through strategic M&A activities, as well as targeting non-organic growth within our core business and further geographic expansion in line with our diversification strategy.

As we become more lean, functional and un-bureaucratic, the diversification of our revenue streams will see further expansion into areas such as event management and health sector catering, complemented by a renewed emphasis on the Business and Industry client sector. These actions will strengthen our already significant contribution by maximizing local content in line with the implementation of Saudi Vision 2030.

As with our own goals as a company, achieving Vision 2030 requires the combined efforts of many stakeholders, and in this regard I wish to express my deep gratitude to our clients and partners across the Kingdom, as well as to my fellow Board members, the SACC management team and our dedicated employees throughout the Company for their hard work and support.

Together, I am confident that we will continue to grow and diversify our business, delivering increasing value to our customers and the nation in the coming year.

Mohammed Abdulaziz Al Sarhan
Chairman
Year in Review

Transforming our journey

Five becomes three
As part of the strategic consolidation of the company’s business lines in 2019 – implemented to achieve greater efficiency through closer integration of support structures and procedures – our C&F division took responsibility for our Hajj and Umrah functions and railway operations, whilst our IFC division now includes our Airport Lounges, considerably diversifying their respective operational scopes.

Building on 38 years of Trust
The renewal of SACC’s IFC agreement with our main client, Saudia, for a further 10 years beginning, January 1, 2020, builds on a 38-year relationship by providing a firm, long-term foundation from which to grow, develop and innovate over the next decade, cementing our unrivaled 90% market share and industry-leading reputation. This is complemented by the renewal in 2019 of our existing service agreement with Saudia Cargo, which has now been extended to March 31, 2022.

New Board Members and strategic insights
In January of 2019, the SACC Board of Directors welcomed a new Chairman, Mr. Mohammed Abdulaziz Al Sarhan, and saw the appointment of Mr. Sami Abdulmohsen Al Hokair as Vice-Chairman. Other new additions to the Board in 2019 include Hasan Al Jabri, Youssef Al Yousfi, Khalid Al Hukail and Abdulrahim Essouami, bringing a new range of skills, experience and insight to the SACC governance team.

Improving performance in 2019
SACC generated SAR 2.156 billion in revenue and a net profit of SAR 463.9 million in 2019, representing an increase of 1% over 2018 and resulting in an earnings per share of SAR 5.66. The IFC division saw a growth in net profit of 2.1% to SAR 883.6 million and annual revenues of SAR 1.707 billion; the Retail division generated SAR 176.7 million in revenue and a net profit of SAR 2.4 million – equating to a contraction of 46.7% from the previous year; and the C&F division delivered SAR 197.3 million in revenue and SAR 2.0 million in net profit – an increase of 5.3% over 2018.

New HR policies and benefits, and a stronger performance culture
The SACC Employee Engagement Survey of 2018 provided deep insights regarding employee needs and expectations, resulting in the introduction of the Total Rewards program in 2019 which has already positively benefited 75% of our employees. The impacts of this major overhaul in our compensation and benefits system have also been seen in our competitiveness, as well as in our ability to attract and retain talent.

Growing our e-commerce
Following major investments in 2018, SACC launched a revitalized e-commerce platform on January 1, 2019 – a platform that encapsulates the Kingdom’s vision for the development of a digital/knowledge economy. Thanks to a highly focused roll-out strategy, our e-commerce retail sales revenue grew by a staggering 1,177% in 2019, with total online orders growing by 999% over the previous year.

Powering the transformation of our support services
2019 has brought major internal process improvements and new controls in the areas of system efficiency and payment processing, particularly the extension of SACC’s enterprise resource planning (ERP) functionality to new businesses across the kingdom – covering remote sites, airport lounges and outlets – to help manage stores and operational process. This has boosted sales activity, leading to increasing performance and accelerating month-close data collation.

Serving more pilgrims during Hajj & Umrah
The SACC Hajj and Umrah unit served more than 700,000 meals in 2019 to as many as 100,000 pilgrims, achieving a growth in revenue of 220% over 2018. The unit also developed a new house brand for frozen Hajj and Umrah ready meals, ‘First Food,’ for deployment in 2020, and continued to expand its B2B business – now the fastest growing aspect of this market.

Improving operations with new IFC equipment
Our IFC operations in Riyadh received 14 new high-loaders, 14 new trucks, a new dedicated TOP5 area for meal concept preparation for Saudia Flights, new deep freezer and chiller rooms and an expanded bakery area. Meanwhile, Damman received four new high-loaders and three new high-loaders were added to our Jeddah fleet.

Transforming our journey

Catering for 2020 KSA Dakar Rally
In 2020, the newly created Parties and Events unit of our C&F division will partner with the organizers of the world’s premier off-road endurance motoring event, the Dakar Rally – under a catering and sponsorship agreement signed in 2019. The agreement will see SACC provide catering services for more than 3,500 people on each of the 12 days of the rally, across nine separate locations along the route, spanning a total of 8,000 kilometers.

Growing our e-commerce

700,000
meals served in Hajj and Umrah unit

1,177%
revenue growth in
e-commerce retail sales

3,500
people will be catered
every day

Improving performance in 2019

500 million
contracts awarded

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Committee memberships

Executive Committee members

Chairman of the Audit Committee

Member of Audit Committee, Member of Executive Committee

Chairman of the Nomination and Remuneration Committee, Member of Executive Committee

Chairman of the Nomination and Remuneration Committee, Member of Executive Committee

Chairman of the Board of Directors of the National Shipping Company of Saudi Arabia

Chairman of the Board of Directors of Al Faisaliah Holding Group

Executive Committee members

Sami Abdulmohsen Al-Sarhan

Chairman of the Board of Directors (Independent)

Al-Sarhan has extensive Professional experience

Previous positions

• Chairman of the Board of Directors of the National Shipping Company of Saudi Arabia

• Chairman of the Board of Directors of Al Faisaliah Holding Group

• Managing Director, Abdulmohsen Abdulaziz Al-Hokair Holding Group, KSA

• Board Member, Abdulmohsen Abdulaziz Al-Hokair Holding Group, KSA

• CEO of SEDCO Holding Group

• Board Member of Elf Travel & Tourism Company, KSA

• Deputy Chairman of the Directors’ & Chairman, Executive Committee, Dar Al-Fattah Group, KSA

• Board member of The forefront International Supply Co SA (AFPIC)

• Board member, Emara The Economic City, KSA (Listed)

• Board member, Ports Development Company, KSA (Listed)

• Co-founding Partner and Co-CEO, Nearest Group Holding SL, Friesa SL (Listed)

• Majority owner, RizqMont càrlton

• Partner and Head of Investment in the Future Investment Company

• Founder of Java Economic Company and Head of shareholder

• Chairman of the Board of Directors of Société Générale Saudi Arabia

• Member of the Board of Directors of the Printing and Packaging Company Pressa KSA

• Member of the Nomination and Remuneration Committee

• Board Director, Nearest, Moroc Services Co Morocco

• Board Director, Nearest Wafiqat Co.

Academic qualifications

• Bachelor of Science of Engineering, King Saud University

• Bachelor of Administrative Science, King Saud University

• Bachelor’s degree in Agricultural Engineering from the American University in Bahrain

• Executive Management Program from Columbia University in the United States of America

• Master of Business Administration from the University of Chicago

• MBA, The Stanford University

• Bachelor’s degree in Electrical Engineering, King Saud University

• Bachelor’s in Business Administration, Harvard University

• Bachelor’s degree in Electronic Engineering, University of Colorado Boulder

• Bachelor’s in Business Administration from the Institute of Communications, University of Rabat, Morocco

Review full biographies in the Governance section on pages 67 to 71.

Professional experience

Al-Sarhan has extensive experience in management, energy, nutrition, and logistics sector for over 35 years in both the public and private sectors. Al-Sarhan worked at the management of numerous in various industries with the distribution of his products. He also participated in many conferences, training courses, and economic forums in various areas of management within the Kingdom of Saudi Arabia and in many countries of the world. He also worked in the nutrition sector professional services, transportation and logistics businesses. He held several leadership positions in companies such as Al-Faisaliah Holding Group.

Al-Sarhan has over 30 years of professional experience in hotel hospitality management in Saudi Arabia. Upon graduating from King Saud University in Riyadh, he joined the Al-Badaweya Group. He held a number of positions, including General Manager between 1991 and 1994 and Managing Director between 1995 and 2009. In 2009, he established a new hotel brand called “MENA Hotels & Resorts” under the Abdulmohsen Abdulaziz Al-Hokair Group. Since 2009, he has been responsible for managing 32 hotels in KSA, and fast hotels in Dubai, Sami Al-Hokair also oversees the board of directors of Abdulmohsen Abdulaziz Al-Hokair Group and is the Managing Director of the Group. In addition, he is the vice chairman of the board of directors of Saka’s Kingdom Properties.

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Professionals

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Chairman of the Board of Directors (Independent)

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Committee memberships

Current positions

• Chairman of the Board of Directors of the National Shipping Company of Saudi Arabia

• Chairman of the Board of Directors of Al Faisaliah Holding Group

• CEO of SEDCO Holding Group

• Board Member, Master Building Material, KSA, KSA

• Chairman of the Board of United Mining Industries, KSA (JCC)

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STRATEGIC REPORT

Management Team

Wajdy Al-Ghabban
CHIEF EXECUTIVE OFFICER

Matti Kivekas
CHIEF FINANCIAL OFFICER*

Sultan Al-Booq
EXECUTIVE VICE PRESIDENT - CORPORATE SERVICES & GENERAL COUNSEL

Tarek Tharwat
CHIEF AUDIT EXECUTIVE

Abdulwahab Saati
EXECUTIVE VICE PRESIDENT - RETAIL

Salah Al-Umar
VICE PRESIDENT - IFC WESTERN AND SOUTHERN REGIONS

Fahad Khayat
VICE PRESIDENT - QUALITY & STANDARD CONTROL

Sylvain Benoit
EXECUTIVE VICE PRESIDENT - CATERING & FACILITIES

Talal Al Toaimi
VICE PRESIDENT - AIRPORT LOUNGES

Khalid Al-Redian
VICE PRESIDENT - IFC CENTRAL & EASTERN REGIONS

* held the position from 1-1-2019 until 18-6-2019
CEO’s Statement

Given the many achievements of the past year, 2019 will come to represent a pivotal moment for Saudi Airlines Catering Company, particularly in light of the rapid changes and reforms being driven by the Saudi Government across all areas of our business.

Our customers are growing and their needs are changing, reflecting new patterns of tourism, passenger flows and consumer spending trends, as well as unprecedented opportunities for travel and entertainment that are changing entire industries in the Kingdom.

As a major source of support for these rapidly evolving sectors, our response must be even faster. In order to maintain our leading market position – and to continue delivering the quality services that we are known for – we must become a more agile and innovative organization that is prepared to drive change rather than merely adapt to it.

With the right people, technologies, digitalization and systems in place, complemented by our deep market knowledge and relationships, we have a unique opportunity to capitalize on this changing environment to deliver robust growth and increased value for our customers and shareholders.

Transforming our business

To meet this challenge, SACC initiated a major strategic transformation of our business lines in 2018 – a process of deep change that accelerated significantly in 2019.

The aim of this systematic program of reform is to refocus on our core expertise while creating efficiencies through integration to become a more innovative, customer-oriented organization. It has included a consolidation of our five divisions into three, enhancing coordination and the efficacy of our services.

This transformation has also put the needs of our people front and center. Through our ‘Join the future’ internal campaign and staff loyalty program, we are providing enhanced benefits and supportive policies to raise satisfaction and engagement of our workforce across every level of our organization. We have already seen the positive impact of these changes, which will continue to deliver value in 2020 and beyond.

Generating increasing value for our stakeholders

Overall, SACC delivered a net profit of SAR 463.9 million in 2019, representing an increase of 1% over the previous year and resulting in earnings per share of SAR 5.66. Revenue generated during the year totaled SAR 2.156 billion.

In 2019, we renewed our keystone contract with the Kingdom’s national carrier, Saudia, providing an excellent platform for further growth in our In-Flight Catering division. This new contract has a provisional value of 12 billion Saudi Riyal and will run with our most significant client will run for a further ten years, beginning on January 1, 2020.

Our Catering & Facilities division also delivered solid growth over the course of 2019, securing revenues of SAR 197.3 million and a net profit of SAR 2.0 million – representing an increase in profit for the year of 53.8%.

SACC’s new divisional structure has greatly benefited our C&F business, enabling more integrated solutions for clients. Efficiencies derived through our updated processes and procedures in 2019, coupled with infrastructure enhancements benefiting our workforce, have seen the division become more competitive and sustainable.
The past year has also seen the implementation of a new bespoke Performance Management System, designed to instill a performance-driven culture throughout SACC in accordance with our People Strategy. The system tracks and quantifies performance metrics across the company, starting with a balanced scorecard developed for all departments that will be cascaded down to employee level.

These initiatives, designed in response to the feedback generated by our people, reflect the deep appreciation and admiration we have for all of our employees, whose tireless dedication to our success is so vital to our progress and development as a company. They also benefit our clients, whom I thank for their continued trust and support.

Wajdy Al-Ghabban
Chief Executive Officer

The division is also developing major new avenues for growth, including through our newly established Parties and Events unit, formed in 2019 to manage our contract with the 2020 Saudi Arabia Dakar Rally.

Our Retail division continues to face the uncertainties of a challenging market, resulting in falling revenues and profits; the division generated SAR 176.7 million in revenue and a net profit of SAR 2.4 million in 2019 – representing a fall of 46.7% from the previous year. In the face of this market turbulence, we rebalanced our retail portfolio during the course of the year to focus on our core operations in airports and larger cities, closing 16 underperforming outlets.

However, we also increased the number of stores in Neom and other stable locations, and began to see the fruits of our investment in ecommerce with significant growth in 2019. Furthermore, we are in the process finalizing plans for the integration of SkySales with the Saudia Alfursan rewards program, providing major cross-selling opportunities and access to 6.5 million customers.

Our enduring commitment to our people

Following the SACC Employee Engagement Survey conducted in 2018, we have begun implementing a variety of programs in response to the needs of our workforce identified in the survey responses. One such initiative is the Total Rewards Program introduced in 2019 - a holistic solution to a range of employee concerns and requests.

The program has already brought major changes to grades (streamlined from 16 to 10 levels); job titles (reduced from 836 to 63); salary scale (reviewed based on the new grading structure); and benefits (benchmarked to the market and revised to include new housing, transportation, education and communications benefits).

In 2019 alone, 75% of our employees have received positive benefits from the Total Rewards Program, which will continue to be rolled out during 2020 to further increase performance and efficiency, whilst also helping to attract new talent to SACC in the coming years.
Our Journey

SACC is on a strategic journey of expansion and diversification. Over the last 39 years, we have built a proud legacy and lasting partnerships, charting an ambitious path while transforming for the future in order to build on our strengths and deliver sustainable growth and profitability for years to come.
Our Transformation Roadmap

Our corporate transformation and integration accelerated in 2019, digitizing business support functions and reengineering processes to enhance efficiency and establish a strong foundation for accelerated growth and profitability in the future.
**Mission**

To excel as a market leader through continual process improvement, innovation and timely response, in our customers’ best interests.

**Inputs**

**What We Do**

**In-Flight catering**
Our core in-flight catering business has a long track record of success based on scale, quality and consistency, working to world-class standards of health and safety in food production.

**Retail**
Our growing retail business sells thousands of food and non-food products to customers in the air on multiple carriers, on the ground across Saudi Arabia, and through dedicated e-commerce platforms.

**Catering & Facilities**
Our Catering & Facilities business provides a broad range of services to clients in four key sectors – business and industry, remote sites, education and healthcare.

**How We Generate Revenue**

- Long-term contracts with national airline carriers; catering for international airlines, private jets and charter flights; airport lounges and airline equipment.
- Long-term contracts with national carriers for onboard sales; strategic ground shops; e-commerce sales.
- Catering and other services that supply airlines, trains and hotels; large-scale catering contracts for businesses, remote sites, events, and Hajj and Umrah.

**Outputs**

**Financial**
- Dividends
- Return on investment
- Capital appreciation

**Physical**
- Retail shops
- Lounges
- Infrastructure

**Human**
- Staff training & development
- Retention
- Saudization
- Employer of choice
- Performance-driven culture

**Social and relationship**
- Social responsibility/sustainability
- Brand trust and equity
- Trusted partner

**Underspinned by Our Values**

- Customer Orientation
- Commitment to Quality
- Team Spirit
- Transparency
- Sustainability
VISION

Our strategic vision is driving our transformation from a dedicated in-flight caterer into a multi-functional, multi-service enterprise and supporting Saudi Arabia’s Vision 2030 of economic diversification.

WHAT WE DID IN 2019

- Good organic growth in In-Flight Catering and Catering & Facilities.
- New 10-year IFC contract with Saudia.
- Good organic growth in Hajj & Umrah business.
- Good organic growth in the e-commerce business.

Diversify and enter markets naturally connected to our core expertise

- Explored regional expansion across selected business lines.
- Entered the entertainment sector in C&F.
- SAR 1.707 billion revenue from In-Flight Catering and SAR 449.2 million from other divisions.

Digital transformation

- Developed transformation operating models, processes, policies and procedures.

PLANS FOR 2020 AND BEYOND

- Continue to grow and expand in In-Flight Catering and Catering & Facilities services.
- Implement new retail concepts in airport terminals.
- Continue to grow in the Hajj & Umrah business.
- Continue to grow in the e-commerce business.
- Study new catering market segments
- Move closer to target of 50% revenue from In-Flight Catering and 50% from other divisions.
- SAP implementation kick-off.
- Development of Retail operating model.

HOW WE MEASURE SUCCESS

- Revenue (SAR) 2.156bn
- Net profit margin 21.3%
- Operating models 7
- Processes 275
Risk Management

SACC is committed to identifying and mitigating risks by planning, monitoring and controlling activities across our divisions and operations in order to minimize factors that may potentially limit our ability to achieve our strategic objectives.

A year of major progress in our journey to robust risk management

Risk Management is the integration of corporate culture, capabilities, and practices at all levels of an organization, as well as strategy-setting and effective execution, in order to manage risk to creating, preserving and realizing value.

SACC’s Board of Directors is ultimately responsible for risk management in the Company, by properly setting the corporate culture and tone at the top through a comprehensive risk management program. This is an essential element of sound corporate governance and we are committed to continuously embedding risk management in our organizational culture. SACC’s Audit Committee has an oversight role through the Internal Audit function, while SACC’s Executive Management upholds the risk ownership and required infrastructure.

SACC’s strategic approach to risk management is designed to:

• Enhance SACC Management’s ability to anticipate, adapt and respond to changes.

The ERM initiative consisted of three phases, starting with ERM awareness and framework design, leading to risk assessment and mitigation, and finally to ERM implementation, monitoring and follow-up. As of the end of the year, SACC has accomplished the first two phases.

Risk framework

SACC’s ERM function framework has been established based on a combination between ISO:31000 and the new COSO framework, in addition to COBIT for IT and Cybersecurity related risks.

Good practice in risk management indicates that organizations should specify their appetite for risk at a granular level related to the nature of activities in the organization.

Risk assessment

Risk assessment criteria have been developed based on three main streams: Airlines, Retail, and Catering & Facilities. To assess the risks’ severity a risk matrix was created by defining different levels of impact and likelihood of risks.

Launching Enterprise Risk Management at SACC

In 2019, SACC launched an initiative to establish an Enterprise Risk Management (ERM) function to enhance risk management capabilities and integration across the Company.

Risk Appetite

Risk Appetite is the extent of risk that SACC is ready to accept in order to achieve its objectives. It differs according to each strategic objective and risk category. SACC’s risk limits are set out in the following risk appetite statements.

SACC is committed to executing all strategic initiatives to achieve its corporate vision and mission. SACC’s approach is to minimize its exposure to risks relating to its regulatory and compliance responsibilities, operational risks and people whilst accepting and encouraging an increased degree of risk in pursuit of its vision and strategic objectives. In addition, it is fully committed to the protection of its assets and a high retention rate of its employees by satisfying their needs in order to maintain business continuity. It does not tolerate risks to ethics or quality.

ERM project phases

Phase 1

- Design & Construction ERM Framework
  - ERM Manual, P&P
  - ERM structure and JD
  - Risk Assessment Criteria & Appetite statements
  - KRI’s

Implementation (ERM Monitoring & Follow Up)

- ERM reporting packages, dashboards

Phase 2

- Risks Assessment, Mitigation Actions
  - Risk registers
  - Migration plans
  - Training session for the executive team and line management on the ERM framework
  - Risk Champions

Phase 3

- Strategic Risks
- Operational Risks
- Financial Risks
- People Risks
- IT & Cybersecurity Risks
- Regulatory Risks
- Governance Risks

Risk Category

- Low
- Moderate
- Zero Tolerance

Risk Appetite

- Risks associated with the SACC’s strategy, as well as its value, priorities and implementation.
- Risks associated with the SACC’s reputation and public confidence.
- Risks associated with SACC’s Audit and compliance committee and external audits.
- Risks associated with SACC’s internal controls, employee conduct, operational efficiency, third-party control and systems security.
- Risks associated with SACC’s reputation being negatively impacted, thereby hindering the accomplishment of its strategic and operational objectives.
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- Risks associated with SACC’s reputation being negatively impacted, thereby hindering the accomplishment of its strategic and operational objectives.
Risk Management (continued)

Risk Universe
The Company’s risk universe illustrates the specific risk environment in which SACC operates, framing key sources of risk to which SACC may be exposed. This represents the minimum scope of application of SACC’s risk management processes, which consists of eight principal risk categories: Strategic, reputational, operational, IT & Cybersecurity, people, regulatory, governance, and financial.

SACC continuously reviews and updates its risk universe as an accurate representation of its strategic and operating environments. SACC anchors each identified risk in the relevant risk category to enable decision-makers to contextualize and understand the interrelationships between SACC’s activities and associated risks.

To be managed, risks need to be identified and understood in advance. Risk treatment and mitigation plans must be established, and continuous follow-up must be in place for the related controls. Consequently, risk management is an essential part of SACC’s strategic and operational management.

Principal Risks & Mitigation
The following describes and provides high-level mitigation approaches to some of the most important risk areas across SACC.

Strategic Risks
Business environment risk
Business cycles in the economy, and in customer industries, influence the demand for SACC’s products, as well as its financial condition and operating results. Some sectors of the business could be affected by adverse changes in economic conditions and employment levels. The Company’s diversification strategy provides a degree of stability in cyclical markets.

Market and customer risk
SACC’s business relies on securing and retaining a diverse range of clients in various industry segments. Despite this diversification, SACC’s business still relies largely on its relationship with Saudi Arabia, so any adverse development affecting the airline could have a negative impact on SACC. The Company has strategies in place to strengthen long-term relationships with clients and consumers based on quality, value, and innovation.

Global political risk
The airline industry is global and is hence dependent on political and economic developments, not only in the Kingdom of Saudi Arabia, but worldwide. SACC’s businesses are largely dependent upon the airline industry and may be impacted adversely by negative global events and trends. We try to anticipate and contribute to important changes in public policy, when possible.

People Risks
Recruitment risk
Failure to attract and recruit people with the right skills at all levels could limit SACC’s success. The Company faces resourcing challenges in some of its businesses due to a lack of industry experience among candidates, finding appropriately qualified people, and the seasonal nature of some of its businesses. The Company aims to mitigate this risk using efficient, time-critical resource management, mobilizing existing experienced employees, and providing appropriate training and development programs.

Retention and motivation risk
At all levels of the organization, retaining and motivating the best people with the right skills is vital to SACC’s long-term success. The Company has established training, development, performance management, and reward programs to retain, develop, and motivate its people. Effective communication channels help the senior management team to monitor, understand, and respond appropriately to employees’ needs.

Operational Risks
Hazard risk
The Company’s occupational health and safety systems, travel safety instructions, and crisis management guidelines are designed to protect employees. Appropriate insurance is in place for all personnel. SACC operates at five airports in industrial-size catering units, two laundry plants, and numerous other smaller premises, including catering outlets, retail shops, lounges, industrial sites, and on-shore oil rigs. SACC leases most of its sites.

While operating, SACC is exposed to risks in areas such as occupational health, employee safety, environment, fire, natural events, and site security. The Company manages these risks with established management procedures and loss prevention programs. Risks that cannot be directly influenced are transferred, where feasible, to insurance companies.

Service Delivery & Contractual Compliance
SACC has a large number of contracts with many clients. Failing to comply with contractual terms and conditions could lead to loss of business. The Company has processes in place to ensure that it meets the required standards, and that it complies with the contractual terms and conditions.

Financial Risks
Cash flow and interest rate risk
As SACC has no significant interest-bearing assets, the Company’s income and associated operating cash inflows are substantially independent of changes in market interest rates. SACC has no interest-bearing liabilities.

Credit risk
Credit risk reflects the risk that a counterparty will default on its contractual obligations, resulting in financial loss to SACC. The credit risk arising from cash and cash equivalents, and from deposits with banks and financial institutions, is limited because the counterparties are banks and financial institutions which, in general, have an investment-grade rating assigned by international credit-rating agencies.

We monitor our third- and related-party trade receivables continuously and have a policy in place to manage and collect overdue receivables. Due to its proper monitoring and appropriate provisioning, management does not expect any additional losses due to client non-performance.

Liquidity risk
Prudent liquidity risk management includes maintaining sufficient cash and available funding from an adequate amount of committed credit facility. The Company ensures flexibility in funding by maintaining sufficient availability of cash and cash equivalent instruments. The management team monitors the risk of a shortage of funds by continuously reviewing short-term cash forecasts, and by using mid-term cash forecasts throughout the year.

IT and Cybersecurity Risk
Information technology and cybersecurity risks related to SACC’s internal operations are constantly identified and mitigated using network security, endpoint protection, access risk management, and vulnerability management. The IT department monitors internal threat exposure levels with vulnerability-scanning capabilities and coordinates a response to identified cyber-security incidents. The management team also closely monitors SACC’s information security capabilities.

The Company relies on a variety of IT systems to manage and deliver services and communicate with clients, consumers, suppliers, and employees.

The management team focuses on maximizing the effectiveness of information systems and technology as a business enabler, and to reduce resulting cost and exposure.

SACC actively identifies and responds to cybersecurity risks. Cybersecurity strategy work and implementation will continue during the coming years.

SACC’s risk universe
- Market & Customer Risks
- Funding Environment
- Business Continuity
- Cash flow and interest rate risk
- Cash handling Risk
- Liquidity Risk
- Credit Risk

- Corporate Communications
- Social Media

- Compliance
- Contracts Management
- Corporate Communications
- HR
- Succession Planning
- Recruitment

- Governance
- Risk Universe
- Operational

- Strategic
- Financial
- Reputational

- Business environmental risks
- Global political risk
- Partnering, Merging & Acquisition
- Sustainability Risk

- Food Safety
- Customer Service

- Hazard risks
- Operational disruption
- Procurement
- Quality
- Service delivery and contractual compliance

- IT & IS
- Application Development Risk
- Information Security Risk

- Retention and motivation
- Payroll
- Training

- IT systems to manage and deliver services and communicate with clients, consumers, suppliers, and employees.
## KPIs

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<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of flights served</strong></td>
<td>217,060</td>
<td>220,029</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td><strong>Number of in-flight meals</strong></td>
<td>40.6m</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Average meal price, including handling fee (SAR)</strong></td>
<td>36.9</td>
<td>35.7</td>
<td>36.4</td>
<td></td>
</tr>
<tr>
<td><strong>Number of lounge guests</strong></td>
<td>3.20m</td>
<td>2.59m</td>
<td>2.57m</td>
<td></td>
</tr>
<tr>
<td><strong>Earnings per share (SAR)</strong></td>
<td>5.66</td>
<td>5.60</td>
<td>5.87</td>
<td></td>
</tr>
<tr>
<td><strong>Pay-out ratio</strong></td>
<td>98.1%</td>
<td>99.1%</td>
<td>93.1%</td>
<td>34.5%</td>
</tr>
</tbody>
</table>

### Why it is important

**Number of flights**

Our main business is inflight catering. One of the main factors to monitor is the number of flights.

**Number of in-flight meals**

As well as number of flights, it is important to monitor the number of meals. Together these KPIs give a picture on how the business is developing.

**Average meal price, including handling fee (SAR)**

Why it is important: Inflight Catering service has two components: meal preparation itself and handling i.e. delivering the meals to airplane and collecting the waste after landing. This is the third most important KPI when evaluating inflight catering.

**Number of lounge guests**

Lounge business is important to us. Number of guests is an important marker to follow in this business.

**Earnings per share (SAR)**

Earnings per share is an important result indicator to external parties, but also to us. It tells us how well we meet shareholders expectations.

**Pay-out ratio**

Our shareholders expect SACC to provide robust return on their investment.

### How we performed

**Number of flights served**

The number of flights decreased from 2018 by 1.4%.

**Number of in-flight meals**

Number of meals increased from 2018 by 1.5%.

**Average meal price, including handling fee (SAR)**

Meal prices increased from 2018 by 3.4%.

**Number of lounge guests**

The number of guests increased from 2018 by 25%.

**Earnings per share (SAR)**

Our earnings per share increased from 2018 by 1.1%.

**Pay-out ratio**

In 2019 our pay-out ratio was 1.0 percentage points lower than 2018.

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*This figure includes Airline Equipment invoicing, which under IFRS 15 is categorized as an agent sales and hence, in financial statements presented on a net basis. However, here it has been presented in gross basis in order to give a clear picture on our dependency.*
Our Operational Divisions at a Glance

Taking the next steps in our journey...

32-37 IN-FLIGHT CATERING
IFC is the foundation of our company and heart of our business, responsible for our in-flight catering operations, as well as the management of our airport lounges. The division has grown exponentially over the years, in line with the growth of Saudi Arabia’s aviation industry and our main client, Saudia.

38-43 RETAIL
Our Retail division grew out of SkySales, Saudia’s in-flight shopping service, which SACC has operated since 1984. It offers a diverse and compelling range of over 10,000 products, available to customers through in-flight shopping, on-ground retail locations and proprietary e-commerce channels.

44-49 CATERING & FACILITIES
Our Catering & Facilities division includes all of SACC’s non-airline and non-retail services. It leverages the company’s strong expertise in food management and catering to provide services to many public and private organizations and industries across the Kingdom.
In-Flight Catering

Saudi Airlines Catering Company is the leading airline catering and ancillary services provider in the Kingdom of Saudi Arabia.

Our In-Flight Catering division delivered strong performance across the board in 2019, increasing revenues and profitability by providing efficient, high-quality services across the kingdom to 106 airlines clients from around the world.

In addition to providing trusted catering services for Saudia and other airlines, supplying over 40 million meals to meet the needs of more than 217,060 flights departures during 2019, IFC division also supplies catering services for other divisions of the company and manages the procurement, supply chain and global inventory of in-flight equipment for Saudia, Flyadeal and Flynas.

Approximately 80% of the division’s revenue is generated from food supplied to airlines and the remaining 20% from these other products and services. However, the In-Flight Catering division is highly integrated with other SACC units, working in an integrated manner to better serve our clients across the Kingdom.

Number of clients 106
Number of meals 40.6m
Number of flights served 217,060
**In-Flight Catering** (continued)

**Continued strong performance in 2019**

It has been a highly encouraging year for the In-Flight Catering division. The division increased sales targets for the year by 6% for Saudia and 3% of overall airline sales, while achieving a 52% reduction in aircraft delays compared to the previous year.

A total of 14 service contracts were secured in 2019, including both extensions and agreements with new customers such as IndiGo, Go Air, Batik Air and Mediterranean Aviation Services. In addition, one tender was awarded to serve Air India in King Khalid International Airport in Riyadh, King Fahd International Airport in Dammam and Prince Mohammad bin Abdulaziz International Airport in Medina.

Our Central Production Unit (CPU) in Riyadh produced 14,914,633 frozen in-flight meals in 2019, as well as 627,341 frozen meals for the SACC Hajj and Umrah division. Capacity expansions and changing work processes were also achieved, mainly in Riyadh and Jeddah, to prepare for projected needs relating to new airport terminals.

Also in 2019, as part of the Saudia TOP5 program, we rolled out our new upgraded Bistro service across a total of 26 new routes, with seven new routes in Q1, seven new routes in Q2, six new routes in Q3 and six new routes in Q4.

The division also boosted efficiency and performance through effective business transformation and process reengineering, and implemented broader cost reduction initiatives throughout the year to increase efficiency, reduce waste, and improve production and labor use. Overall cost savings achieved through these and other measures in 2019 amounted to approximately SAR 50 million. Preparations also continued during the year to introduce new automation and robotics capabilities to tray preparation processes, thereby increasing accuracy, on-time performance and cost effectiveness.

**An enduring relationship**

In 2019, we renewed our in-flight catering agreement with our main client, Saudi Arabian Airlines Est. (Saudia), for a further 10-year period beginning on January 1, 2020. The agreement, which represents the longest ever contract between both parties in relation to in-flight catering services, has a provisional value of SAR 12 billion and will govern SACC’s delivery of in-flight catering services for Saudia’s domestic and international flights as well as several other support services.

This complemented the renewal in 2019 of our service agreement with Saudia Cargo, which has now been extended to March 31, 2022.

We expect the positive results of these new contracts to become apparent in our financial results from Q1 2020, and to benefit from the exceptional, sustained growth of our national airline, which continues to expand rapidly – carrying ever greater numbers of tourists, visitors and pilgrims; opening 23 new destinations; and upgrading its cabin services in 2019, with the help of our innovative new menus and quality improvements.

By extending our 38-year relationship with Saudia, this agreement provides a firm, long-term foundation from which to grow, develop and innovate over the next decade, cementing our unrivalled 90% market share and industry-leading reputation.

**NEW EQUIPMENT IN 2019:**

**RIYADH**

- 14 new high loaders
- 14 new trucks
- New dedicated TOP5 area for concept preparation/ Saudia flights
- New deep freezer room
- New chiller room
- Expanded bakery area

**DAMMAM**

- 4 new high loaders

**JEDDAH**

- 3 new high loaders
In-Flight Catering (continued)

Welcoming airport lounges to IFC
Now a subdivision of IFC, our Airports Lounges and Services business is central to SACC operations. We provide lounge services at our 10 Alfursan lounges in Jeddah, Riyadh, Dammam, Medina and Cairo - including the Alfursan Lounge in the new domestic terminal at King Abdulaziz International Airport, the soon-to-open Alfursan International Temporary Lounge at the new terminal in Jeddah - and our three Wellcome Lounges in Riyadh and Medina, as well as the Transit Motel Lodging at Cairo International Airport, serving almost 2.6 million guests in 2019.

In 2019, we signed a new 10-year contract worth SAR 500 million to provide lounge services in Jeddah’s new international terminal, complementing our in-flight catering contract extension with Saudia. We were also given an additional mandate to upgrade our Alfursan services and lounges, which began in Riyadh in 2019.

Our lounges subdivision also provides Delayed Passenger services and support for events - including equipment and accessory preparation, general manpower and catering.

Growth and expansion alongside our partners in 2020
The newly expanded IFC division is positioned for a strong year in 2020, building on the momentum of 2019 while continuing to target organic growth alongside Saudia and our other aviation customers. As the Kingdom welcomes ever greater numbers of visitors, tourists and pilgrims, we will respond together to this considerable challenge and its associated opportunities by expanding our services to support our partners and the Kingdom itself in this promising new era.

The coming year will see the further innovative developments of our airport lounges and services business to better cater to the needs of our guests, passengers and other corporate clients. 2020 will mark the grand opening of the Alfursan International Lounge at the new terminal of King Abdulaziz International Airport in Jeddah and the implementation of the TOP 5 Welcome Service across all our hospitality-focused activities.

Staff training and familiarization will also be a major focus for the lounges business, as will our aim to expand our existing map of multi-sector engagement by entering the entertainment space.

Other ongoing projects in 2020 include our development of a flight menu for VIP private flights and VIP menu concepts with the Saudia Royal Fleet, and the continued evolution of our Procurement and Strategic Sourcing toward fully automated procurement processes, whilst service and product quality improvements will continue to represent a key strategic focus.

Above all, we will continue to build upon our competitive advantage as the undisputed market leader in our sector to realize increasing value through business expansion, staff engagement and leadership, whilst also remaining dedicated to raising the quality of our products and services.

Airport lounge guests served in 2019
2.6m

Total number of sectors
900

Number of flights
217,060

Saudia
79,424
Other Airlines
137,636

Number of meals (‘000)
40,579

Saudia
7,432
Other Airlines
33,147
Saudi Airlines Catering Company entered the retail sector in 1984 with the launch of SkySales, Saudia’s prestigious in-flight retail service.

Our Retail division has seen tremendous expansion, diversification and synergies across our business over the last 35 years and, facing strong macroeconomic and demographic headwinds in 2019, we refocused our footprint towards more profitable areas while driving exponential eCommerce growth to better serve our loyal customer base.

Today, the SACC Retail division delivers in-flight shopping for a broad range of tastes and levels of luxury, ranging from a portfolio of exclusive, first-class products to specialized low-cost offerings for budget airlines. Aside from Saudia, our onboard retail clients include Flynas and Flyadeal.

Beyond aviation, the division’s ground sales encompass an extensive network of strategically placed retail outlets in major air and rail transport hubs and onboard trains. It also now runs the online SkySales retail operation at skysalesonline.com, offering a comprehensive range of over 10,000 products and merchandise items for delivery to homes and offices throughout the Kingdom.

<table>
<thead>
<tr>
<th>Number of retail shops</th>
<th>48</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of airlines with on-board SkySales</td>
<td>3</td>
</tr>
<tr>
<td>Number of products on skysalesonline.com</td>
<td>10,000</td>
</tr>
</tbody>
</table>
Rebalancing our retail operations for the future

It has been challenging year for the SACC Retail division, particularly given the prevailing economics in the sector and in other key areas of the economy. General consumer confidence continued to fall in 2019, with the retail market in the Kingdom contracting by around 38%.

The effects of the raft of taxes introduced in 2018 have been keenly felt throughout 2019, while the real estate market shrank significantly, and the falling numbers of expatriates had a major impact on consumer spending.

Furthermore, we began 2019 facing SAR 23 million in back charges from previous rents, accruals, provisions and works in progress. Although these negative domestic headwinds pose a significant challenge, the dependency of our retail operations on the traditional on-ground market decreases year-on-year, particularly as our eCommerce activities expand.

During 2019, our onboard operations were merged with our IFC catering operation in order to increase effective control and cross utilization of staff.

Also in 2019, thanks to concerted Saudization efforts in recent years – including in the areas of training and development, salary structuring, and staff turnover and allocation – we are extremely proud to report that our Retail division workforce is now 100% Saudi for the first time.

On-ground

Our on-ground retail operations began the year in highly challenging circumstances. We also faced considerable back charges, owing to broadly anticipated rent reductions that failed to materialize.

Whilst business at national airports – and some regional airports, such as Abha – has remained stable and profitable, many other provincial airports have witnessed declining traffic and heavy falls in retail spending. In addition to this many international carriers have either stopped or redirected their traffic to the main airport hubs. This environment demanded a strategic refocusing of our geographic footprint toward better performing outlets and interests – a process of assessment and realignment launched in late-2018 to streamline our footprint.

Whilst we increased the number of stores in Naam, Al-Ula and other stable locations, we closed three outlets in three train stations (RetailTrax in Riyadh, Al Majmah and Qassim) due to under performance and low passenger traffic, as well as one in King Abdullah University and another in theFlynas Riyadh crew compound. We also closed nine of our La Boutique in-hotel retail outlets, owing to low hotel occupancy and consequent slow turnover.

However, as part of our strategy to re-focus our energies on higher potential assets, in 2019 SACC secured a tender with Haramain to provide retail at eight separate locations (occupying 1,302 m² in total) for a five-year period, with a projected collective footfall of 60 million passengers by 2025. These retail stores are to open in Haramain line stations at Medina (3 stores), Mecca (3 stores), Jeddah (1 store) and KAEC (1 store), with an opportunity to add an additional location at Jeddah’s new Haramain station in the near future.

Note:
3 SAR RetailTrax Shops (Riyadh/AlMajmah/Qassim) were closed in Mar. 2019, 9 La Boutique Shops (JED/RUH/DMM & MAK) were closed in Oct. 2019.
On-ground continued

We will also launch other new healthy casual dining concepts, such as our ‘Trip a Bite’ branded outlets.

In addition, we are planning an eam and burn miles plan with a number of banks and airlines, including Saudia as well as a SkySales loyalty program for our customers. This program will allow customers to be kept updated on special promotions and offers, and earn additional points while shopping in our stores.

The benefits of this strategic re-balancing of our footprint to focus on more profitable, higher footfall locations will begin to be felt in 2020, particularly as a result of the new Haramain contract.

Onboard

It has been a similarly challenging year for SACC Retail’s onboard operations, with overall onboard turnover falling due to changing consumer shopping behavior and the rapid rise of ecommerce.

The number of airlines served by our onboard retail offering was reduced by around 1,000% over the previous year. This outstanding growth was the direct result of major investments in 2018, culminating in the launch of our new eCommerce platform on January 1, 2019.

By expanding the categories of products available through the new platform to include gaming, mobility, souvenirs, electronics, accessories, eyewear, beauty and more, we increased our catalogue from 550 live SKUs in 2018 to 7,567 in 2019, and dramatically broadened our customer base, with a 348% jump in registered users to almost 30,000 by year end.

With significant customer and order growth in 2019, and one of the largest average basket size in the Kingdom, we will continue to refine our eCommerce platform, through cross-selling via the SkySales stores and Alfursan lounges brands, to further capitalize on the rapidly growing market for online purchases.

Focus on innovation and customer experience in 2020

The SACC Retail division has begun as a strategic process to target significant growth in sales in the coming year via our onboard retail operations, including through a number of service and technological upgrades. This includes enhancing and enriching the Saudia passenger experience through an app that will provide opportunities to pre-order items before boarding, for delivery to their seats during the flight with a variety of additional options such as gift-wrapping. Our in-flight point of sale (POS) and mobile POS machines will also be updated to accept the latest payment methods.

Meanwhile, our on-ground retail operations will see the launch of new stores in 2020, such as our ‘Trip a Bite’ branded outlets. This new concept, developed by SACC Retail, offers consumers a wider selection of healthy meals, sweets and savory items, all of which are made from the highest quality raw materials by chefs in our kitchens.

Our eCommerce activities in 2020 will include outsourced fulfilment solutions to a specialized external center to increase efficiency and reduce costs; investment in a new eCommerce content management platform to facilitate the accelerated growth of our online presence; and the establishment of partnerships to allow us to offer new products and reach a projected 10,000+ SKUs by the end of 2020.

We also aim to reach 100,000+ registered users and to increase the proportion of locally manufactured products to support the national economy.

Finally, long-term plans are in place for a strategic partnership between SkySales with Saudia Alfursan, in order to provide cross-selling opportunities and access to 6.5 million Alfursan members, with the ultimate aim of accepting Alfursan Miles to pay for goods on SkySales platforms.

As we enter 2020, the extensive measures taken during the past year to realign SACC’s Retail division to the changing nature of the market and prevailing economic environment in the Kingdom have put us on a path to growth and further development. Having responded quickly to market realities, embraced new technologies and shifted the focus of our on-ground operations, we look forward to a successful and sustainable trajectory in 2020 and beyond.
Established in 2008 to drive growth and diversify revenue, the SACC Catering & Facilities division leverages the company’s strong expertise in the field of food management and catering to provide services to public and private organizations and industries across the Kingdom.

During the year, we integrated additional business lines under the division, driving increased services and enhanced experience for customers while delivering higher returns and cost efficiency for the company.

The Catering & Facilities division includes all of SACC’s non-airline and non-retail services, with centralized leadership and oversight but highly decentralized operations. This is designed to ensure maximum geographic coverage and efficient service across its nine units, with more than 100 sites around the Kingdom. Across its nine units, the C&F division caters to the requirements of clients and other SACC divisions working in the aviation, rail, laundry, hospitality, accommodation, events and logistics sectors, including remote sites. Having absorbed new units during the course of 2019, the division is also now responsible for supplying catering services for national and international Hajj and Umrah pilgrims visiting the Holy Cities, as well as for SACC’s hospitality activities and assets.

The Saudi Laundry Services unit serves our other divisions and business streams, including airline services, and camps and related operations in Riyadh and Jeddah, whilst the Trace and Track Logistics unit provides lost luggage solutions to our major partner, Saudia, handling lost baggage from around the world and operating Saudia’s central warehouse.
As part of the strategic consolidation of our business lines in 2019, our Catering and Facilities division took on responsibility for SACC’s Hajj and Umrah and Hospitality functions, diversifying its scope of work and allowing for greater efficiencies through closer integration of support structures and procedures, leveraging the strengths of our core existing capabilities and systems.

This process of creating efficiencies and strengthening our service proposition through integration, backed by our core expertise, is the prime focus of our new Board, as is the ongoing objective of achieving higher quality services whilst also applying efficient cost-management strategies.

Consequently, the division delivered encouraging growth in 2019, whilst revenue for the year increased by 26.2% over 2018 and profitability by 53.8%, with a stable client retention rate of 95%, creating a foundation for further sustainable growth in 2020 and beyond.

Business and Industry
Our Business and Industry unit saw more than ten million meals served to around four million customers across 84 locations during the year, achieving a 30% growth in revenue over 2018 and securing a profit margin 7.3% above the previous year. The unit also saw strong growth in the office and manufacturing market, delivered revamped menus and a new service structure for the blue-collar segment – including a new end-to-end menu management system – and improved the quality and competitiveness of our food offering across both segments.

In 2020, the unit will seek to reinforce our already well-established presence in the office and manufacturing markets through the development and deployment of new food offering concepts for each. We will also continue to increase our competitiveness by leveraging our evolving end-to-end menu management process.

Remote Sites
The C&F Remote Sites unit served 3.6 million meals during 2019, achieving revenue growth of 16% over 2018 and a client retention rate of 98% – supported by the renewal of existing arrangements with our most significant customer, Maaden. The unit also sought to enhance cost efficiencies through the introduction of a new centralized purchasing and cost management platform.

In 2020, our Remote Sites unit aims to drive growth by leveraging its excellent client base whilst developing new business and establishing new service agreements. The unit will also continue to deploy its recently implemented centralized purchasing and cost management platform to improve service consistency and competitiveness.

Hajj and Umrah
Our newly absorbed Hajj and Umrah unit is the market-leader in the production and distribution of frozen ready meals to the market, serving more than 700,000 meals in 2019 to 100,000 pilgrims, and achieving a growth in revenue of 220% over 2018. The unit also developed a new house brand for frozen Hajj and Umrah ready meals, First Food, and continued to expand its B2B business - now the fastest growing aspect of this market.

In 2020 the Hajj and Umrah unit will fully deploy its new First Food concept, while continuing to target the development of its B2B and B2C relationships and optimize its competitiveness through price and cost models revisions.

Railway Services
The C&F Railway Services unit served one million meals during 2019 on board more than 6,000 train trips across the network. Following the establishment of a new contract with Haramain, the unit launched on-board operations including business and economy class trolley and retail services, as well as a dining bar service for cold meals at four stations. The unit also extended its support to the SAR line by adding services to night trains.

In the coming year, the Railway Services unit will refine its product mix for travelers, driving revenue growth through 2020 and beyond. The unit will also optimize its current cost management systems through the implementation of a new mobile point-of-sale (POS) solution.

Parties and Events
This new Parties and Events unit was formed by the amalgamation of our exiting Party and Function services unit and our new Events Catering business, launched to manage our engagement with the 2020 Saudi Arabia Dakar Rally. Aside from acting as the catering partner for this highly popular event on the global motor racing calendar, the newly amalgamated unit will leverage its previous experience to further develop SACC’s large events business alongside party and function services for government, corporate and diplomatic clients.

Serviced Apartments
The Service Apartments unit, which is concerned with the management and operation of the Darzan Suites located within Saudia City in Jeddah – a major accommodation asset – presided over the reopening of the development in 2019, having undergone a full program of renovation.

In 2020, the unit will focus on business development, targeting expansion in the B2B market among corporates and airlines, as well as in the B2C market by leveraging online booking platforms.
Catering & Facilities (continued)

Accommodation Services
Our Accommodation Services unit opened a new location in Jeddah, and expanded its business with key external clients in Riyadh and Dammam. The focus of the unit during the year was on enhancing its services and increasing guest satisfaction through social interaction, new gyms, video games, movie nights, coffee shops, BBQ events and other initiatives.

In 2020, the Accommodation Services unit will continue to enhance its services to guests. It will also create a new operating model to maintain and develop business with external clients, and is scheduled to open a new motel and restaurant in Dammam.

Laundry Services
Throughout its operations in 2019, the Laundry Services unit reached an average daily throughput of 28 tons across its two industrial plants and achieved a 12% increase in revenue. The unit continued to focus on expanding its services in Mecca, particularly in the hotels segment. In King Abdullah Economic City (KAEC), the Laundry Services unit processed a record 35 tons in one day of laundry at its on-site plant, launched a dry-cleaning service and invested in new equipment to expand its existing business capacity.

In the coming year, the unit will focus on developing its offering by accelerating the growth of its hotel laundry services in Jeddah and Mecca. It also aims to partner with a new Mobile Application Platform to offer B2C laundry services, and to optimize logistics planning and productivity across its operations.

Trace and Track Logistics
The C&F Trace and Track Logistics unit achieved a 23% improvement in its baggage recovery rate over 2018, breaking records in Q4 of 2019 with a 36% increase in recoveries over Q4 2018. This improvement was largely a result of the increased efficiency and productivity of the Trace and Track operation during 2019 - a trajectory that the unit aims to maintain over the coming year, further improving its baggage recovery rate.

Dedicated to growth and quality in 2020
In 2020, the focus of the Catering and Facilities division will be on maintaining and improving the high quality standards delivered throughout our nine core business units in 2019 - standards for which we are well known and appreciated across the Kingdom.

We will seek to achieve further growth in all of our market segments in 2020, with the objective of delivering results in excess of those achieved in 2019. We aim to ensure this through the deployment of enhanced solutions for clients in each segment that have been specifically developed to each target market.

2020 will also see an expansion in our cross-selling activities, based on increasing synergies between our different service segments, as well as further improvements to our cost management program to secure our increasing competitiveness.

In the healthcare sphere we will leverage our company expertise to develop our services in the hospital catering segment, and hope to secure an MoU with the Ministry of Finance to provide frozen meals for government hospitals.

Above all, we will drive the growth and development of the Catering and Facilities division by continuing to provide new and existing clients with comprehensive, competitive, world-class services.

Case study: Racing Ahead at 2020 KSA Dakar Rally
In 2020, the SACC Catering and Facilities division will partner with the organizers of the world’s premier off-road endurance motoring event - the Dakar Rally - through a catering and sponsorship agreement signed in 2019.

Widely acknowledged as the most challenging motorsport event in existence, the Dakar Rally is being held in Saudi Arabia for the first time in its 41-year history, representing one of the biggest international sporting events ever to be hosted in the Kingdom. During the event, SACC will provide catering services for more than 3,500 people on each of the 12 days of the rally, across nine separate locations along the route, spanning a total of 8,000 kilometers.

Being at the core of every service we deliver, impeccable quality, taste and hygiene will be ensured throughout the event across all locations, providing the Dakar competitors and support teams with the highest levels of culinary service throughout their first rally in the Kingdom.

Hajj and Umrah meals served
700,000

Laundry Services revenue growth
+12%

Trace & Track Improvement in baggage recovery
23%
SACC supports the efficiency and effectiveness of its business lines through a range of performance-focused operational divisions, including Quality, Safety and Standards Control, Information Technology, and Legal Affairs and Compliance.

### Improving the quality of our services in 2019

In cooperation with our Central Laboratory, in 2019, the SACC Quality, Safety & Standards Control (QSSC) division introduced nutritional values for our various product lines, as well as information and declarations regarding allergies they contain or may contain.

Also in 2019, we centralized our Safety Department function, awarded a new certification body contract and secured a Gold Mowaamah Certificate from the Ministry of Labor in recognition of our efforts to ensure our workplaces are inclusive and accessible to people with disabilities.

Other certifications secured during 2019 included GACA R 151 Service provider re-certification of our Jeddah (JED) station, and the GACA R 68 for work permitting, which is ongoing.

### Certification

#### Information Technology and Resource Planning

It has been a highly significant year for SACC in terms of internal process improvement and control. Major enhancements have been delivered by our Information Technology division in the areas of system efficiency and payment processing during 2019.

Perhaps most significant in this regard is our successful extension of enterprise resource planning (ERP) functionality to new businesses across the kingdom – covering remote sites, airport lounges and outlets – to help manage stores and operational process. This has boosted sales activity, leading to increasing performance and accelerating month-to-month practices to generate immediate accurate data.

The ERP expansion is part of a strategic portfolio development strategy that aims to deploy and embed new technologies in the form of ready-made solutions to support various different business areas and functions, such as process controlling and archive management.

This, in turn, will facilitate KPI reporting, allowing for more accurate visualization of performance and associated requirements for improvement.

### Legal Affairs and Compliance

The SACC Legal Affairs and Compliance division provides legal support, advice, and compliance management and oversight for other SACC divisions. Comprising a mix of local and international specialists from diverse backgrounds, the team brings a broad range of expertise, skills and experience in fulfilling its functions and responsibilities, unified by SACC’s core values of accountability, reliability and trust.

During 2019, the division continued to leverage the company’s considerable resources to create a responsible working environment founded on clarity, transparency and a compliance-driven culture. To this end, the team has adapted best practices in the areas of transparency and accountability to maintain SACC’s guiding commitment to accurate and timely disclosure.

The division also achieved efficiencies in a variety of areas, most notably through the design and initiation of a comprehensive online solution through which all legal requests are now received and delivered.

Our leadership in this field is highlighted by our nomination, for the fourth time, as one of the highest performing companies in terms of corporate governance and best practice by the Corporate Governance Center of Al Faisal University. In 2019, SACC was also included in the GC Powerlist and named among those companies with the best in-house lawyers in the Middle East at The Legal 500 Awards. Also in 2019, the Middle East Investor Relations Association (MEIRA) presented SACC with the award for ‘best annual report for the year 2018’. These achievements reflect the success of our efforts, as a publicly listed company, to achieve and maintain the highest standards of transparency and related best practice.

### Supporting the growth of our business in 2020

Our Quality, Safety & Standards Control division will continue to deliver new standards in 2020 through a number of targeted certifications throughout the year. These include: ISO 14000:2015 certification; GACA R 151 Certification for all KSA stations; GACA R 68 work permit compliance; migration from OHSAS 18001:2007 to ISO 45001:2018 certification; and upgrading from ISO 22000:2005 to ISO 22000:2018.

In terms of our evolving IT infrastructure in 2020, and in support of SACC’s ongoing digital transformation strategy, phase 1 of our SAP S/4HANA ERP platform will be implemented to cover HR, Finance, Procurement, Logistics and Retail. Additional ongoing projects to maximize the SACC Digital Transformation Program will include extending the UCAS catering ERP.

This will benefit a variety of areas and functions. Our Cart Management System will be improved, as will the SkySales value chain (in terms of sourcing, logistics, commerce, finance). The SACC Dashboard Phase II will be launched (covering operation/production/finance KPI dashboard/SkySales KPI dashboard/catering and facilities) and a shared service hub added (covering projects, change requests, services ticketing, team performance, etc.).

Meanwhile, our Legal Affairs and Compliance division will continue to provide accurate and timely advice and support to other divisions throughout the company, whilst ensuring existing compliance standards are maintained across SACC operations. The division will also continue to develop its proprietary online solution for legal requests during the coming year, based on the latest industry developments and best practices.
It has been yet another challenging year for the global economy. Oil prices remained low and international political volatility prevailed. Among our business interests, the impact of this ongoing turbulence was most keenly felt in the Retail sector, which continued to decline despite numerous actions to boost sales.

Nevertheless, our net sales reached SAR 2.2 billion – a 5.9% increase over 2018 – and our net profit after tax was SAR 463.9 million (SAR 459m in 2018), representing 21.5% of net sales (compared with 22.6% in 2018).

The fall in the revenue and respective profit of our Retail division – combined with an increase in personnel costs – is largely accountable for the decline in our overall profitability margin ratio; however, in absolute terms we outperformed our results in 2018 and our In Flight Catering division performed particularly well in 2019.

Despite its challenges, 2019 has been a year of multiple success stories – not least the renewal of our inflight catering contract with Saudia, for a further 10 years. This provides an excellent example of the trust we have engendered through our service capabilities and reliability in meeting the requirements of our clients. This was also evident in the awarding of a contract with Saudia to build and operate an Al Fursan Domestic Lounge at the new King Abdulaziz International Airport in Jeddah.

Our Catering and facilities division also signed a number of new contracts in 2019 and mobilized to fulfill those established and signed in 2018, providing a solid foundation from which to begin 2020.

Our core In-Flight business, which generated 80.5% of net sales in 2019, is the cornerstone of our strength and a key enabler of our diversification strategy. This strategy has allowed us to successfully broaden the foundations of our company by strengthening our activities in growth areas such as laundry and baggage handling.

Our Hajj and Umrah business line also showed highly encouraging expansion of 122% over 2019. As growth in the airline catering market cools, contributions from new areas such as these will become even more vital to our success.

Asset quality in 2019 continued to be healthy, as did our level of allowances under the IFRS 9 methodology we adopted on January 1, 2018. We also maintained sufficient liquidity to support growth.

Following significant preparations to ensure compatibility, we adopted the IFRS 16 standard on January 1, 2019 – a single on-balance sheet accounting model for leases. We also continued to build our finance, planning and operational systems to help us meet the additional compliance and disclosure obligations associated with IFRS regulations, as well as to generate broader benefits for the business.

Our aim is to combine key financial, human resources and operational data under one analytical platform. This will enable us to develop a robust performance management system for various aspects of the business. This is necessary to counteract the pressure on profit margins in some of our business lines, as well as to ensure continuous value creation for all our stakeholders in 2020 and beyond.

Saudi Vision 2030 will bring a variety of prospects for growth and diversification. As the country prepares to welcome more pilgrims and tourists, our service portfolio is bringing together a number of positively impacted sectors, from traditional inflight catering to food and hospitality services. In this regard, we are exceptionally well positioned to support the new economy of Saudi Arabia, growing in step with our nation and its people in this new era of development and opportunity.
People with purpose: defining who we are

The SACC People Strategy aims to drive organizational performance by improving HR functions and efficiency; building a performance culture to ensure leading performance and employee skills development; enhancing overall employee satisfaction; and cultivating new generations of exceptional leaders to safeguard the future of the company.

The SACC Human Resources division ensures the welfare, wellbeing and productivity of staff throughout our organization. The division’s three HR departments - Operations, Strategy and Organizational Effectiveness - were amalgamated in 2019 to form the Human Capital Management department, which now implements the five core priorities of the SACC People Strategy.

Investing in our People

HR services delivery
Leadership development
Capabilities building
Employee experience
Performance culture
Investing in our People (continued)

Our evolving workforce
As of the end of 2019, our workforce comprised 4,379 full-time employees. Of these, 1,578 were Saudi nationals, representing 34.27% of our total workforce and allowing us to retain our Platinum Saudization rating.

In accordance with the objectives of the Kingdom’s 2030 vision, and as part of our ongoing commitment to establishing a diversified workforce that enables and encourages female empowerment, 24 of our 279 female employees occupied managerial positions in 2019. Meanwhile, through our ongoing partnership with Qaadaroon, we continued to implement enhancements to make our workplace more conducive to our 42 employees with special needs.

A culture of performance
A key aspect of our People Strategy is to establish a performance-driven culture throughout SACC. To this end, in 2019 we began implementation of a new bespoke Performance Management System to track and quantify performance across the company, starting with a balanced scorecard developed for all departments to be cascaded to employees. To assist the implementation of the new system, we held a workshop in conjunction with major stakeholders, which provided all our business units with the right tools through which talents appropriate to their needs can be identified and recruited in a smoother way. Vacant positions are therefore filled using a systematic, transparent approach.

In addition, we launched a new, state-of-the-art recruitment system, which provides all our business units with the right tools through which talents appropriate to their needs can be identified and recruited in a smoother way. Vacant positions are therefore filled using a systematic, transparent approach.

Being a key aspect of our People Strategy, we sought to enhance the employee experience during 2019 through the delivery of a broad program of events and initiatives. These were determined through a number of focus groups, which occurred based on our employee engagement survey results as well as our employee pulse survey, which aimed at assessing our HR services and overall employee satisfaction.

The findings led to the development of a detailed action plan. Some of the initiatives contained in it were implemented in 2019, such as our Total Rewards Program, whilst others, such as our new leadership development scheme, were designed during the course of the year and will be introduced in 2020.

As part of the company’s commitment to give back to our community and have a positive social impact, our CSR activities in 2019 included summer training programs for 89 students. We also distributed 67 annual service awards and named 56 Employees of the Month in recognition of their outstanding contributions to our business. Meanwhile, the children of 104 employees were recognized by Korn Ferry themselves recognized by Korn Ferry management consultants in 2019, which selected SACC amongst a list of global contenders to receive the ‘Employee Enablement Award.’

Whilst we sought to identify and celebrate our highest achievers, our various efforts to encourage and support the development of our people were themselves recognized by Korn Ferry management consultants in 2019, which selected SACC amongst a list of global contenders to receive the ‘Employee Enablement Award.’

SACC also delivered significant progress in terms of capabilities building in 2019, providing 124 technical training programs for 1,555 participants, as well as hiring 26 new Saudi nationals in managerial positions.

The health and well-being of our employees is always a key focus area for the Human Resources division, which managed the delivery of high-quality healthcare services for about 10,000 employees and their families in 2019. 670 employees received vaccinations during the year and a major medical survey was conducted prior to the annual renewal of our employee health insurance scheme to ensure all their concerns and/or requirements were considered. A medical data cleansing exercise took place based on the new medical guidelines that were implemented, ensuring full compliance with all relevant Saudi Council of Cooperative Health Insurance (CCHI) regulations.

As well as primary healthcare, the SACC Medical Strategy includes an awareness-raising component; ‘health lounges’ and information sessions were organized throughout the year to encourage preventive actions and early diagnosis of disease and ten medical seminars were organized for our employees on topics ranging from first aid to cardiac disease prevention.

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Our evolving workforce

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Investing in our People (continued)

Redefining our values and commitments in 2020
In the coming year, we will continue to implement initiatives based on our analysis of the 2018 Employee Engagement Survey. These include the roll-out of our new Leadership Development scheme to complement the Total Rewards program.

Also in 2020, as part of our ongoing transformation process, we will further redefine SACC’s overall job architecture, including titles, descriptions, job families and career development pathways. We will also undertake a review of our existing corporate values to bring them in line with our current business orientation, the needs and values of the wider market, and both the values and ambitions of the Kingdom’s Saudi Vision 2030.

Total Rewards for our employees
The SACC Employee Engagement Survey of 2018 provided deep insights on employee needs and expectations, as well as on the interplay between company activities and best practices, helping us to better align our standards and performance with the spirit of Saudi Arabia’s Vision 2030.

In response to the survey, SACC contracted a specialized consultancy firm to assess our compensation and benefits system, which identified a number of legacy issues, including outdated policies and processes. The introduction of the Total Rewards program and the change in model positively benefited 75% of our employees.

Major changes in 2019 affected grades (which were streamlined from 16 to 10 levels), job titles (reduced from 836 to 63), salary scale (reviewed based on new grading structure), and benefits (benchmarked to the market and revised to include new housing, transportation, education and communications benefits).

The impacts of this major overhaul in our compensation and benefits system have been seen in our competitiveness, as well as in our ability to attract and retain talent. From now on, we will reassess salaries and benefits every three years and conduct an employee engagement survey every two years, so as to remain fully informed of the concerns and suggestions of our people. This cycle will be complemented by an ongoing, proactive program of enhancements to improve working conditions.

Therefore, this represents a long-term commitment supported by a new, holistic approach to managing and engaging our workforce. Whilst the investment required is significant, the potential outcomes will be even greater for the company and its people.
Governance

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1. EVP Corporate Services & General Counsel Overview

We are very thankful for 2019 to have been yet another successful year full of accomplishments geared towards improving and strengthening the wheel of Corporate Governance practices within SACC. Extensive exercises were carried out throughout this year and involved detailed reviewing and amendment of policies and procedures for the finance, HR, and supply chain divisions which resulted in a significantly more coherent governance framework that paved the way for a more harmonized unity to exist amongst different processes and interactions between departments.

We are confident that we are one of the leading companies in terms of implementing highly secure governance frameworks for all of our operations, support services, and Board of Directors activities, which are of course policy driven at all times. Such frameworks have additionally matured successfully through the structure of our second line of defense, being our compliance and internal auditing functions. We are constantly putting a check and balance approach into practice whenever and wherever possible without ever allowing control methods to compromise over efficiency and speed, which we do not claim to have had an issue with to start with, thankfully.

For the fourth consecutive year, SACC has been awarded for being recognized as one of the best companies of top corporate governance practices out of 172 companies in the KSA. We are proud to be able to assure our stakeholders that SACC is on the right path with clear objectives that emphasize its values of transparency, integrity, and discipline.

Sultan Al-Booq
EVP Corporate Services & General Counsel

2. Company’s main activities

- In-Flight Catering
- Retail
- Catering and Facilities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Revenue in SAR</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-Flight Catering</td>
<td>1,766,501,029</td>
<td>69.78%</td>
</tr>
<tr>
<td>Retail</td>
<td>176,688,018</td>
<td>6.98%</td>
</tr>
<tr>
<td>Catering and Facilities</td>
<td>203,578,591</td>
<td>8.04%</td>
</tr>
<tr>
<td>Total reportable segments</td>
<td>2,146,767,638</td>
<td>84.80%</td>
</tr>
<tr>
<td>Other segments</td>
<td>384,661,357</td>
<td>15.20%</td>
</tr>
<tr>
<td>Total</td>
<td>2,531,428,995</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Revenue includes internal income.

3. Affiliates’ main activities

- Operating and managing duty free shops
- Providing catering services

<table>
<thead>
<tr>
<th>Activity</th>
<th>Revenue in SAR</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating and managing duty free shops</td>
<td>290,271,279</td>
<td>100%</td>
</tr>
<tr>
<td>Providing catering services</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>290,271,279</td>
<td>100%</td>
</tr>
</tbody>
</table>

*SACC for Catering Services Co. did not achieve any revenues during the year 2019 due to its establishment on 04/06/1441H corresponding to 12/03/2019, noting that the company’s first fiscal year will end on 12/31/2020.
4. Company’s plans, main decisions, and future expectations

Details on the Company’s plans and future expectations are provided in pages 1 to 59, whereas the following schedule shows the Company’s main decisions and events during 2019, which have been announced in the official webpage of the Capital Market Authority ‘Tadawul’.

Main decisions:

Date | Decision
--- | ---
30/12/2019 | Saudi Airlines Catering Co. announces the embarking on a contract with Saudi Arabian Airlines Est. for the purpose of design, constructing and operating Alfursan Domestic lounge at the New King Abdulaziz International Airport in Jeddah.
23/12/2019 | Saudi Airlines Catering Company (SACC) announces the renewal of its in-flight catering agreement with Saudi Arabian Airlines Est.
08/12/2019 | Saudi Airlines Catering Co. (SACC) announces Resignation of a Board Director Member
06/11/2019 | Addendum Announcement from Saudi Airlines Catering Co. in regards to SACC announcement on its Interim Financial Results for the Period Ending on 30/09/2019 (Nine Months)
06/11/2019 | Saudi Airlines Catering Co. announces the distribution of cash dividend for Third quarter 2019
06/11/2019 | Addendum Announcement from Saudi Airlines Catering Co. in regards to SACC announcement on its Interim Financial Results for the Period Ending on 30/09/2019 (Nine Months)
01/10/2019 | Saudi Airlines Catering Company announces the launch of a platform for its shareholders to inquire about their unpaid dividends
06/08/2019 | Saudi Airlines Catering Co. announces the distribution of cash dividend for Second quarter 2019
06/08/2019 | Saudi Airlines Catering Co. announces its Interim Financial Results for the Period Ending on 2019-06-30 (Six Months)
02/07/2019 | Saudi Airlines Catering Co. announces the embarking on a contract with the Saudi Railways Organization, for the purpose of providing Food and beverage services to the Haramain High Speed Railway carriages and Cafeteria
22/05/2019 | Correction announcement from Saudi Airlines Catering Co. with regards to announcement made for interim Financial results for the period ending on 31-03-2019 (Three Months)
12/05/2019 | Saudi Airlines Catering Co. announces the distribution of cash dividend for First quarter 2019
12/05/2019 | Saudi Airlines Catering Co. announces its Interim Financial results for the period ending on 2018-03-31
30/04/2019 | Saudi Airlines Catering Company Announces the Results of its Shareholders’ Extraordinary General Assembly Meeting (First meeting)
25/04/2019 | Saudi Airlines Catering Company (SACC) announces to its Shareholders the Starting of the Electronic Voting on the Extra Ordinary General Assembly Meeting Agenda (First Meeting)
08/04/2019 | Saudi Airlines Catering Co. announce to invite its shareholders to attend the Extraordinary General Meeting (First Meeting).
27/02/2019 | Saudi Airlines Catering Co. announces the distribution of cash dividend for Fourth quarter 2018
27/02/2019 | Saudi Airlines Catering Co. announces its Annual financial results for the period ending on 31-12-2018
12/02/2019 | Saudi Airlines Catering Co. announces the embarking on a contract with Saudi Arabian Airlines Est. for the purpose of design, constructing and operating Alfursan International lounge at the New King Abdulaziz International Airport in Jeddah.
28/01/2019 | Saudi Airlines Catering Company (SACC) announces the Appointment of the Chairman and Vice Chairman of the Board of Directors, and the Formation of the Board’s Committees
28/01/2019 | Saudi Airlines Catering Co. announces the results of the Ordinary general meeting (First Meeting)
23/01/2019 | Saudi Airlines Catering Company (SACC) announces to its Shareholders the Starting of the Electronic Voting on the Ordinary General Assembly Meeting Agenda (First Meeting).

The information of the company’s plans and its future expectations are mentioned in pages 1 to 59 of this report.

5. The Company’s business results, assets, and liabilities

In Saudi Arabian Riyals (SAR)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Profit</th>
<th>Total Assets</th>
<th>Total Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>463,933,403</td>
<td>2,504,265,024</td>
<td>1,198,613,083</td>
</tr>
<tr>
<td>2018</td>
<td>459,280,884</td>
<td>2,085,785,609</td>
<td>1,073,826,690</td>
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<tr>
<td>2017</td>
<td>481,737,979</td>
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<tr>
<td>2016</td>
<td>591,105,487</td>
<td>1,881,785,352</td>
<td>1,045,681,865</td>
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<tr>
<td>2015</td>
<td>698,500,954</td>
<td>1,198,613,083</td>
<td>1,073,826,690</td>
</tr>
</tbody>
</table>

6. Business Comparison (5 years) SAR

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Cost of Revenue</th>
<th>Gross Profit</th>
<th>Profit Tax</th>
<th>Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2,260,800,463</td>
<td>1,436,299,260</td>
<td>824,541,203</td>
<td>41,840,694</td>
<td>698,500,954</td>
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<tr>
<td>2016</td>
<td>2,256,650,268</td>
<td>1,490,899,501</td>
<td>765,750,767</td>
<td>33,505,845</td>
<td>600,016,458</td>
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<tr>
<td>2017</td>
<td>1,952,564,813</td>
<td>1,229,772,985</td>
<td>722,791,828</td>
<td>41,669,319</td>
<td>621,195,805</td>
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<tr>
<td>2018</td>
<td>2,035,757,930</td>
<td>1,339,278,458</td>
<td>698,479,472</td>
<td>37,114,177</td>
<td>684,330,202</td>
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<tr>
<td>2019</td>
<td>2,156,266,255</td>
<td>1,368,334,227</td>
<td>784,932,028</td>
<td>39,134,091</td>
<td>749,251,589</td>
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</table>

7. Geographic analysis of revenue SAR

<table>
<thead>
<tr>
<th>Year</th>
<th>Geographic analysis for total income of the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>Saudi Arabia: 2,093,009,467, Egypt: 63,256,788, Total: 2,156,266,255</td>
</tr>
</tbody>
</table>
11. Board of Directors
Based on the Company’s bylaws, the Board of Directors of Saudi Airlines Catering Company is currently formed of nine members for a term of three Gregorian years commencing on January 26th, 2019 and ending on January 25th, 2022. These members were appointed through elections by the Extraordinary General Assembly during the meeting held on 17th December, 2018. Mohammed Al Sarhan was appointed as the Chairman of the Board by the members of the Board of Directors during the meeting held on January 27th, 2019 and Sami Al-Hokair was appointed as the Vice-Chairman of the Board for the same term under the powers granted to the Board according to Article 23 from the Company’s bylaws. The committees emanating from the Board were also formed during the Board meeting dated 27th January 2019, which are the Audit Committee and Nomination and Remuneration Committee, while the Executive Committee was not formed by the foregoing Board but was later on established by the current Board during their meeting which was held on December 15th, 2019.

On 08/04/1441H corresponding to 05/12/2019, his Excellency Mr. Fahd bin Abdul Mohsen Al-Rashid submitted his resignation from the Board due to his personal circumstances, accordingly, Mr. Fadi Majdalani was appointed as his successor on 10/05/1441H corresponding to 05/01/2020.

Mohammed Abdulaziz Al Sarhan
Chairman of the Board, member of Nomination and Remuneration Committee

Current positions
• Chairman of the Board of Directors of the National Shipping Company of Saudi Arabia
• Chairman of the Board of Directors of Al Faisalah Holding Group
• Chairman of the Board of Directors of Okunor for Juice Company in Turkey

Previous positions
• Chairman of the Board of Directors of Al Safl Danone Company Limited
• Chairman of the Board of Directors of Ghassan Ahmed Al Sulaiman Furniture Company
• Chairman of the Board of Directors of Ikea Furniture Company in Bahrain
• Chairman of the Board of Directors of Flow Logistics Services Company
• Vice Chairman of Venture Capital Bank in Bahrain
• Vice President for Distribution Affairs, The Saudi Arabian Marketing and Refining Company ‘SMAREC’
• Vice President, Al Faisalah Holding Group
• Consultant at Al-Faisalah Holding Group
• Managing Director and CEO of Al Safl Danone Company Limited
• Managing Director of Al-Safi Danone Food Est
• General Manager of ‘Patromin’ Refinery Department in Riyadh

Mohammed Abdulaziz Al Sarhan
Chairman of the Board (Independent), member of Nomination and Remuneration Committee

Current positions
• Chairman of the Board of Directors of the National Shipping Company of Saudi Arabia
• Chairman of the Board of Directors of Al Faisalah Holding Group
• Chairman of the Board of Directors of Okunor for Juice Company in Turkey

Previous positions
• Chairman of the Board of Directors of Al Safl Danone Company Limited
• Chairman of the Board of Directors of Ghassan Ahmed Al Sulaiman Furniture Company
• Chairman of the Board of Directors of Ikea Furniture Company in Bahrain
• Chairman of the Board of Directors of Flow Logistics Services Company
• Vice Chairman of Venture Capital Bank in Bahrain
• Vice President for Distribution Affairs, The Saudi Arabian Marketing and Refining Company ‘SMAREC’
• Vice President, Al Faisalah Holding Group
• Consultant at Al-Faisalah Holding Group
• Managing Director and CEO of Al Safl Danone Company Limited
• Managing Director of Al-Safi Danone Food Est
• General Manager of ‘Patromin’ Refinery Department in Riyadh

Samia Abdulmohsen Al-Hokair
Vice Chairman of the Board of Directors (Non-Executive), Executive Committee member

Current positions
• Managing Director, Abdulmohsen Abdulaziz Al-Hokair Holding Group, KSA
• Board Member, Abdulmohsen Abdulaziz Al-Hokair Holding Group, KSA
• Chairman of the Board of Directors of Tanami Holding Company

Previous positions
• Board Member, Catering & Strategic Co., KSA (Ltd.)
• Member of the Tourism Committee of the Eastern Province, Kingdom of Saudi Arabia

Academic qualifications
Bachelor of Administrative Science, King Saud University

Professional experience
Samia has over 30 years of professional experience in hotel hospitality management in Saudi Arabia. Upon graduating from King Saud University in Riyadh, he joined the Andalusia Group, where he held a number of positions, including: General Manager between 1990 and 1994 and Managing Director between 1995 and 2009. In 2009, he established a new hotel brand ‘MENA Hotels and Resorts’ under the Abdulmohsen Abdulaziz Al-Hokair Group. Since 2009, he has been responsible for managing 32 hotels in KSA, and two hotels in Dubai. Sami Al-Hokair presides over the board of directors of Abdulmohsen Abdulaziz Al-Hokair Group and is the Managing Director of the Group. In addition, he is the vice chairman of the board of directors of Sahara Kingdom Properties.
11. Board of Directors (continued)

Hasan Shakib Al Jabri
Board member (Independent), Chairman of the Audit Committee

Current positions
• CEO of the Saudi Economy and Development Holding Company for Securities SEDCO
• Member of the Board of Directors of Elfat Travel & Tourism – Elfat Group
• Deputy Chairman of the Board of Directors and Chairman of the Executive Committee of the Dar Al Tamlik Company
• Member of the Board of Directors and Chairman of the Audit Committee of the Saudi Airlines Catering Company

Previous positions
• Chairman of the Board of Directors of SEDCO Capital International Funds for Financial Investments
• Member of the Board of Directors of Ahmed Mohamed Salah H. Baeshen & Co.
• Member of the Board of Directors of Roots Group Arabia
• Member of the Board of Directors and Chairman of the Audit Committee of the Saudi Airlines Catering Company
• Board member and head of investment banking business and managing director of Al-Ahi Capital
• Head of Corporate Banking Department at National Commercial Bank
• Deputy CEO of the Dar Al-Maal Al-Islami Trust
• An official at the Saudi American Bank (Samba Financial), in which he held several positions, the last of which was the President of the Western Region of the Corporate Banking Group and Senior Director of Credit Services

Academic qualifications
• Bachelor's degree in Agricultural Engineering from the American University of Beirut
• Executive Management Program from Columbia University in the United States of America

Professional experience
Al-Jabri has more than 30 years of experience in the banking sector, where he worked in administrative roles since 1984, where he held the position of a responsible manager in the Saudi American Bank (Samba Financial) in which during this period he held several positions, the last of which was the head of the western region of the Corporate Banking Group and Senior Director of Credit Services. He also served as the executive vice president of the Islamic Finance House group, from which he was delegated to manage and merge a number of its banks, the head of corporate banking in the National Commercial Bank in addition to a member of the board of directors and head of investment banking and a managing director of NCB Capital. As Al Jabri participate in the membership of the boards of directors of several companies including Elaf Group for Hospitality and Tourism, Dar Al Tamlik, creativity Bank (Bank of non-profit micro-finance) and Saudi Arabia opportunities Astthiar.

Raed Ibrahim Al Mudaiheem
Board member (Independent), Member of Audit committee, Member of the Executive Committee

Current positions
• Board Member, Masdar Building Materials, KSA (UCC)
• Chairman of the Director of United Mining Industries, KSA (JCC)
• Vice-Chairman of the Director of Northern Region Cement Co., KSA (Listed)
• Board Member, Bawan Company, KSA (Listed)
• Board Member, Northern Region Cement Co Jordan, Jordan (JST)
• Vice-Chairman of the Director of Al Badia Cement Syria, Syria (JST)
• Board Member, SUEZ Cement Co, Egypt (JST)
• Vice-Chairman of the Director of Al Yamamah Steel, KSA (Listed)
• Board Member, Al Muhajib Group, KSA (Listed)

Previous positions
• CEO of Masdar Building Materials, KSA (UCC)
• Board Member, Arabian Pipes Co., KSA (Listed)

Academic qualifications
• Bachelor's in Electrical Engineering, King Saud University
• Masters' Degree in Electrical Engineering, King Saud University

Professional experience
Diversified Engineering & Managerial experience covering more than 30 years in both public and private sectors. In the beginning of his career Raed worked in diversified engineering activities within power and water sectors, then moved to the private sector and acquired vast experience in building materials (trading and manufacturing) namely steel, cement, timber, gypsum, pre-cast and electrical transformers manufacturing. He participated in tens of conferences, training courses, seminars, economic forums in Management, Finance, Strategy and Leadership in the Kingdom of Saudi Arabia and in many countries in the world.

Fahd Abdulmohsen Al Rasheed
Board member (Independent), Chairman of Nomination and Remuneration Committee, Member of Executive Committee

Current positions
• Board member, Emaar The Economic City, KSA (Listed)
• Board member, Ports Development Co., KSA (Listed)

Previous positions
• CEO and Managing Director of Emaar The Economic City, KSA (Listed)
• Board member, Petromin Co., KSA (Listed)
• Deputy Governor and Head of Economic Cities Agency at Saudi Arabian General Investment Authority (SAGIA), KSA (Government Authority)
• Chief Financial Officer (CFO) at the Saudi Arabian General Investment Authority (SAGIA), KSA (Government Authority)
• Financial Analyst at Saudi Aramco, KSA (Government Authority)
• Member of the Board of Directors of Al Hokair Group

Academic qualifications
• Bachelor's in Business Administration, Washington University
• MBA, The Stanford Business School

Professional experience
Fahd is a board director in Emaar The Economic City, a publicly listed company leading the development of King Abdullah Economic City, the largest private-funded new city development in the world and the fastest growing logistics and manufacturing hub in the region. He is the Founding Chairman of the non-profit Red Sea Foundation, Vice Chairman of the Board of Trustees of Prince Mohamed Bin Salman College of Business and Entrepreneurship. He was the CEO and Managing Director of Emaar The Economic City, he serves on the boards of several organizations, including King Abdullah Port, Harvard Kennedy School Dean's Council, Petromin, Saudi Airlines Catering Company, the New Cities Foundation, and the Foundation Board of the Global Shapers of the World Economic Forum. Prior to joining EEC, Al-Rasheed held the post of CFO and Deputy Governor of the Saudi Arabian General Investment Authority (SAGIA). Previous to his work in SAGIA, he led strategic initiatives in investments and corporate finance for Saudi Aramco.

Jonathan Stent-Torriani
Board member (Non-Executive), Member of Nomination and Remuneration Committee, Member of Executive Committee

Current positions
• Founding Partner and Co-CEO, Newrest Group Holding S.L., France (S.L.)
• Majority owner, Director Ritz Carlton Montreal; majority owner, Director
• Board member, Strategic Catering Co., KSA

Previous positions
• Management training, various (during University), Ritz Carlton Montreal
• Operations Manager, Gate Gourmet Geneva
• Project Director, Icarus Consulting
• Managing Director, Gate South Africa
• CEO, KSA (Listed)
• President EMEA, Gate Gourmet
• CEO and Managing Director, Al Badia Trade, Compass Group
• Co-owner, Bebebiz

Academic qualifications
• B.S. Marketing and Management, Davis and Elkins College
• Project Management Professional

Professional experience
Jonathan Stent-Torriani worked for Gate Gourmet Group ("GGG") from 1991-1997 in various roles, including Managing Director for Operations Management, and Managing Director of GGG’s operations in South Africa. He left GGG in 1997 to join Nauncu Group as Chief Executive Officer of its operations in Australasia before returning to GGG as President of the European Division from 2000-2004. He was the Chief Executive Officer for the Southern Europe region at Compass Group from 2004-2006. Jonathan Stent-Torriani is the co-founder, co-owner and has been co-chief executive officer of Newrest Group since 2006.
Corporate Governance (continued)

11. Board of Directors (continued)

Youssef Hamad Al Youafi
Board member (Independent)

Current positions
- Partner and Head of Investment in the Future Investment Company
- Founder of Jawa Energy Company and Head of shareholder
- Member of the Board and member of Nomination and Remuneration Committee, Saudi Fransi Capital Company
- Member of the Board, Chairman Nomination and Remuneration Committee and member of the Investment Committee of Medgulf Insurance Company
- Manager of Sada Investment Company
- Member of the Investment Committee of the Venture Capital
- Member of the Board of Directors of the Saudi Post Corporation

Previous positions
- Chief Investment Officer at Saudi Development and Technical Investment Company (TAGNIA)
- Member of the Board and audit committee of Lajam Sports Company
- Sector Analyst at Passport Capital USA
- Associate at Jadwa Investment Co.
- Consultant at Boaz & Company
- Wireline Field Engineer/Project Manager at Schlumberger Co.
- Communications Engineer at Saudi Aramco
- Project Lead and Senior Research Associate at King Abdullah Petroleum Studies and Research Center

Academic qualifications
- Master of Business Administration, Harvard University
- Bachelor’s degree in Electronic Engineering, University of Colorado Boulder

Professional experience
Al-Youafi has extensive experience in the field of energy and investment spanning more than 25 years, during which he served as the Director of Investments and the founder of the Riyadh Fund for Technology, the Saudi Company for Development and Technical Investment (TAGNIA), Analyst at Passport Capital, California, USA, adviser to the King Abdullah Center for Petroleum Studies and Research, Co-official in the ownership department of Jadwa Investment Company, Adviser at Strategy & Co, previously known as CO & BOOZ in the USA, Oilfield Engineer at Schlumberger, USA, Communications Engineer at Saudi Arabian Oil Company (Saudi Aramco). Al-Youafi also participates in the membership of several companies, such as member of the risk committee in the Saudi Fransi Capital Company, a member of the nominations committee and a member of the investment committee of Medgulf Insurance Company, a member of the board of directors of Sada Investment Company.

Khaled Mohammed Al Hukail
Board member (Independent), member of the Nomination and Remuneration Committee

Current positions
- Chairman of the Board of Directors of Société General Saudi Arabia
- Member of the Board of Directors and the Remuneration Committee of the Printing and Packaging Company as well as a member of the Audit Committee of the Saudi Arabian Ashmore Company, and an independent board member in several funds in Ashmore Saudi Arabia.

Academic qualifications
- Project Lead and Senior Research Associate at King Abdullah Petroleum Studies and Research Center

Professional experience
Al-Hukail has an academic background in Business Administration from Hamlin University, Minnesota, USA, and has participated in numerous courses in risk management science at international institutes in London. He has more than 30 years of experience in the petrochemical industry, marketing, risk management and merging companies in new industries such as Shams Power Co. as well as 9 years experience in SABIC in the United States of America, where he took charge of designing marketing plans, managing human resources, building general company policies, handling products and scheduling shipments. Al-Hukail also builds on specialized experience in risk management and insurance for SABIC Saudi Arabia.

Abdulkarim Essoulaami
Board member (Non-Executive)

Current positions
- Board Director, Newrest, Maroc Services Co Morocco
- Board Director, Newrest Wagonot Co.
- Chairman of the Board of Directors, ATASA Maroc Co.
- Chairman of the Board of Directors, Manzeh Diafa Co.
- Chairman of the Board of Directors, SERHS Grupo Barcelona Co.
- Shareholder, DELMONTE Morocco Ltd Co.
- Chairman of the Board of Directors, Happy Frutti Co.
- Chairman of the Board of Directors, La Patisserie de l’Atlantique Co.
- Chairman of the Board of Directors & CEO, Rahal Maître Traiteur Co.
- Chairman of the Board of Directors, REZOCASH Co.
- Chairman of the Board of Directors, PRIMA Foods Co.
- Chairman of the Board of Directors, GROUPEX Co.
- Board Member & Shareholder, EDENRED Co.
- Chairman, Ryad Al Ghizlane Co.

Previous positions
- Professor at the University of Rabat in Morocco

Academic qualifications
- Bachelor’s degree in Business Administration from the Institute of Communications, University of Rabat, Morocco

Professional experience
Essoulaami has extensive experience spanning more than 40 years, Established and driven executive Leader and Distinguished Visionary with more than 40 years experience influencing Growth, Performance and Profitability of local and International Businesses and Firms. Great knowledge and expertise in Luxury gastronomy, hospitality, catering and the event planning. Currently Essoulaami is holding several job positions and heads and participates in the membership of several major companies and institutions specialized in providing catering, catering and support services to many governmental and private agencies such as airports, train stations and other public and private companies and institutions. and luxury hotels. Essoulaami has a great experience in the food and luxury gastronomy and drinks industry for well-known international brands, as well as good experience in the field of management; supervision and training in the field of catering, planning, budgeting, development, project preparation and follow-up in addition to experience in the banking field.
Corporate Governance (continued)

Abdulmohsen Abdulaziz Al Yahya
Board member (Non-Executive), Ex-Member of the Executive Committee

Current positions
- Board Member, West Gulf Co., KSA (Ltd.)
- Board Member, Awal Al Qoutouf Co., KSA (Ltd.)
- Board Member, Alkhaleej Training and Education Co., KSA (Listed)

Previous positions
- Board Member for Saudi Association for Hearing, KSA (Association)
- CEO and owner, Kudu Restaurants, KSA (Ltd.)

Academic qualifications
- Bachelor's in Civil Engineering, King Saud University (Jeddah)

Professional experience
Abdulmohsen Al-Yahya has over 35 years of operational and management professional experience. He started his career as a Projects Manager in the military engineering works at the Ministry of Defense in 1981. In 1988, he established Kudu Restaurants and stayed as founder and CEO for Kudu until April 2015 when he sold his share. In 2011, he was awarded the best CEO in Retail Business. In 2006 he was appointed a board member of Al-Khaleej Training and Education Company.

Ayman Tarik Al-Tayyar
Board member (Independent), Ex-Member of Audit Committee

Current positions
- Executive Vice President Head, NCB Private Banking, KSA (Listed)
- Board Member, Program of Advisory – Dar Al Hakma University, KSA (Ltd.)

Previous positions
- Executive Vice President Head Lease Finance, National Commercial Bank, KSA (Listed)
- Executive Vice President Head Branch Banking, National Commercial Bank, KSA (Listed)

Academic qualifications
- Bachelor’s of Business Administration, Marketing, University of Montana

Professional experience
Ayman Al-Tayyar has over 22 years of experience in the banking sector, working in management roles from 1996-2001 and later holding the positions of senior manager personal banking (2001-2003) and senior executive manager (2004-2006), SABB Head Office. Due to his continued development and expertise he joined NCB as executive vice president and headed the Islamic branch network in 2006. From 2012 to 2016 he has held the position of executive vice president and head of Lease Finance division. Currently, he has been tasked to lead the Private Banking Division. Ayman Al-Tayyar graduated from the University of Montana, USA, in 1993 with a Bachelor’s Degree in business administration majoring in marketing. As part of his professional development he has attended many banking sector executive management training programs at Harvard University, Stanford University, Darden Business School, London Business School and HSBC Executive Management program throughout his career at reputed institutions in the UK and the United States.
Corporate Governance (continued)

11. Board of Directors (continued)

11-2. Board members whose membership ended on 01/25/2019 at the end of the previous board session:
(continued)

Abdullah Djamal Taibah
Board member (Non-Executive), Member of Nomination and Remuneration Committee
Current positions
• Board Member, EMAAR Economic City, KSA (Listed)
• VP Field Training, Saudi Arabian Airlines, KSA (Government Est.)
• Member, Al Faisaliah Group, KSA (Listed)
• Director of Field Training, Saudi Arabian Airlines, KSA (Government Est.)
Previous positions
• Chairman of the Board of Directors of Tanami Holding Company
• Board Member, Abdulmohsen Al-Hokair Abdulaziz Holding Group, KSA (Listed)
• Managing Director, Abdulmohsen Abdulaziz Al-Hokair Holding Group, KSA (Listed)
Academic qualifications
• B.S. in Electrical Engineering, King Fahd University of Petroleum and Minerals
Professional experience
Abdullah has over 30 years of experience in strategic and operation management through various posts in the region. Abdullah held the position of CEO at Saudia, transforming the company into an Energy Platform for ACWA Holding Group. In this assignment, Abdullah was able to structure an energy group composed of power, renewable and natural resources business lines, supported by engineering services platforms to cater for the growth in the Middle East. The renewable business is mainly focused on solar solutions technology and installations in the CSP and PV technologies, while the Natural resources are focused on tonnage industrial gases while the power business is focusing on winning EPCM projects for thermal and CC technologies.

Shawgi Mohammed Mushtag
Board member (Independent), Ex-Member of Nomination and Remuneration Committee
Current positions
• Retired
Previous positions
• DG Privatization Advisor Saudi Arabian Airlines, KSA (Government Est.)
• VP Privatization at Saudi Arabian Airlines, KSA (Government Est.)
• VP Catering, Saudi Arabian Airlines, KSA (Government Est.)
• G.M. Sky Sales, Saudi Arabian Airlines, KSA (Government Est.)
• Manager Field Training, Saudi Arabian Airlines, KSA (Government Est.)
• Manager Field Training, Saudi Arabian Airlines, KSA (Government Est.)
• Director of field training at Saudi Arabian Airlines
• Aircraft Leasing Coordinator for Department Saudi Arabian Airlines, KSA (Government Est.)
• Station Manager in Baghdad at Saudi Arabian Airlines
• Staff Manager Gulf and Far East Region, Saudi Arabian Airlines, KSA (Government Est.)
• Manager of Central Filing and record at Saudi Arabian Airlines, KSA (Government Est.)
Academic qualifications
• B.S. Marketing and Management, Davis and Elkins College
• Project Management Professional
• Certified Assessor
Professional experience
Shawgi Mushlag has more than 30 years of operational and management experience in the airline and catering industries. Mushlag joined Saudia in 1975 and has held various senior management positions at Saudia, including General Manager for marketing and training from 1987-1997, General Manager for Sky Sales from 1997-2005 and VP - Catering from 2005-2008. Shawgi Mushlag served as Executive VP - Privatization at Saudia, during the period from 2008 to 2015.

11-3. Board of Directors' meetings

Number of Meetings (7)

<table>
<thead>
<tr>
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</tr>
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<td>Mohammed Al Sarhan</td>
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<tr>
<td>Sami Al Hokair</td>
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<tr>
<td>Jonathan Torriani</td>
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<tr>
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<tr>
<td>Yousef Al Yousef</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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<td>✔</td>
<td>7</td>
</tr>
<tr>
<td>Abdulkarim Essaam</td>
<td>x</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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<td>✔</td>
<td>5</td>
</tr>
<tr>
<td>Hassan Al Jabri</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>7</td>
</tr>
<tr>
<td>Yahya Al Yahya **</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>✔</td>
<td>x</td>
<td>x</td>
<td>3</td>
</tr>
<tr>
<td>Shawgi Mushtag**</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>✔</td>
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<tr>
<td>Abdul Taibah **</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>*x</td>
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<td>x</td>
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<tr>
<td>Ayman Al Tayyar **</td>
<td>x</td>
<td>x</td>
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<td>✔</td>
<td>x</td>
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<tr>
<td>Abdulmohsin Al Yahya **</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>*x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>0</td>
</tr>
</tbody>
</table>

* Meetings attended through conference call.
** Members of the Board of Directors whose membership ended on 01/25/2019 in the previous session, bearing in mind that the Board did not hold any meetings during the period between 01/01/2019 to 01/25/2019.

11-4. Current and previous memberships of Boards of Directors and/or their membership of Executive Management in other companies (local or international)

Mohammed Abdulaziz Al Sarhan
Current Board and Management memberships
• Chairman of the Board of Directors of the National Shipping Company of Saudi Arabia, KSA (Listed company)
• Chairman of the Board of Directors of Al Faisaliah Holding Group KSA (LTD)
• Chairman of the Board of Directors of Goknur for Juice Company in Turkey, Turkey (JCC)

Previous Board and Management memberships
• Chairman of the Board of Directors of Ohsanan Ahmed Al Sulaiman Furniture Company, KSA (JCC)
• Chairman of the Board of Directors of Flow Logistics Services, KSA (JCC)
• Chairman of the Board of Directors of Al Safi Danone Company Limited, KSA (LTD)
• Chairman of the Board of Directors of Ikea Furniture Company in Bahrain, KSA (JCC)
• Vice President of Venture Capital Bank in Bahrain, KSA (JCC)
• Vice President for Distribution Affairs, The Saudi Arabian Marketing and Refining Company 'SMAREC', KSA (Public Establishment)
• Vice President, Al Faisaliah Holding Group, KSA (JCC)
• Chairman of the Board of Directors of the National Shipping Company of Saudi Arabia, KSA (Listed company)
• Chairman of the Board of Directors of Al Safi Danone Company Limited, KSA (LTD)
• Managing Director and CEO of Al Safi Danone Company Limited, KSA (LTD)
• Managing Director of Al-Safi Danone Food Est, KSA (LTD)
• General Manager of 'Peb Esmi' Refinery Department in Riyadh, KSA (LTD)

Sami Abdulmohsen Al-Hokair
Current Board and Management memberships
• Managing Director, Abdulmohsen Abdulaziz Al-Hokair Holding Group, KSA (Listed)
• Board Member, Abdulmohsen Al-Hokair Abdulaziz Holding Group, KSA (Listed)
• Chairman of the Board of Directors of Tanami Holding Company

Previous Board and Management memberships
• Board Member, Catering & Strategic Co., KSA (Ltd.)
• Member of the Tourism Committee of the Eastern Province, Kingdom of Saudi Arabia.
Corporate Governance (continued)

11. Board of Directors (continued)

Fahd Abdulmohsen Al Rasheed
Current Board and Management memberships
• Board Member, Emaar The Economic City, KSA (Listed)
• Board Member, Ports Development Co., KSA (Listed)
Previous Board and Management memberships
• CEO, and Managing Director of Emaar The Economic City, KSA (Listed)
• Board Member, Petromin Co., KSA (Listed)
• Deputy Governor and Head of Economic Cities Agency at Saudi Arabian General Investment Authority (SAGIA), KSA (Government Authority)
• Chief Financial Officer (CFO) at the Saudi Arabian General Investment Authority (SAGIA), KSA (Government Authority)
• Financial Analyst at Saudi Aramco, KSA (Government Authority)
• Member of the Board of Directors of Abdul Mohsen Al-Hokair Group, KSA (Listed)

Jonathan Stent-Torriani
Current Board and Management memberships
• Founding Partner and Co-CEO, Newrest Group-Holding S.L, France (S.L.)
• Majority owner, Director Ritz Carlton Montreal, majority owner, Director
• Board member, Strategic Catering Co., KSA
Previous Board and Management memberships
• Management training, various during University, Ritz Carlton Montreal
• Operations Manager, Gate Gourmet Geneva
• Project Director, Icarus Consulting
• Managing Director, Gate South Africa
• CEO, Nuance Australasia
• President EMEA, Gate Gourmet
• CEO, Southern Europe, Compass Group
• Co-owner, Bebebiz

Raed Ibrahim Al Mudaiheem
Current Board and Management memberships
• Board Member, Masdar Building Materials, KSA (JCC)
• Chairman of the Director, United Mining Industries, KSA (JCC)
• Board Member, Bawani Company, KSA (Listed)
• Board Member, Northern Region Cement Co. Jordan, Jordan (JST)
• Vice-Chairman, Al Badia cement Syria, Syria (JST)
• Board Member, SUEZ Cement Co, Egypt (JST)
• Vice-Chairman, Al Yamamah Steel, KSA (Listed)
• Board Member, Al Muhaideb Group, KSA (Listed)
Previous Board and Management memberships
• CEO of Masdar Building Materials, KSA (JCC)
• Board Member, Arabian Pipes Co., KSA (Listed)

Hasan Shakib Al Jabri
Current Board and Management memberships
• CEO of the Saudi Economy and Development Holding Company for Securities SEDCO, KSA (Listed)
• Member of the Board of Directors of Elaf Travel & Tourism - Elaf Group, KSA (Listed)
• Deputy Chairman of the Board of Directors and Chairman of the Executive Committee of the Dar Al Tamkeen Company, KSA (JCC)
• Member of the Board of Directors and Chairman of the Audit Committee of the Saudi Airlines Catering Company, KSA (Listed)
• Member of the Board of Directors of the Arab Petroleum Products Trading Company (APSCO), KSA (JCC)

Khaled Mohammed Al Hakail
Current Board and Management memberships
• Chairman of the Board of Directors of Société Générale Saudi Arabia, KSA (JCC)
• Member of the Board of Directors of the Printing and Packaging Company and a member of the Remuneration Committee, KSA (Listed)
• Member of the Audit Committee of the Saudi Arabian Ashmore Company, KSA (JCC)
• Manager at Al-Waseet Trading Company, KSA (Listed)

Khaleel Mohammed Al Hakail
Current Board and Management memberships
• Deputy General Manager, SABIC, USA, KSA (Listed)
• Director of risk and insurance management at SABIC, Kingdom of Saudi Arabia, KSA (Listed)
• Marketing Researches at SABIC, Kingdom of Saudi Arabia, KSA (Listed)

Yousef Hamad Al Yousefi
Current Board and Management memberships
• Member of the Risk Committee, Saudi Fransi Capital Company, KSA (Listed)
• Member of the Nomination Committee and member of the Investment Committee of Madqulf Insurance Company, KSA (Listed)
• Member of the Board of Directors of Sada Investment Company, KSA (Listed)
• Partner and Head of Investment in the Future Investment Company, KSA (Listed)
• Founder of Java Energy Company and Head of shareholder, KSA (Listed)
• Member of the Board and member of Nomination and Remuneration Committee, Saudi Fransi Capital Company, KSA (Listed)
• Member of the Board, Chairman Nomination and Remuneration Committee and member of the Investment Committee of Madqulf Insurance Company, KSA (Listed)
• Manager of Sada Investment Company, KSA (Listed)
• Member of the Investment Committee of the Venture Capital, KSA (Listed)
• Member of the Board of Directors of the Saudi Post Corporation, KSA (Government Sector.)

Previous Board and Management memberships
• Chief Investment Officer at Saudi Development and Technical Investment Company (TQANIA), KSA (Listed)
• Member of the Board and audit committee of Laajam Sports Company, KSA (Listed)
• Vize-Chairman, Northern Region Cement Co. KSA (Listed)
• Board Member, Al Waseet Trading Company, KSA (Listed)
• SABIC, USA, KSA (Listed)
• Consultant at Booz & Company, USA (JCC)
• Wireline Field Engineer/Project Manager at Schlumberger Co., USA (JCC)
• Communications Engineer at Saudi Aramco, KSA (Listed)
• Project Lead and Senior Research Associate at King Abdulah Petroleum Studies and Research Center, KSA (independent and non-profit center)

Khaleel Mohammed Al Hakail
Previous Board and Management memberships
• Deputy General Manager, SABIC, USA, KSA (Listed)
• Director of risk and insurance management at SABIC, Kingdom of Saudi Arabia, KSA (Listed)
• Marketing Researches at SABIC, Kingdom of Saudi Arabia, KSA (Listed)
11. Board of Directors (continued)

Abdulkarim Essoulam
Current Board and Management memberships
- CEO & Board Director, Rhal Group, Morocco (JCC)
- Board Member, Newrest Wagonot Co., Morocco (JCC)
- Board Member, ATASA Co., Morocco ( LTD)
- Chairman, Manzeh Diafa Co., Morocco ( LTD)
- Board Member, SERHS Grupo Barcelona Co., Morocco ( LTD)
- Shareholder, DELMONTE Morocco Ltd Co., Morocco ( LTD)
- Chairman, Happy Pruff Co., Morocco ( LTD)
- Chairman, La Patisserie de l’Atlantique Co., Morocco ( LTD)
- Chairman & CEO, Rahal Matre Traiteur Co., Morocco ( JCC)
- Chairman, REZOCASH Co., Morocco ( LTD)
- Chairman, PRIMA Foods Co., Morocco ( LTD)
- Board Member & Shareholder, EDENERD Co., Morocco ( LTD)
- Chairman, Residance du Val Co., Morocco ( LTD)
- Chairman, Ryad Al Ghalane Co., Morocco ( LTD)

Previous Board and Management memberships
Professor at the University of Rabat in Morocco, public establishment

Yahya Abdullah Al Yahya
Current Board and Management memberships
- Board Member, Gulf International Bank, Bahrain ( Ltd.)

Previous Board and Management memberships
- Chairman, Gulf International Bank, UK ( Ltd.)
- Chairman of the Emerging Markets Advisory Council of the Institute of International Finance (IIF), Washington DC, USA (Institute)
- Co-Chairman of the Emerging Markets Advisory Council of the Institute of International Finance (IIF), Washington DC, SA (Institute)
- Board Director, Institute of International Finance, Washington DC, USA ( Ltd.)
- Chairman, Shuaibah Expansion Project Company, KSA ( Ltd.)
- Chairman, Shuaibah Water & Electricity Company, KSA ( Ltd.)
- Chief Executive Officer, Gulf International Bank B.S.C., Bahrain ( Ltd.)
- Board Director, GIB Capital, KSA ( Ltd.)
- Steering Committee Member to establish the Saudi Real Estate Refinancing Company (SRERF), KSA ( Ltd.)
- Member of the Group of Twenty (G20) High Level Panel on Infrastructure Investment (HLPII), KSA ( Ltd.)
- Member of Strategy Steering Group of Sanabil, Saudi Arabia, KSA ( Listed)
- Board Director, Oger Telecom, Dubai, UAE ( Ltd.)
- Board Director, The National Commercial Bank, KSA ( Listed)
- Board Director & Member of the Audit & Investment Committee, Saudi Re, Riyadh, KSA ( Ltd.)
- Board Director and Member of the Executive Committee, Gulf Investment Corporation, Kuwait ( Ltd.)
- KSA Representative on the Steering Group (USA, EU, Japan and KSA) of the International Efforts for the Reconstruction of Afghanistan, KSA (Association)
- Executive Director for Saudi Arabia, The World Bank, Washington DC, USA (Organization)
- Executive Director for Saudi Arabia, The World Bank, Washington DC, USA (Organization)
- Board Director, Gulf International Bank, Bahrain ( Ltd.)
- Board Director, Saudi Engineering Committee, Riyadh, KSA ( Ltd.)
- Member of the Audit Committee, Banque Saudi Fransi (BSF), Riyadh, KSA ( Listed)
- General Manager, Central Region, E.A. Juffal & Bros, Riyadh, KSA ( Ltd.)
- Board Director, Saudi Agricultural Bank, Riyadh, KSA ( Ltd.)
- Director General, The Institute of Banking, SAM, Riyadh, KSA (Government Authority)
- Assistant Professor, Industrial Engineering, King Saud University, Riyadh, KSA (Government Authority)
- Consultant, Ford Motor Company, KSA ( Ltd.)
- Assistant Professor, Industrial & Systems Engineering, The University of Michigan, USA (Government Authority)
- Graduate Assistant, College of Engineering, Riyadh University, KSA (Government Authority)
- Project Analyst, Saudi Industrial Development Fund, Riyadh, KSA ( Ltd.)

Abdulmohsen Abdulaziz Al Yahya
Current Board and Management memberships
- Board Member, Gulf Waste Co., KSA ( Ltd.)
- Board Member, Awal Al Qoutouf Co., KSA ( Ltd.)
- Board Member, Alkhalej Training and Education Co., KSA ( Listed)

Previous Board and Management memberships
- Board Member for Saudi Association for Hearing, KSA (Association)
- CEO and owner, Kudu Restaurants, KSA ( Ltd.)

Ayman Tarik Al-Tayyar
Current Board and Management memberships
- Executive Vice President Head, NCB Private Banking, KSA ( Listed)
- Board Member, Program of Advisory – Dar Al Hisma University, KSA ( Ltd.)

Previous Board and Management memberships
- Executive Vice President Head, Branch Banking, National Commercial Bank, KSA ( Listed)

Shawqi Mohammed Mushtag
Current Board and Management memberships
- Retired

Previous Board and Management memberships
- DG, Privatization Advisor Saudi Arabian Airlines, KSA (Government Est.) EVP Privatization, Saudi Arabian Airlines, KSA (Government Est.)
- VP Privatization at Saudi Arabian Airlines, KSA (Government Est.) EVP Privatization, Saudi Arabian Airlines, KSA (Government Est.)
- VP Catering, Saudi Arabian Airlines, KSA (Government Est.)
- G.M. SkySales, Saudi Arabian Airlines, KSA (Government Est.)
- G.M. Marketing Training, Saudi Arabian Airlines, KSA (Government Est.)
- Manager of Management Development Programs, Saudi Arabian Airlines, KSA (Government Est.) Manager Sales Training, Saudi Arabian Airlines, KSA (Government Est.)
- Manager Field Training, Saudi Arabian Airlines, KSA (Government Est.) Manager Charter Coordination, Saudi Arabian Airlines, KSA (Government Est.) Country Manager Baghdad, Saudi Arabian Airlines, KSA (Government Est.) District Manager Giza, Saudi Arabian Airlines, KSA (Government Est.)
- Director of Field Training at Saudi Arabian Airlines
- Aircraft Leasing Coordination Director Saudi Arabian Airlines, KSA (Government Est.)
- Staff Manager Personnel records, Saudi Arabian Airlines, KSA (Government Est.)
- Station Manager in Baghdad at Saudi Arabian Airlines
- Regional Manager Jazan region at Saudi Arabian Airlines
- Staff Manager Gulf and Far East Region, Saudi Arabian Airlines, KSA (Government Est.) Staff Manager Personnel records, Saudi Arabian Airlines, KSA (Government Est.)
- Manager of Central Filing and record at Saudi Arabian Airlines, KSA (Government Est.) Staff Manager Personnel records, Saudi Arabian Airlines, KSA (Government Est.)

Abduljameel Taibah
Current Board and Management memberships
- Board Member, EMAAR Economic City, KSA ( Listed)
- Board Member, Alessa Industries Co., KSA ( Ltd.)
- Board Member, Qudra Energy Co., KSA ( Ltd.)

Previous Board and Management memberships
- Board Member, Arabian Qudra Company, KSA ( Listed)
**Corporate Governance (continued)**

### 11. Board of Directors (continued)

#### 11-5. Board Members’ Benefits

Description of the interests, contractual securities or rights issue of the Board members and their relatives in the Company’s shares

<table>
<thead>
<tr>
<th>Board name</th>
<th>Beginning of year</th>
<th>End of year</th>
<th>Net change</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares</td>
<td>Number of shares</td>
<td>Debt tools</td>
<td>Number of shares</td>
<td>Debt tools</td>
</tr>
<tr>
<td>Mohammad Al Sarhan</td>
<td>70,000</td>
<td>70,000</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Sami Al-Hokair</td>
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<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Raed Al Mudsheem</td>
<td>1,000</td>
<td>1,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fahd Al Rasheed</td>
<td>1,000</td>
<td>1,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Jonathan Torrani</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Hasan Al Jabri</td>
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<td>Youssef Al Yousef</td>
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<td>0</td>
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<tr>
<td>Khaled Al Hukail</td>
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<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Abdulkarim Essolami</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Yahya Al Yahya*</td>
<td>100</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Abdullah Taibah*</td>
<td>1,000</td>
<td>1,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Shawqi Mushag*</td>
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<tr>
<td>Abdulmohsen Al Yahya*</td>
<td>201,022</td>
<td>201,022</td>
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<tr>
<td>Ayman Al Tayyar*</td>
<td>1,165</td>
<td>0</td>
<td>1,165</td>
<td>100%</td>
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* Members of the Board of Directors whose membership ended on 01/25/2019 in the previous session of the Board.

Description of the interests, contractual securities or rights issue of the Board members and their relatives on the shares of the affiliate company (Saudi French Company for Operating and Managing Duty Free Shops Co.)

<table>
<thead>
<tr>
<th>Board name</th>
<th>Beginning of year</th>
<th>End of year</th>
<th>Net change</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares</td>
<td>Number of shares</td>
<td>Debt tools</td>
<td>Number of shares</td>
<td>Debt tools</td>
</tr>
<tr>
<td>Mohammad Al Sarhan</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sami Al-Hokair</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Raed Al Mudsheem</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fahd Al Rasheed</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Jonathan Torrani</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Hasan Al Jabri</td>
<td>0</td>
<td>0</td>
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<td>0</td>
</tr>
<tr>
<td>Youssef Al Yousef</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Khaled Al Hukail</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Abdulkarim Essolami</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Yahya Al Yahya*</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Abdullah Taibah*</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Shawqi Mushag*</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Abdulmohsen Al Yahya*</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Ayman Al Tayyar*</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

* Members of the Board of Directors whose membership ended on 01/25/2019 in the previous session of the Board.
Corporate Governance (continued)

11-7. Remuneration of Board Members

Pursuant to article 76 of the Company’s Law and as per article 22 of the Company’s bylaws, the Board of Directors shall be entitled to remuneration in their capacity as members of the Board of Directors pursuant to the terms and conditions determined by the Ordinary General Assembly. The annual periodical remuneration is stated at the amount of SR 200,000 to each Board member, and the attendance allowances are SR 3,000 for each Board meeting attended. The Board of Directors shall be also entitled to other allowances and compensations such as transportation and accommodation fees. However, those fees shall not exceed SR 500,000 annually for each member (excluding other allowances such as transportation and accommodation).

Policy of Board of Directors’ members remunerations:

a. Based on article 76 of the Company’s Law and in accordance with article 22 of the Company’s bylaws, a Board remuneration may be a specific amount, meeting allowance, or in-kind benefits; and it is permissible to combine two or more of these benefits.

b. Each member of the Board is entitled to an annual remuneration of SAR 200,000, and each member of a Board’s sub-committee is entitled to an annual remuneration of SAR 100,000 in addition to the annual remuneration allocated for Board memberships. In addition, each member of the Board and sub-committee is entitled to a meeting attendance allowance of SAR 3,000 per meeting. In all cases, these remunerations shall not exceed SAR 500,000 annually per member.

c. In the Board’s remuneration, indicators relating to performance should be taken into account when determining the remuneration such as relating the whole remuneration or part of it to these indicators that may be meeting attendance.

d. Executive Board members and employees of the Company are not to be compensated for their service as members of the Board. However, Non-Executive Board members and non-employees are not to be included in any consultation arrangement prior to the approval of the Nomination and Remuneration Committee. In addition, it is not permissible for Audit Committee members, directly or indirectly, to obtain compensation on consultancy, consultancy, legal, investment, or financial services rendered to the Company. Furthermore, the Company shall not contribute to a charity that a member is affiliated with.

e. Any violation of the policy in determining the compensation shall be deemed void and cancelled.

Relationship between compensation and policy:

a. Board members have been awarded an annual remuneration based on article (c) of the above-mentioned policy that amounted to SAR 200,000, and SAR 100,000 if they were members of any sub-committee of the Board.

b. The remuneration was based on a performance indicator that was meeting attendance, as the meeting attendance amount differed based on the number of meetings they have attended in both the Board and its sub-committees.

c. The remuneration of all Board members did not exceed the annual limit of SAR 500,000.

d. The remuneration did not include any other service other than the memberships of the Board and sub-committees.

Board of Directors recommendations regarding amending the remuneration policy of the members of the Board of Directors:

On 05/12/1441H corresponding to 08/06/2019, the Board of Directors and based on recommendations of the Nominations and Remuneration Committee, recommended to amend the Board Members Remuneration Policy to be 300,000 SAR annually instead of 200,000 SAR for Board’s membership annual remunerations, and the annual remunerations related to committee memberships shall be remain the same, in addition to the member’s entitlement to other allowances such as transportation allowance, accommodation allowance, and other allowances. The Board has completely removed the meeting attendance allowances from the remuneration. In all cases, these remunerations shall not exceed SAR 500,000 annually per member.
### 12. Board of Directors’ Committees

#### 12-01. Members of the Audit Committee

**A) Members of the Audit Committee for current session**

<table>
<thead>
<tr>
<th>Member Name</th>
<th>Position</th>
<th>Previous and Current Positions</th>
<th>Experiences and Qualifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hasan Shakib Al Jabri</td>
<td>Chairman</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raed Ibrahim Al Mudaiheem</td>
<td>Member</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(For the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 11-1 Page No. 68)
Corporate Governance (continued)

12. Board of Directors’ Committees (continued)  12-01-01. Members of the Audit Committee (continued)

Mohammed Ali Ikhwan  
Member

Current position
• Board Member, and member of the Audit Committee, Red Sea International Co.

Previous positions
• Member of the audit committee, Almarai Company
• Associate Professor at King Abdul Aziz University in Jeddah
• Assistant Professor and then Associate Professor, Faculty of Engineering, King Abdulaziz University, Jeddah (Department of Industrial Engineering)
• General Director of Savola Packaging Systems
• Development Manager for Edible Oils, Savola Company
• Chief Financial Officer of Savola Group
• Head of Savola Mergers and Acquisitions Department
• Senior adviser to the group in the areas of strategy and governance at Savola
• Senior Adviser to His Excellency the Minister of Labor

Academic qualifications
• Bachelor’s degree in General and Systems Engineering
• Master’s degree in Operations Research
• Master’s and PhD degrees in Economic Systems Engineering from Stanford University, USA.

Professional experience
Dr. Ikhwan has joined King Abdul Aziz University in Jeddah, where he worked as an Associate Professor then Assistant Professor at Faculty of Engineering (Department of Industrial Engineering) where he worked as an assistant professor and then associate professor till 1997. From the period 1993 till 1995, he worked in Savola Group where he held several positions, most notably the General Manager of Savola Packaging Systems, the Director of Development in Savola Edible Oils, and the Financial Director of the Savola Group, then Head of the Mergers and Acquisitions Department, until 2009. Then he worked as a senior advisor to the group in the fields of strategy and governance until the year 2010. He was an audit committee member of Almarai Co. and Senior Advisor to His Excellency the Minister of Labor from 2010 till 2015.

Professional experience
Over the last 20 years, Otain has developed extensive in-depth knowledge and experience in practices involving assurance, taxation, litigation cases, IT and corporate governance. Otain is an approved Arbitrator in financial disputes by the Ministry of Justice in Saudi Arabia.

Before joining International Accountants, he served in key positions as an active member of the senior management team with a number of international accounting firms and major oil & gas companies. Also, he has participated as an audit committee member in number of major and listed companies.

Otain has rich experience in the field of accounting, assurance, tax and related areas gained through working with diversified industries in the MENA region.

12-01-02. Table of Audit Committee’s meetings

<table>
<thead>
<tr>
<th>Name</th>
<th>Nature of Membership</th>
<th>Number of Meetings (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hasan Al Jabri</td>
<td>Chairman</td>
<td>✓ ✓ ✓ ✓ 4</td>
</tr>
<tr>
<td>Raed Al Mudaiseem</td>
<td>Member</td>
<td>✓ ✓ ✓ ✓ 4</td>
</tr>
<tr>
<td>Mohammed Ikhwan</td>
<td>Member</td>
<td>✓ ✓ ✓ ✓ 4</td>
</tr>
<tr>
<td>Ayman Al Tayyar**</td>
<td>Member</td>
<td>x x x x 0</td>
</tr>
<tr>
<td>Khaled Otain**</td>
<td>Member</td>
<td>x x x x 0</td>
</tr>
</tbody>
</table>

1. Attendance by phone conversation.
2. Members of the Audit Committee whose membership ended on 01/25/2019 in the previous session of the Committee, bearing in mind that the Committee did not hold any meeting during the period ending 01/25/2019 any meeting during the period between 01/01/2019 to 01/25/2019.

12-01-3. Remuneration of the Audit Committee members SAR

<table>
<thead>
<tr>
<th>Name</th>
<th>Fixed Remuneration</th>
<th>Allowance for attending the meeting</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hasan Al Jabri</td>
<td>92,852</td>
<td>6,000</td>
<td>98,852</td>
</tr>
<tr>
<td>Raed Al Mudaiseem</td>
<td>100,000</td>
<td>6,000</td>
<td>106,000</td>
</tr>
<tr>
<td>Mohammed Ikhwan</td>
<td>92,852</td>
<td>3,000</td>
<td>95,852</td>
</tr>
<tr>
<td>Ayman Al Tayyar*</td>
<td>6,849</td>
<td></td>
<td>6,849</td>
</tr>
<tr>
<td>Khaled Otain*</td>
<td>6,849</td>
<td></td>
<td>6,849</td>
</tr>
<tr>
<td>Total</td>
<td>299,402</td>
<td>15,000</td>
<td>314,402</td>
</tr>
</tbody>
</table>

1. Members of the Audit Committee whose membership ended on 01/25/2019 in the previous session, bearing in mind that the Committee did not hold any meetings during the period between 01/01/2019 to 01/25/2019.
2. The remuneration of the audit committee members were calculated for the period from 01/01/2019 to 08/05/2019 according to the current remuneration policy while it has been calculated according to the new remuneration policy recommended for the period from 08/05/2019 to 31/12/2019, whereas the remunerations mentioned above shall be disbursed according to the new policy depending on SACCO’s General Assembly in its next meeting; additionally, the fixed remunerations were calculated pro rata in accordance with the membership period of each member.

12-01-4. The Audit Committee report for the year 2019

The Audit Committee confirms that the works performed during 2019 assures the adequacy of the internal and financial control system and risk management which achieves the system’s ability to protect the company’s assets and ensures the efficiency and integrity of the financial and non-financial procedures and processes which attains its goals, and the commitment of the administrative authorities and their employees to the regulations issued by different governmental agencies and related regulatory authorities.

During the year 2019, the audit committee did not recommend the appointment of an internal auditor for the company due to the presence of the internal audit department, and the committee acknowledges that there are no recommendations that exist between the committee and the board directors’ decisions that conflict or refuse the board to take them with regard to appointing and dismissing the company’s auditor and determining his fees and assessing his performance or appointing the internal auditor.
**Corporate Governance (continued)**

**12-02. Table of Nomination and Remuneration Committee meetings**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fahd Al Rasheed**</td>
<td>Chairman</td>
<td>✓</td>
<td>✓</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>2</td>
</tr>
<tr>
<td>Jonathan Torrani</td>
<td>Member</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>5</td>
</tr>
<tr>
<td>Mohammed Al Sarhan</td>
<td>Member</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>5</td>
</tr>
<tr>
<td>Khaled Al Hukail***</td>
<td>Member</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>0</td>
</tr>
<tr>
<td>Abdullah Taibah***</td>
<td>Member</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>0</td>
</tr>
<tr>
<td>Shawqi Mishzag**</td>
<td>Member</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>0</td>
</tr>
</tbody>
</table>

* Attendance by phone conversation
** On 12/06/2019, the Board approved the request for the resignation of the Chairman of the Committee, His Excellency Mr. Fahd Al-Rasheed and Mr. Khaled Al Hukail was appointed as his successor during the Board of Directors meeting held on 12/16/2019.
*** Members of the Nomination and Remuneration Committee whose membership ended on 01/25/2020 in the previous committee session, bearing in mind that the Committee did not hold any meetings during the period between 01/01/2019 to 01/25/2019.

**12-02-03. Remuneration of the Nomination and Remuneration Committee's members SAR**

<table>
<thead>
<tr>
<th>Name</th>
<th>Fixed Remunerations</th>
<th>Allowance for attending the meeting</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fahd Al Rasheed</td>
<td>93,425</td>
<td></td>
<td>93,425</td>
</tr>
<tr>
<td>Jonathan Torrani</td>
<td>100,000</td>
<td>12,000</td>
<td>112,000</td>
</tr>
<tr>
<td>Mohammed Al Sarhan</td>
<td>92,852</td>
<td>12,000</td>
<td>104,852</td>
</tr>
<tr>
<td>Khaled Al Hukail</td>
<td>4,110</td>
<td></td>
<td>4,110</td>
</tr>
<tr>
<td>Abdullah Taibah***</td>
<td>6,849</td>
<td></td>
<td>6,849</td>
</tr>
<tr>
<td>Shawqi Mishzag***</td>
<td>6,849</td>
<td></td>
<td>6,849</td>
</tr>
<tr>
<td>Total</td>
<td>304,085</td>
<td>24,000</td>
<td>328,085</td>
</tr>
</tbody>
</table>

* The remuneration of the Nomination and Remuneration committee members were calculated for the period from 01/01/2019 to 08/05/2019 according to the current remuneration policy, while it has been calculated according to the new remuneration policy recommended for the period from 08/06/2019 to 12/31/2019, whereas the remunerations mentioned above shall be calculated according to the new policy depending on SACC’s General Assembly in its next meeting, additionally, the fixed remunerations were calculated pro rata in accordance with the membership period of each member.

**12-3. The Executive Committee**

The Committee is composed of three non-executive members, one of which is an independent member of the Board of Directors. The duties and responsibilities of the Committee include: assisting the Board in conducting responsibilities and duties in determining the Company’s mission, vision, and direction of operations; developing strategies and business plans; supervising the performance of the CEO and Executive Management; providing advice on how to achieve the Company’s goals; and making recommendations to the Board.

With the end of the previous session of the Board on 01/25/2019, the session of the Executive Committee has ended and was reconstituted on 12/15/2019 by the current Board of Directors. The session for the current Executive Committee shall end coinciding with the current Board of Director’s session on 01/25/2022.

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**12. Board of Directors’ Committees (continued)**

**12-2. Nomination and Remuneration Committee**

The Committee is composed of three non-executive members of the Board of Directors, two of which are an independent Board member. The duties and responsibilities of the Committee include: making recommendations to the Board of Directors with regard to nominations to the membership of the Board, its sub-committees and Executive Management in accordance with the approved policies and standards, provided that no person may be nominated if previously convicted in a felony involving moral turpitude; undertaking the annual review of the skills requirements for the Board of Directors; preparing the description of skills and qualifications required for Board membership including determination of the time that the Board member should dedicate to the business of the Board; and determination of the compensation and remuneration of Board members, its sub-committees and Executive Management.

The Committee also reviews the structure and formation of the Board, makes recommendations concerning changes that can be made to the current Board; identifies the weaknesses and strengths of the Board with recommendations on how to address them to serve the interests of the Company. On an annual basis, the Committee ensures the independence of the independent members and that there are no conflicts of interest. If the member holds membership of the Board of Directors of another company, it develops clear policies for the compensation and remuneration of Board members and senior executives, taking into consideration performance-related standards.

Lastly, the Committee prepares periodic and annual reports on the Committee’s activities and the annual disclosure report according to the by-laws. These reports are presented to the Board of Directors.

**12-02-01. Nomination and Remuneration Committee**

A) Members of the Nomination and Remuneration Committee in the current Board session

- Fahd Abdulmohsen Al-Rasheed
  - Chairman
  - (To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 11-1 Page No. 69)

- Jonathan Stent-Torriani
  - Member
  - (To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 11-1 Page No. 69)

- Mohammed Abdulaziz Al Sarhan
  - Member
  - (To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 11-1 Page No. 69)

B) Members of the Nomination and Remuneration Committee whose membership ended on 01/25/2019 in the previous Board session

- Abdullah Jameel Taibah
  - Member
  - (To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 11-2 Page No. 73)

- Shawqi Mohammed Mushtag
  - Member
  - (To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 11-2 Page No. 74)
12. Board of Directors’ Committees (continued)

12-3-1. Members of the Executive Committee

A) Members of the Executive Committee appointed on 12/15/2019

Sami Abdulmohsen Al-Hokair
Member
(To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 11-1 Page No. 67)

Raed Ibrahim Al Mudaiheem
Member
(To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 11-1 Page No. 68)

Jonathan Stent-Torriani
Member
(To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 11-1 Page No. 69)

B) Members of the Executive Committee whose membership ended with the end of the previous Board session on 01/25/2019

Yahya Abdullah Al Yahya
Chairman
(To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 11-2 Page No. 72)

Fahd Abdulmohsen Al Rasheed
Member
(To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 11-1 Page No. 69)

Wajdy Al-Ghabban
Member

Current positions
- Chief Executive Officer, Saudi Airlines Catering Co.
- Board member at Strategic Catering Company
- Board member at Saudi French Company for Operating and Managing Duty Free Shops
- Managing Director of SACC for Catering Services Co.

Previous positions
- Deputy CEO, Saudi Airlines Catering
- Chief Operating Officer, Saudi Airlines Catering
- General Manager – Riyadh Region, Saudi Airlines Catering
- Chief Catering Unit – Cairo Unit, Saudi Airlines Catering

Academic qualifications
- Bachelor’s Degree
- Master of Business Administration from Robert Kennedy College, University of Wales, Switzerland
- Member of International Flight Services Association
- Member of International Travel Catering Association (ITCA)
- Member of GACWG

Professional experience
30 years of work experience at Saudi Airlines Catering Co., in which he held various positions within the company. Wajdy displays expertise in the fields of airline & non-airline catering. In addition, his interests include software development for airline catering use, automation of production and ware wash systems, catering unit project design and execution, real estate development (construction/renovation of hotel and labor housing projects), and budgeting and contract negotiation.

12-3-2. Schedule of meetings of the Executive Committee

The Executive Committee did not hold any meeting during the year 2019, due to the end of the previous session of the board on 01/25/2019 and since the committee was not reconstituted for the current session only on 12/15/2019 where the fixed remunerations were calculated in the table below proportion according to the validity period of membership of each member. Note that the members of the committee, Mr. Jonathan Torriani and Mr. Raed Al-Mudaiheem, were members of the previous Executive Committee and were re-appointed to the current committee.

12-3-3. Remuneration of members of the Executive Committee SAR

<table>
<thead>
<tr>
<th>Name</th>
<th>Fixed Remuneration</th>
<th>Attendance Allowance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jonathan Stent-Torriani</td>
<td>10,959</td>
<td>0</td>
<td>10,959</td>
</tr>
<tr>
<td>Raed Al Mudaiheem</td>
<td>10,959</td>
<td>0</td>
<td>10,959</td>
</tr>
<tr>
<td>Sami Al Hukair</td>
<td>4,110</td>
<td>0</td>
<td>4,110</td>
</tr>
<tr>
<td>Yahya Al-Yahya</td>
<td>6,849</td>
<td>0</td>
<td>6,849</td>
</tr>
<tr>
<td>Abdulmohsen Al-Yahya</td>
<td>6,849</td>
<td>0</td>
<td>6,849</td>
</tr>
<tr>
<td>Fahd Al Rasheed</td>
<td>6,849</td>
<td>0</td>
<td>6,849</td>
</tr>
<tr>
<td>Wajdy Al-Ghabban</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>53,424</td>
<td>0</td>
<td>53,424</td>
</tr>
</tbody>
</table>
Matti brings 25 years of experience from various industries: heavy metal, industrial automation, pulp and paper, electronics and food services. He has been involved in all areas of finance from Treasury to Management Accounting. During his career he has participated in many turnaround projects and mergers & acquisitions. Besides finance responsibilities he has managed strategy, IT, payroll and HR. He is a reserve officer with Finnish Defense Forces. Besides his native country, Finland, he has lived and worked for more than 15 years in Singapore, China, India, Brazil and now in Saudi Arabia.

Tarek Tharwat
Current positions
• Chief Audit Executive

Professional experience
Tarek Tharwat holds an MBA in International Business from the University of Liverpool in UK
• BSc. in Accounting from Alexandria University in Egypt
• Chartered Accountant
• Certified Internal Auditor (CIA)
• Certification in Risk Management Assurance (CRMA) from the Institute of Internal Auditors (IIA) in USA
• Certified Financial Consultant (CFC) from the Institute of Financial Consultants (IFC)

Tarek has over 25 years of professional experience in Internal Control, Risk Management Inspection & both operational and financial audit. Worked as external auditors in Deloitte & Touche Egypt then moved to the French chemical group ‘Rhodia’ in Egypt as a group Chief Accountant then promoted to the Group Credit Manager. In 2003, Tarek joined Abdul Latif Jameel ‘ALJ’; the dealer of Toyota in KSA, as internal audit supervisor then transferred to Algeria as Internal Audit Manager where he set up the Internal Audit function for North Africa and the overseas network. Tarek also joined Orascom Construction Industries ‘OCI’ in Egypt as Corporate Internal Audit Manager responsible for the cement division, then joined Saudi Binladin Group as Chief Internal Auditor for the Public Buildings and Airports Division ‘PBAD’. Currently Tarek is the Chief Audit Executive at Saudi Airlines Catering Company.

Jacob Roest
Current positions
• Chief Operating Officer – In-Flight Catering

Professional experience
Jacob comes to SACC with over 25 years of experience gained through working in airline catering positions across Europe, Asia, India and New Zealand. His experience also includes working in production and management roles in the UK, Portugal and the Netherlands where he served in the national service for 2 years. He joined SACC as COO in January 2018. Jacob left the company on 02/28/2019 due to the expiry of his employment contract.

13. Executive Management
13-01. Company's Executive Management members

Wajdy Al-Ghabban
Current position
• Chief Executive Officer, Saudi Airlines Catering
• Board Member, Strategic Catering Company
• Managing Director of SACC for Catering Services Co.
• Board member at Saudi French Company for Operating and Managing Duty Free Shops

Previous positions
• Deputy CEO, Saudi Airlines Catering
• Chief Operating Officer, Saudi Airlines Catering
• General Manager – Riyadh Region, Saudi Airlines Catering
• Chief Catering Unit – Cairo Unit, Saudi Airlines Catering

Academic qualifications
• Bachelor's Degree
• Master of Business Administration from Robert Kennedy College, University of Wales, Switzerland
• Member of International Flight Services Association
• Member of International Travel Caterers Association (ITCA)
• Member of GACWG

Professional experience
30 years of work experience at Saudi Airlines Catering Co., in which he held various positions within the company. Wajdy displays expertise in the fields of airline & non-airline catering. In addition, his interests include software development for airline catering use, automation of production and ware wash systems, catering unit project design and execution, real estate development (construction/renovation of hotel and labor housing projects), and budgeting and contract negotiation.

Sultan Al-Booq
Current positions
• Executive Vice President Corporate Services & General Counsel

Previous positions
• Legal Advisor and Board Secretary at Ma’aden
• Lawyer for Microsoft as a secondment under the Law Firm of Mohammed Althbaaib & Partners (Eversheds)
• Lawyer & Legal Advisor at United Legal Group Law Firm

Academic qualifications
• LLM (Masters’ Degree) Comparative Legal Studies (Elisabeth Haub School of Law) New York
• BSc in Law (King Abdulaziz University), Jeddah

Professional experience
Procurement and corporate supply chains; local and international litigation; legal and corporate negotiation; outsourcing of legal cases to internationally renowned legal professional; contract and MoU drafting; government advocacy; intellectual property; handling of liaison between Company functions and divisions for discussion with the Board of Directors; corporate market and government regulations; corporate policy and procedure.

Matti Kivekas
Current positions
• Chief Strategy & Study

Previous positions
• CFO of Saudi Airlines Catering Co.
• VP Finance and Business Control with Fazer Food Services in Finland
• Regional CFO and GM Business control in Brazil and India with Salcomp
• CFO with Compagnia PLC
• VP Finance & IT with UPM-Kymmene, China and Asia Pacific
• Head of Finance and Business Control with Metso Automation for South America, Asia-Pacific and South Africa
• Treasurer with Tampella Power

Academic qualifications
• B.Sc.(Economics), University of Tampere
• MBA (Helsinki School of Economics)
Corporate Governance (continued)

13. Executive Management (continued)
13-01. Company's Executive Management members (continued)

Abdulwahab Sasti
Current positions
• Executive Vice President - Retail
• Board Member, Saudi French Company for Operating and Managing Duty Free Shops

Previous positions
• Chief Commercial Officer
• General Manager, Airlines Sales and Business Development
• Manager Marketing Sales and Customer Services
• Manager Sales and Marketing
• Assistant Manager, Foreign Airlines and Private Aviation
• Assistant Manager, Royal VIP and Saudia

Academic qualifications
• Many professional certificates in the field

Professional experience
Joined SACC in Riyadh during 1991 and since then he has worked in various managerial positions within the organization. Abdulwahab has extensive experience of over 27 years in the field of Aviation, Retail Services, and In-Flight Catering, with a very strong orientation in the field of Marketing & Sales Business Development, handling all Saudia, local and foreign airlines and private aviation.

Strategic and resourceful executive with proven ability to recognize and capture business opportunities. Possessing excellent communication skills and able to establish sustainable and profitable relationships with customers and suppliers. Strong record of achievement in progressive leadership roles within the aviation industry—repeatedly stepping up to new challenges, launching innovative programs, creating customer loyalty, and building top-performing organizations with excellent revenue and profit performance.

Fahad Khayat
Current positions
• VP- Quality, Safety & Standard Control

Previous positions
• General Manager, Internal Control and Performance Improvement
• VP Catering (A) and Quality Assurance, Saudia Catering
• G.M. Catering Operations and Quality Assurance, Saudia Catering
• G.M. Quality Assurance
• G.M. Total Quality Management, Saudia Catering
• G.M. Human Resources, Technical Projects, Quality and Food Safety, Saudia Catering
• G.M. Technical Projects, Quality and Food Safety, Saudia Catering
• Corporate manager Quality and Food Safety, Saudia Catering
• Manager Hygiene and Food Safety, Saudia Catering
• Corporate Manager of food microbiological activities of the six quality control laboratories located at Jeddah, Dhahran, Hallat Am mar, Jazan, Al Jeddah and Riyadh, Saudi Food Drug Organization (SDA), Ministry of Commerce

Academic qualifications
• Doctor of Philosophy in Science, Utah State University, Logan, Utah, USA. 1987
• Masters in Science, Utah State University, Logan, Utah, USA, 1986

Professional experience
Dr. Fahad’s department has delivered key ISO/HACCP/OHSAS/Halal (HAB) qualifications for the business. With over 26 years’ experience, he has delivered quality assurance through establishing robust, quality driven processes, which are key to SACC’s subsequent awards and recognition in the field of food production.

Ibrahim Alsini
Current positions
• VP Hajj and Umrah
• International arbitrator at Hotellerie Middle East

Previous positions
• Dean of Faculty of Tourism, King Abdulaziz University, Jeddah
• Member of The Board of Directors of Dhyafat Albalad Alameen

Academic qualifications
• PhD in Hospitality Management from the University of Surrey, UK
• Certificate of competence in hospitality management from the High School in Lausanne, Switzerland.

Professional experience
Dr. Ibrahim Alsini joined the company on 06/05/2018 as the Vice President of Hajj and Umrah Department of Saudi Airlines Catering Company. He was formerly dean of the Faculty of Tourism at King Abdulaziz University in Jeddah. He was also a member of the Board of Directors of the Security Country Assembly, a private company focused on developing Hospitality and Tourism in Mecca. He has worked also as International arbitrator at Hotellerie Middle East since 2014. Alsini obtained a PhD in Hospitality Management from the University of Surrey, UK and Certificate of competence in hospitality management from the high School in Lausanne, Switzerland.

Alsini resigned from the company on 09/03/2019 due to his personal circumstances.

Talal Al Toaimi
Current positions
• VP- Airports Lounges

Previous positions
• Multiple managerial positions

Academic qualifications
• Certificate in Technical Sciences from Riyadh Industrial College 1984-1987

Professional experience
Al Toaimi joined Saudia Catering Company in 2003 and has held many administrative positions there. He has over 15 years of experience in hospitality, catering and high communication skills to maintain and establish a good and profitable business relationship with customers. His development has been demonstrated by his rise in the career ladder in leadership positions. Talal oversees the management and operation of business and hospitality lounges known as Al Fursan lounges at the Kingdom’s airports in Jeddah, Riyadh, Dammam, Medina and other hospitality sectors and centers.

Sylvain Benoit
Current positions
• Executive Vice President – Catering & Facilities

Previous positions
• Chief Operating Officer, SODEKO, China
• Head of the Chinese Food Program
• Head of Contracts and Employment Department of China
• Operations Manager, China
• Regional director in China
• Operations Manager in China

Academic qualifications
• Certificate of Hospitality Management Supervisor, France
• Higher Diploma in Restaurant Management, Hospitality School, Toulouse, France
• Diploma in Catering and Hospitality, Toulouse, France

Professional experience
Sylvain has extensive professional experience over the past 15 years, during which he has held various positions in the field of catering for many companies in the hospitality and catering sector, before taking up the post of Chief Operating Officer, Catering and Facilities Management in Saudi Airlines Catering Company on July 15th 2018. He was appointed successor to Professor Martial Verine, who submitted his resignation on July 14th, 2018. Sylvain has held several positions at Sodexo in China, including Chief Operating Officer, Head of the Food Program, Head of Contracts and Operations Department, Operations Manager and Regional Director.
13. Executive Management (continued)
13-01. Company’s Executive Management members (continued)

Khalid Al-Redian
Current positions
• VP, IFC Central & Eastern Regions

Previous positions
• General Manager central production Unit
• Section Manager
• Assistant operation manager
• Section Head Royal & VIP Flights

Academic qualifications
• Bachelor degree from King Saud University – English department
• English Language Certificate from Canada – Toronto Metro

Professional experience
Al-Redian has more than 30 years of professional experience in the inflight catering and operations sector, during which he held multiple positions in the Saudi Airlines Catering Company, the beginning of his work was a services representative in the Operations Department until he assumed the position of VP, Central & Eastern Regions. Al-Redian has a full knowledge of gastronomy and food catering, he also attended many external and internal courses in the field of catering and administration.

Salah M. Al Umar
Current positions
• VP, Western and Southern Regions

Previous positions
• General Manager, Jeddah, Madinah and Cairo Unit, SACC
• Regional manager, Jeddah and Cairo Unit, SACC
• Catering Unite Manager, Cairo unite.
• Unit Operations Manager, Riyadh Unit, SACC
• Unit Operations/Ramp Manager, Riyadh Unit, SACC
• Unit Operations Sections Manager, Riyadh Unit, SACC
• Unit Operations Assistant Manager, Riyadh Unit, SACC
• Duty manager, Riyadh Unit, SACC

Academic qualifications
• High School Graduate – Passed, 1989

Professional experience
Salah has more than 30 years of professional experience in the inflight catering and operations sector, during which he held multiple positions at Saudi Airlines Catering, until he took up the position of VP, Western and Southern Regions. He previously held several positions in other companies, including Aljomaih Automotive Company, Yousef bin Ahmed Kanoo Ltd. and the Custom Office at King Fahd International Airport in Dammam.

13-2. Compensation of Executive Management

<table>
<thead>
<tr>
<th>Item</th>
<th>SAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Compensation</td>
<td>4,610,521</td>
</tr>
<tr>
<td>Allowances</td>
<td>718,299</td>
</tr>
<tr>
<td>Annual Remuneration</td>
<td>2,772,762</td>
</tr>
<tr>
<td>Incentives</td>
<td>–</td>
</tr>
<tr>
<td>Any Compensation or Benefit that is Paid Monthly or Annually</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>8,101,582</td>
</tr>
</tbody>
</table>

13-3. Description of the interests of the members of the Executive Management members and their relatives

Description of the interest of the members of the Executive Management members and their relatives in the shares in the Company

<table>
<thead>
<tr>
<th>Name</th>
<th>Beginning of year</th>
<th>End of year</th>
<th>Net change</th>
<th>Change percentage</th>
<th>Relative ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wajdy Al-Ghabban</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Sultan Al-Booq</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tarek Tharwat</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Matti Kivekas</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Abdelwahab Saadi</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fahad Khayyat</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Jacob Roest</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sylvain Benoît</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Talal Al Toami</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ibrahim Alseri</td>
<td>16</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Khalid Al-Redian</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Salah M. Al Umar</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Description of interests, contractual based securities, and subscription entitlements of Executive Management members and their relatives on debt instruments of the company

<table>
<thead>
<tr>
<th>Name</th>
<th>Beginning of year</th>
<th>End of year</th>
<th>Net change</th>
<th>Change percentage</th>
<th>Relative ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wajdy Al-Ghabban</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sultan Al-Booq</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tarek Tharwat</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Matti Kivekas</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Abdelwahab Saadi</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fahad Khayyat</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Jacob Roest</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sylvain Benoît</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Talal Al Toami</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ibrahim Alseri</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Khalid Al-Redian</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Salah M. Al Umar</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
13. Executive Management (continued) 13-3. Description of the interests of the members of the Executive Management members and their relatives (continued)

Description of the interests of the members of the Executive Management members and their relatives in the shares of the affiliate company (SACC for Catering Services Co.)

Name | Beginning of year | End of year | Change | Relative ownership |
--- | --- | --- | --- | --- |
Wajdy Al-Ghabban* | - | - | - | - |
Sultan Al-Booq | - | - | - | - |
Tarek Tharwat | - | - | - | - |
Matti Kivekas | - | - | - | - |
Abdelwahab Saadi* | - | - | - | - |
Fahad Khayyat | - | - | - | - |
Jacob Roess | - | - | - | - |
Sylvain Benoit | - | - | - | - |
Talal Al-Toami | - | - | - | - |
Ibrahim Al-Aznin | - | - | - | - |
Khalid Al-Redian | - | - | - | - |
Salah M. Al-Umar | - | - | - | - |

* Mr. Wajdy Al-Ghabban is the directing manager of SACC for Catering Co.

Description of interests, contractual based securities, and subscription entitlements of Executive Management members and their relatives on debt instruments of the affiliate company (SACC for Catering Services Co.)

Name | Beginning of year | End of year | Net change | Change percentage | Relative ownership |
--- | --- | --- | --- | --- | --- |
Wajdy Al-Ghabban* | - | - | - | - | - |
Sultan Al-Booq | - | - | - | - | - |
Tarek Tharwat | - | - | - | - | - |
Matti Kivekas | - | - | - | - | - |
Abdelwahab Saadi* | - | - | - | - | - |
Fahad Khayyat | - | - | - | - | - |
Jacob Roess | - | - | - | - | - |
Sylvain Benoit | - | - | - | - | - |
Talal Al-Toami | - | - | - | - | - |
Ibrahim Al-Aznin | - | - | - | - | - |
Khalid Al-Redian | - | - | - | - | - |
Salah M. Al-Umar | - | - | - | - | - |

* Mr. Wajdy Al-Ghabban is the directing manager of SACC for Catering Co.

13-4. Executive Management’s Compensation Policy

a. The Board of Directors shall determine the compensation of the Chief Executive Officer in their appointment resolution and shall be stated in the contract with that Chief Executive Officer.

b. The Executive Management members’ compensation shall be in accordance with the Company's internal policies, and shall be determined based on the employment grade of each member. This shall exclude the Chief Audit Executive who will have his compensation determined by the Board of Directors based on the Audit Committee’s recommendation.

c. In determining compensations of the Executive Management, the size of the responsibilities, tasks, and duties and the expertise, qualifications, skills, and performance should be taken into account.

d. The Company should immediately stop a compensation of an Executive Management Member, upon its knowledge of any misleading information given by the Executive Management member to misuse his employment status to gain undeserved compensations. The Company reserves its right of claiming all undeserved compensation that was awarded to that member either internally, or externally by the responsible authorities.

e. The Nomination and Remuneration Committee should review the compensations of the Executive Management periodically to ensure its reasonable sufficiency to attract and retain members of merit and experience and motivate them to develop the Company on a long-term basis.

f. Indicators relating to performance should be taken into account when determining the remuneration of Executive Management members.
13. Executive Management (continued)

5. Relationship between Compensation and Policy
a. The Chief Executive Officer’s compensation was determined by the Board of Directors and is reflected in his employment contract.
b. The Executive Management members’ compensations were determined by the Company’s internal policies, except for the Chief Audit Executive whose compensation was determined by the Board based on the Audit Committee’s recommendation.
c. The compensations were based on performance indicators that Executive Management members are evaluated against annually.

14. Related Party Transactions

Saudi Arabian Airlines Establishment (Saudia) is the largest Shareholder in the Company. A large portion of the Company’s business is conducted with Saudia, such as providing meals to passengers and crew on board Saudia flights, as well as other services such as producing and preparing menus, ground services that are mainly meals for the employees of this sector, and luggage services.

In its capacity as the owner of the strategic catering company, one of the company’s major shareholders, and due to the membership of its CEO and co-founder, Mr. Jonathan Torriani, and its board director Mr. Abdulkarim Essouami, Newrest Co. is one of the related parties of the company, providing consultancy and technical services to the company, including consulting and internal review of some of the company’s strategies and operations and training. Renewing the approval of these transactions and actions during the 2019 General Assembly meeting.

The agreement adopts the principle of development and growth of revenues and profits for the Company in general and for each section of business it runs in particular. The agreement will adopt specific objectives and outcomes for these sections. Additionally, it will focus on financial and quality results, the best utilization of assets and development of human resources.

The agreement, moreover, adopts the principle of gaining technical support for future potential business including railway catering, noting that Newrest Holding S.L is one of the leading companies in Europe specializing in catering services on trains. The duration of the agreement is three years, which ended on December 31, 2019, and was renewed for another three years, ending on December 12, 2022. In addition, Saudi Airlines Catering Company has a leasing relationship with administrative offices in Riyadh with the Strategic Catering Company, one of the companies owned by Newrest Holding S.L and one of the major shareholders of the Company.

All contracts signed with related parties were approved during the meeting of the Company’s General Assembly authorized for 2019. These related parties include Saudi Arabian Airlines Establishment, Newrest Group Holding S.L, Saudia Airlines Cargo, Saudi Airlines Ground Services, Saudi Airlines Real Estate Development Company, Flyadeal, Abdulmohsen Abdulaziz Al-Hokair Group, National Commercial Bank, Gulf West Co., Emaar the Economic City, and Saudi French Company for Operating and Managing Duty Free Markets.

14.1. Summary of the Transactions with the Related Parties

<table>
<thead>
<tr>
<th>Related party</th>
<th>Its relation with the Company</th>
<th>Transaction/ purchase Type</th>
<th>Its duration</th>
<th>Its value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabian Airlines Establishment</td>
<td>One of major shareholders in the Company who owns more than (5%) of the total company’s capital</td>
<td>In-flight catering services</td>
<td>This contract took effect on January 1st, 2015 and ends on December 31st, 2029</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Catering and hospitality services for Al Forsan Lounge Terminal 5 in King Khaled International Airport</td>
<td>This contract took effect on October 4th, 2016 and ends on October 30th, 2025</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Catering services for Al Forsan Lounges in Egypt International Airport</td>
<td>This contract took effect on February 16th, 2016 and ends on February 28th, 2020</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lease agreement in (AMT) building in King Khaled International Airport</td>
<td>This contract took effect on March 1st, 2016 and ends on February 28th, 2020</td>
<td>5,205,200 Saudi Riyal</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Catering services in (AMT) building in King Khaled International Airport</td>
<td>This contract took effect on March 1st, 2016 and ends on February 28th, 2020</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Catering and hospitality services for (Welcome) lounges in Prince Mohammed Bin Abdulaziz International Airport in Madinah Monawara</td>
<td>This contract took effect on February 22nd, 2017 and ends on February 22nd, 2020</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Agreement with Saudia for operating and managing central baggage store</td>
<td>This contract took effect on October 1st, 2017 and ends on September 30th, 2020</td>
<td>27,000,000 Saudi Riyal</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Catering and hospitality services for Al Forsan Lounges in King Abdulaziz International Airport in Jeddah, King Khalid International Airport in Riyadh, King Fahd International Airport in Dammam and Prince Mohammad Bin Abdulaziz International Airport in Madinah Monawara</td>
<td>This contract took effect on December 19th, 2011</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Catering Service Agreement to Saudia IT Building</td>
<td>This contract took effect on January 1st, 2016</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Catering Service Agreement to Saudia Reservations Diplomatic Quarter</td>
<td>This contract took effect on April 7th, 2016</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Catering Service Agreement to Saudia Ticketing &amp; Reservation office, Al Murooj</td>
<td>This contract took effect on October 17th, 2013</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Infliight Catering Service to Saudia other flights</td>
<td>The contract entered into force on 01/01/2019 and ends on 01/01/2022</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Agreement with Saudia and other airlines catering and hospitality for Al Forsan Lounges</td>
<td>The contract entered into force 16/07/2017 and ends on 18/07/2020</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Catering Service Level agreement with Saudia</td>
<td>The contract entered into force 01/05/2018 and ends on 30/04/2020</td>
<td>There is no value as per the contract nature</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Design, constructing and operating Afurusan Domestic lounge at the New King Abdulaziz International Airport in Jeddah</td>
<td>The term of the contract shall be for a term of (10) years starting from the actual operation date.</td>
<td>Provisional based on orders</td>
</tr>
</tbody>
</table>
### Corporate Governance (continued)

#### 14. Related Party Transactions (continued)

**14-1. Summary of the Transactions with the Related Parties (continued)**

<table>
<thead>
<tr>
<th>Related party</th>
<th>Its relation with the Company</th>
<th>Transaction/purchase Type</th>
<th>Its duration</th>
<th>Its value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Ground Services SGS</td>
<td>A subsidiary of Saudi Arabian Airlines Establishment</td>
<td>Catering services</td>
<td>This contract took effect on January 1st, 2015 and ends on December 31st, 2019</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td>Lease agreement with SGS in King Fahad International Airport</td>
<td></td>
<td></td>
<td>This contract took effect on November 28th, 2015 and ends on November 27th, 2020</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td>Transport services agreement with SGS in King Fahad International Airport in Dammam</td>
<td></td>
<td></td>
<td>This contract took effect on November 28th, 2015 and ends on November 27th, 2020</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td>Laundry services to SGS in Riyadh</td>
<td></td>
<td></td>
<td>This contract took effect on December 26th, 2016 and ends on December 25th, 2020</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td>Laundry services to SGS in Jeddah</td>
<td></td>
<td></td>
<td>This contract took effect on December 26th, 2016 and expires on December 25th, 2020</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td>Saudi Airlines Cargo</td>
<td>A subsidiary of Saudi Arabian Airlines Establishment</td>
<td>Cargo services</td>
<td>This contract took effect on December 8th, 2014 and ends on December 31st, 2020</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td>Security services</td>
<td></td>
<td></td>
<td>This contract took effect on June 1st, 2016 and ends on May 31st, 2020</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td>Catering services</td>
<td></td>
<td></td>
<td>This contract took effect on January 1st, 2017 and ends on December 31st, 2020</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td>Lease agreement, Dar Zan suits</td>
<td></td>
<td></td>
<td>This contract took effect on January 1st, 2020 and ends on December 31st, 2020</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td>Saudi Airlines Cargo &amp; Development Company SARED</td>
<td>A subsidiary of Saudi Arabian Airlines Establishment</td>
<td>Lease of Residential Units in Saudi City compound</td>
<td>This contract took effect on July 15th, 2017 and ends on July 15th, 2020</td>
<td>1,845,000 Saudi Riyal</td>
</tr>
<tr>
<td>Lease agreement for two commercial shops in Saudi City compound</td>
<td></td>
<td></td>
<td>This contract took effect on March 1st, 2018 and ends on February 28th, 2020</td>
<td>174,000 Saudi Riyal</td>
</tr>
<tr>
<td>Investment of Motel in Saudi City compound</td>
<td></td>
<td></td>
<td>This contract took effect on April 1st, 2016 and ends on March 31st, 2023</td>
<td>2,400,000 Saudi Riyal</td>
</tr>
<tr>
<td>Laundry service to SARED, SV club</td>
<td></td>
<td></td>
<td>This contract took effect on December 31st, 2019 and ends on December 30th, 2021</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td>Riyadh</td>
<td>A subsidiary of Saudi Arabian Airlines Establishment</td>
<td>Inflight Catering services and Skysales Services</td>
<td>This contract took effect on September 5th, 2017 and ends on December 31st, 2020</td>
<td>9,000,000 Saudi Riyal (estimated value)</td>
</tr>
<tr>
<td>Lease agreement for a building space</td>
<td></td>
<td></td>
<td>This contract took effect on August 1st, 2017 and ends on February 15, 2020</td>
<td>587,500 Saudi Riyal</td>
</tr>
<tr>
<td>Newrest Holding Co.</td>
<td>The main owner of Strategic Catering Company, one of the biggest shareholders of the company and membership in Board of Directors Jonathan Stent-Torriani and the Board Director Mr. Abdulkarim Essolami</td>
<td>Management and Consultancy Services with Newrest Group Holding S.L</td>
<td>The duration of the agreement is three years, which ended on December 31, 2019, and was renewed for another three years, ending on December 12, 2022</td>
<td>Estimated value according to the service</td>
</tr>
<tr>
<td>Supply of Manpower Support Services</td>
<td></td>
<td></td>
<td>This contract took effect on November 10th, 2018 and ends on November 09th, 2020</td>
<td>Estimated value according to the service</td>
</tr>
<tr>
<td>Leasing relationships for administrative offices in Riyadh for Strategic Catering Company</td>
<td></td>
<td></td>
<td>This contract took effect on August 1st 2018 and ends on July 31st, 2020</td>
<td>14,000 Saudi Riyal yearly</td>
</tr>
<tr>
<td>Sami Abdul Mohsin Al-Hokair Group</td>
<td>One of major shareholders of the Company and member of Board of Directors Sami Abdul Mohsin Al-Hokair</td>
<td>Leasing relationships for sale stores and other locations</td>
<td>This contract took effect on August 15th, 2014 and ends on August 14th, 2020</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Catering Service to Hilton Double Tree Hotel in Riyadh</td>
<td>This contract took effect on March 31st, 2018 and ends on December 31st, 2019</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td>Gulf West Company</td>
<td>According to membership of the Eng. Abdulmohsin Al Yahya in the company, as he is the owner and CEO of West Gulf Company,</td>
<td>Raw material and consumption goods import agreement with Gulf West Co.</td>
<td>This contract took effect on February 22nd, 2015 and ends on December 31st, 2020</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td>Emaar, the Economic City</td>
<td>Fahad Al-Rashedi is a Board member at SACC and the CEO and Managing Director at Emaar Economic City Company. In addition, Abdullah Talabah is a mutual Board member of SACC and Emaar Economic City Company</td>
<td>Building and residential units commercial transactions with Emaar the Economic City Company</td>
<td>This contract took effect on January 1st, 2018 and ends on December 31st, 2020</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lease Agreement with KAES - Single Unit - Al Waha – for Saudi Laundry Services Maintenance Manager</td>
<td>This contract took effect on January 5th, 2017 and ends on January 4th, 2020</td>
<td>Provisional based on orders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lease agreement with Emaar for Saudi Laundry Services Land</td>
<td>This contract took effect on February 1st, 2012 and ends on January 30th, 2032</td>
<td>2,508,876 Saudi Riyal</td>
</tr>
</tbody>
</table>
14. Related Party Transactions (continued)

14-1. Summary of the Transactions with the Related Parties (continued)

<table>
<thead>
<tr>
<th>Related party</th>
<th>Its relation with the Company</th>
<th>Transaction/ purchase Type</th>
<th>Its duration</th>
<th>Its value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi French Company for Operating and Managing Duty Free Shops</td>
<td>An affiliate company, which Saudi Airlines Catering company owns 40% of the company's capital and also according to membership of Mr. Wajdy Al Ghabban Chief Executive Officer of Saudi Airlines Catering Company and Mr. Abdulwahab Saati Chief Operating Officer Retail</td>
<td>Managing and Operating Duty Free Shops in the Airports. The transactions are administrative, some logistical services related to the management and operation of duty free shops</td>
<td>This contract took effect on November 23rd, 2016 and continues for 25 years, and the Shareholders agreement stipulates that the services will continue throughout the duration of the Company</td>
<td>Provisional based on orders</td>
</tr>
</tbody>
</table>

14-2. Income and expenses in SAR from related parties during 2019

<table>
<thead>
<tr>
<th>Related party</th>
<th>Income</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabian Airlines Establishment</td>
<td>1,452,932,158</td>
<td>4,616,779</td>
</tr>
<tr>
<td>Abdulmohsen Abdulaziz Al-Hokair Holding Group</td>
<td>257,775</td>
<td>104,386</td>
</tr>
<tr>
<td>Newrest Group Holding S.L.</td>
<td>13,804,912</td>
<td>2,395,009</td>
</tr>
<tr>
<td>Saudi Airlines Cargo Company</td>
<td>413,261</td>
<td>5,308,280</td>
</tr>
<tr>
<td>Saudi Airlines Real Estate Development Company</td>
<td>45,245,111</td>
<td>5,422,554</td>
</tr>
<tr>
<td>Saudi Ground Services Company</td>
<td>41,307,333</td>
<td>2,395,009</td>
</tr>
<tr>
<td>Emaar the Economic City</td>
<td>2,395,009</td>
<td>4,401,978</td>
</tr>
</tbody>
</table>

14-3. Accounts payable and receivable in SAR from related parties during 2019

<table>
<thead>
<tr>
<th>Related party</th>
<th>Receivables</th>
<th>Payables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabian Airlines Establishment</td>
<td>595,303,726</td>
<td>4,616,779</td>
</tr>
<tr>
<td>Abdulmohsen Abdulaziz Al-Hokair Holding Group</td>
<td>17,448</td>
<td>104,386</td>
</tr>
<tr>
<td>Newrest Group Holding S.L.</td>
<td>13,804,912</td>
<td>2,395,009</td>
</tr>
<tr>
<td>Saudi Airlines Cargo Company</td>
<td>11,397,020</td>
<td>2,395,009</td>
</tr>
<tr>
<td>Saudi Airlines Real Estate Development Company</td>
<td>813,940</td>
<td>5,308,280</td>
</tr>
<tr>
<td>Saudi Ground Services Company</td>
<td>33,004,666</td>
<td>5,422,554</td>
</tr>
<tr>
<td>Emaar the Economic City</td>
<td>5,321,554</td>
<td>2,395,009</td>
</tr>
<tr>
<td>Gulf West Co.</td>
<td>2,395,009</td>
<td>4,401,978</td>
</tr>
</tbody>
</table>

15. Business and contracts that the company is a party in, and in it or has an interest of one of the members of the board of directors and the company’s executives or any person related to any of them

<table>
<thead>
<tr>
<th>Nature of work or act</th>
<th>Value of work or act</th>
<th>Conditions of work or act</th>
<th>Name of BM, EM, or their related party</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management and Consultancy Services with Newrest Group Holding S.L.</td>
<td>Estimated value according to the service</td>
<td>The duration of the agreement is three years, which ended on December 31, 2019, and was renewed for another three years, ending on December 12, 2022</td>
<td>Jonathan Stent-Torriani is a Board member at SACC and a founding partner and Co-CEO at Newrest Group Holding S.L.</td>
</tr>
<tr>
<td>Leasing relationships for administrative offices for Strategic Catering Company</td>
<td>Estimated value according to the service</td>
<td>This contract took effect on August 1st 2018 and ends on July 31st, 2020</td>
<td>Abdulkarim Essouliam is a mutual Board member at SACC and Shareholder and a Board member of Newrest Co. in Morocco</td>
</tr>
<tr>
<td>Leasing relationships for administrative offices for Strategic Catering Company</td>
<td>Estimated value according to the service</td>
<td>This contract took effect on August 1st 2018 and ends on July 31st, 2020</td>
<td>Jonathan Stent-Torriani is a Board member at SACC and a founding partner and Co-CEO at Newrest Group Holding S.L.</td>
</tr>
<tr>
<td>Supply of Manpower Support Services</td>
<td>Estimated value according to the service</td>
<td>This contract took effect on November 10th, 2018 and ends on November 09th, 2020</td>
<td>Abdulkarim Essouliam is a mutual Board member at SACC and Shareholder and a Board member of Newrest Co. in Morocco</td>
</tr>
<tr>
<td>Commercial transactions for retail shops with Abdulmohsen Abdulaziz Al-Hokair Holding Group</td>
<td>Estimated value which represents 10% of the stores’ revenues</td>
<td>This contract took effect on August 15th, 2014 and expires on August 14th, 2020</td>
<td>Sami Al-Hokair is a Board member at SACC and the Managing Director at Abdulmohsen Abdulaziz Al-Hokair Holding Group</td>
</tr>
<tr>
<td>Catering Service to Hilton Double Tree Hotel in Riyadh</td>
<td>Estimated value according to the service</td>
<td>This contract took effect on March 01st, 2018 and ends on December 31st, 2019</td>
<td>Sami Al-Hokair is a Board member at SACC and the Managing Director at Abdulmohsen Abdulaziz Al-Hokair Holding Group</td>
</tr>
<tr>
<td>Raw material and consumption goods import agreement</td>
<td>Provisional based on orders</td>
<td>This contract took effect on February 22nd, 2015 and expires on December 31st, 2019</td>
<td>Abdulmohsen Al-Vahya is a Board member at both SACC and Gulf West Co.</td>
</tr>
<tr>
<td>Building and residential units commercial transactions with Emaar the Economic City Company</td>
<td>Provisional based on orders</td>
<td>This contract took effect on January 1st, 2017 and expires on December 31st, 2020</td>
<td>Fahd Al-Rasheed is a Board member at SACC and Gulf West Co.</td>
</tr>
</tbody>
</table>

CORPORATE GOVERNANCE

14. Related Party Transactions (continued)

14-1. Summary of the Transactions with the Related Parties (continued)

<table>
<thead>
<tr>
<th>Related party</th>
<th>Its relation with the Company</th>
<th>Transaction/ purchase Type</th>
<th>Its duration</th>
<th>Its value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gulf West Co.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Annual Report 2019

14. Related Party Transactions

14.1. Summary of the Transactions with the Related Parties

14-2. Income and expenses in SAR from related parties during 2019

<table>
<thead>
<tr>
<th>Related party</th>
<th>Income</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gulf West Co.</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

14-3. Accounts payable and receivable in SAR from related parties during 2019

<table>
<thead>
<tr>
<th>Related party</th>
<th>Receivables</th>
<th>Payables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gulf West Co.</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
15. Business and contracts that the company is a party in, and it or has an interest of one of the members of the board of directors and the company’s executives or any person related to any of them (continued)

<table>
<thead>
<tr>
<th>Nature of work or act</th>
<th>Value of work or act</th>
<th>Duration of work or act</th>
<th>Conditions of work or act</th>
<th>Name of BM, EM, or their related party</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building and residential units commercial transactions with Emaar the Economic City Company</td>
<td>Provisional based on orders</td>
<td>This contract took effect on January 1st, 2017 and expires on December 31st, 2020</td>
<td>No preferential conditions compared to local market</td>
<td>Abdullah Taibah is a mutual Board member of SAC and Emaar Economic City Company</td>
</tr>
</tbody>
</table>

Lease Agreement with Emaar the Economic City Company for Single Unit – Al Waha - for Saudi Laundry Services Maintenance Manager

- Lease Agreement with Emaar the Economic City Company for Single Unit – Al Waha - for Saudi Laundry Services Maintenance Manager
  - 66,600 SAR
  - This contract took effect on January 5th, 2017 and expires on January 4th, 2020
  - No preferential conditions compared to local market
  - Fahd Al-Rasheed is a Board member at Emaar Economic City Company

Lease Agreement with Emaar the Economic City Company for Saudi Laundry Services land

- Lease Agreement with Emaar the Economic City Company for Saudi Laundry Services land
  - 250,876 SAR
  - This contract took effect on February 1st, 2012 and expires on January 30th, 2012
  - No preferential conditions compared to local market
  - Fahd Al-Rasheed is a Board member of SAC and Emaar Economic City Company

- Lease Agreement with Emaar the Economic City Company for Saudi Laundry Services land
  - 250,876 SAR
  - This contract took effect on February 1st, 2012 and expires on January 30th, 2012
  - No preferential conditions compared to local market
  - Fahd Al-Rasheed is a Board member of SAC and Emaar Economic City Company

16. Summary of payments made to the government during 2019

<table>
<thead>
<tr>
<th>Declaration</th>
<th>Amount paid</th>
<th>Amount due</th>
<th>Summary</th>
<th>Reasons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs</td>
<td>9,235,830</td>
<td>0</td>
<td>All Actual Payments to Customs in FY2019</td>
<td>All Actual Payments to Customs in FY2019</td>
</tr>
<tr>
<td>Visas/Passports/Labor Office Fees</td>
<td>30,322,948</td>
<td>0</td>
<td>All Actual Payments to Ministry of Labor &amp; Ministry of Interior</td>
<td>All Actual Payments to Ministry of Labor &amp; Ministry of Interior</td>
</tr>
<tr>
<td>Zakat</td>
<td>28,436,581</td>
<td>29,696,293</td>
<td>Fiscal year 2019 provisions</td>
<td>Payable in April 2020</td>
</tr>
<tr>
<td>Income Tax</td>
<td>6,825,546</td>
<td>4,485,885</td>
<td>Fiscal year 2019 provisions</td>
<td>Payable in April 2020</td>
</tr>
</tbody>
</table>

17. Due payments SAR

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee payments</td>
<td>30,378,918</td>
<td>38,022,927</td>
<td>32,321,739</td>
<td>40,203,728</td>
<td>30,734,110</td>
</tr>
<tr>
<td>Expenses and other liabilities</td>
<td>106,123,165</td>
<td>204,690,335</td>
<td>142,703,796</td>
<td>175,064,403</td>
<td>159,895,360</td>
</tr>
<tr>
<td>Restructuring allowance</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Zakat and income tax</td>
<td>35,106,943</td>
<td>27,100,352</td>
<td>31,190,091</td>
<td>30,310,014</td>
<td>34,182,178</td>
</tr>
<tr>
<td>Total</td>
<td>171,612,026</td>
<td>269,803,514</td>
<td>206,215,625</td>
<td>245,578,145</td>
<td>204,813,648</td>
</tr>
</tbody>
</table>

18. Organizational structure

The Company retains the services of experienced specialists relating to key operational and supportive function activities. The Company maintains a high standard of knowledge and skills required to manage the Company’s operations through several administrations, all of which are coordinated by the CEO. The administration and supervision of the company’s activities shall be undertaken by a distinguished elite of the Board of Directors’ members and an efficient administrative staff with expertise and high calibre, whose tasks shall be distributed according to the following Organizational structure:
21. Structure of distribution of capital and shares on Shareholders

![Graph showing distribution of capital and shares on Shareholders]

- **Saudia Airlines Establishment**: 35.7%
- **Strategic Catering Company**: 8.59%
- **Abdulmohsen Abdulaziz Al-Hokair Holding Group**: 9.40%
- **Public**: 46.32%

22. Dividend Policy

22-1. Dividend Policy

a. The Board of Directors with a delegation of authority from the General Assembly may recommend the distribution of any periodic and annual dividends prior to the approval of shareholders in the General Assembly meeting.

b. Dividends are distributed based on the following:

1. 10% of the net profit is to be allocated to the statutory reserve of the Company, and that allocation may be stopped based on the Ordinary General Assembly’s approval if the reserve is more than or equal to 30% of the paid-up capital.

2. The Ordinary General Assembly, based on the Board’s recommendation may allocate a percentage of the net profit to establish a consensual reserve for specific reasons that are determined in the establishment of that reserve’s resolution by the General Assembly.

3. The Ordinary General Assembly may establish other reserves to the extent that would accomplish the Company’s benefit or ensure the distribution of dividends as stable as possible. That mentioned General Assembly may allocate amounts of the net profit to establish social stabilizations for the benefit of employees or to assist such existing establishments.

4. Dividends are then distributed to shareholders with a minimum amount that is equal to 5% of the paid-up capital.

5. The Ordinary General Assembly may use reserved earnings and other distributable consensual reserves to pay the remaining amount of the share or part of, if that would not affect the equality between shareholders.

The Board of Directors intends to adopt a policy for dividend distribution that provides for the distribution of about 60-80 percent of the Company’s net annual profits taking into account the Company’s objectives, the commercial, legal and organizational considerations in addition to the Company’s financial position and level of income at present.

SACC distributed SAR 340.3 million in the first three quarters of 2019, which equals 41.5% from total share capital and before Zakat and income tax. It was decided to distribute 114.6 million Saudi riyals for the fourth quarter of 2019, which is equivalent to 14% from total share capital.

22-2. The Company has distributed the following dividends during 2019 (in SAR):

<table>
<thead>
<tr>
<th>Distribution Date</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>30/06/2019</td>
<td>106,600,000</td>
<td>13%</td>
</tr>
<tr>
<td>12/09/2019</td>
<td>110,700,000</td>
<td>15%</td>
</tr>
<tr>
<td>11/12/2019</td>
<td>123,000,000</td>
<td>15%</td>
</tr>
<tr>
<td>Total</td>
<td>340,300,000</td>
<td>41.5%</td>
</tr>
</tbody>
</table>

23. General Assembly

23-1. General Assembly Meetings

Two successful meetings of SACC’s General Assembly were held during 2019 in the Catering Unit in King Abdulaziz International airport in Jeddah, as shown below. The Company announced the scheduled dates for this General Assembly meeting on Tatadwal website and other platforms in accordance with the laws and regulations, and within the time frame stipulated in those relevant laws and regulations.

The announcements highlighted the meeting’s time, place and agenda as well as the proxy template. In addition, the Company allowed the shareholders to effectively participate and vote on topics listed on the agenda and informed them on the meeting’s rules and voting procedures through the invitation for the General Assembly meeting. In addition, the second General Assembly the Company facilitated for shareholders to vote electronically through the means provided by Tatadwal. It also distributed well-prepared files containing relevant information to help the shareholders take their decisions. The Company also informed the relevant authorities on the results of its meeting immediately after the conclusion of the meeting. The shareholders were allowed access to the meeting’s minutes inside the Company’s offices or through its website upon their request.
23. General Assembly (continued)

23-1. General Assembly meetings (continued)

A. The first General Assembly meeting

After reaching the quorum required for the meeting, the Ordinary General Assembly has convened a meeting on Sunday, 27/01/2019 (corresponding to 21/05/1440H) at 6:30 p.m., and its decisions and resolutions were as follows:

- Approval for the composition of the Audit Committee and determining its responsibilities, framework, and the remunerations for three years starting from 26th January 2019 until 25th January 2022, based on the following members:
  - Eng. Raed Ibraheem Al Mudaisheem (Independent)
  - Mr. Hasan Shabib Al Jabri (Independent)
  - Dr. Mohammed Ali Hassan Khirvan (Independent - External member)

B. The second General Assembly meeting

The Company has also convened another General Assembly meeting during year 2019 in its Unit in King Abdulaziz International Airport in Jeddah on Monday 29/04/2019 corresponding to 24/08/1440H at 8:30 p.m., and its decision came as the following:

- Approval on the Board of Directors’ Annual Report for the fiscal year ending on 31st December 2018.
- Approval on the financial statements of the Company for the year ending on 31st December 2018.
- Approval on the external auditor report for the year ending on 31st December 2018.
- Approval on the appointment of KPMG Al Fozan & Partners as an external auditor in accordance with the recommendation of the Audit Committee for the financial audit and review of the Company’s financial statements for the second, third, and fourth quarter of 2019 and 2018 year end, and the first quarter of 2020 and determining their fee.
- Approval on the discharge of the Board of Directors from the liability for their activities during the year 2018 until the date of this EGA meeting.
- Approval on ratifying the Board of Directors’ resolutions regarding the distribution of dividends for the year 2018 with the total amount valued at SR 455,100,000 with SR. 5.5 per share which represents 5.5% of the share capital after Zakat and before income tax.
- Approval on authorizing the Board of Directors to distribute interim dividends on a biannual or quarterly basis for the fiscal year of 2019 and to determine the eligibility and distribution dates in accordance to the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies and in accordance with the Company’s financial position, cash flows, and expansion and investment plans.
- Approval on remuneration of the Board of Directors’ bonuses for the year ending on 31/12/2018 that amounted to SR 3,098,000.
- Approval on the transactions and contracts concluded with Na’ama Holding Group, within which SACC’s Board Of Directors member Mr. Fahd Al Rasheed holds indirect interest as he is the Co-CEO of Na’ama Holding Group and due to his board membership in Strategic Catering Co. one of the Company’s major shareholders, the nature of those transactions evolve around the performance of consultancy and administrative services by Na’ama Holding Group, with a total amount of SR 11,390,614 for the year 2018, without any preferential conditions compared to the local market.
- Approval on the transactions and contracts concluded with Nawaf Holding Group, within which SACC’s Board Of Directors member Mr. Ali Al-Habib (Chairman of the Board of Directors appointed for the current session, which took effect from 26/01/2019) holds indirect interest due to his ownership in Nawaf Holding Group, the nature of those transactions evolve around the performance of consultancy and administrative services by Nawaf Holding Group, with a total amount of SR 98,168 for the year 2018, without any preferential conditions compared to the local market.
- Approval on the transactions and contracts concluded with Abdulmohsen Abdulaziz Al-Hokair Holding Group, within which SACC’s Board of Directors member Mr. Sami Al Hokair holds indirect interest in, as he is holding the position of Managing Director, and Board of Directors member in Abdulmohsen Abdulaziz Al-Hokair Holding Group, the nature of those transactions evolve around the performance of several lease agreements of retail stores, with a total amount of SR 98,168 for the year 2018, without any preferential conditions compared to the local market.
- Approval on the transactions and contracts concluded with Gulf West Importing Co. Ltd., a company within which the Board of Directors member Eng. Abdulmohsen Abdulaziz Al Yahya (in which his membership ended on 25/01/2019 due to end of the previous Board term) holds indirect interest as he is owning controlling share, for the nature of those transactions evolve around the performance of leasing arrangements for the automatic laundry facility of the Company, and for the residential units of the Company’s employees, with a total amount of SR 2,572,053 for the year 2018, without any preferential conditions compared to the local market.
- Approval on the transactions and contracts concluded with Emara The Economic City, within which SACC’s Board of Director member Mr. Fahd Abdulmohsen Al Rasheed holds indirect interest as he is a member of its Board of Directors, for the nature of those transactions evolve around the performance of leasing arrangements for the automatic laundry facility of the Company, and for the residential units of the Company’s employees, with a total amount of SR 2,572,053 for the year 2018, without any preferential conditions compared to the local market.
- Approval on the participation of the Board of Directors member Mr. Ahmed Al-Tayyar in a business that competes with the Company’s activities as he is the Co-CEO of Na’ama Holding Group that provides catering and meal services in airports outside the Kingdom and due to his board membership in Strategic Catering Co. which is engaged in competitive activity of the company, namely providing catering and meal services in airports outside the Kingdom.
- Approval on the participation of the Board of Directors member Mr. Abdulmohsen Abdulaziz Al-Yahya in a business that competes with the Company’s activities due to his ownership in Na’ama Holding Group (Morocco branch) which is engaged in competitive activity of the company, namely providing catering and meal services in airports outside the Kingdom.
- Approval on the participation of the Board of Directors member Mr. Sami Al Hokair in a business that competes with the Company’s activities as he is the Managing Director and Board member of Abdulmohsen Abdulaziz Al-Hokair Holding Group which is engaged in the competitive activities of the company, namely operating the hospitality, entertainment, and shopping centers; and operate and manage hotels and restaurants, and retail sales.
- Approval on amending article (04) of the Company’s bylaws concerning the Company’s activities.
- Approval on amending article (20) of the Company’s bylaws that concerns the appointment and authorities of the Chairman of the Board, Vice-Chairman, Managing Director and Board Secretary.
- Approval on amending article (23) of the Company’s bylaws concerning the Board Membership.
- Approval on amending article (29) of the Company’s Corporate Governance Manual concerning the Board Membership.

23-2. Attendance of the General Assembly by the Board of Directors’ members and the Committees’ members and Executive Management’s members

<table>
<thead>
<tr>
<th>Name</th>
<th>Membership</th>
<th>Type of membership</th>
<th>General Assembly Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mohammad Al Sarhan</td>
<td>Chairman of the Board Directors, Member of the Nomination and Remuneration Committee</td>
<td>Independent</td>
<td>✓ X 1</td>
</tr>
<tr>
<td>Sami Al-Hokair</td>
<td>Vice Chairman of the Executive Committee, Member of the Executive Committee</td>
<td>Non-Executive</td>
<td>✓ X 0</td>
</tr>
<tr>
<td>Jonathan Torriani</td>
<td>Member of the Board of Directors, Member of the Executive Committee, and Member of the Remuneration Committee</td>
<td>Non-Executive</td>
<td>X X 0</td>
</tr>
<tr>
<td>Fahad Al Rasheed</td>
<td>Member of the Board of Directors and the previous Executive Committee, and Member of the Nomination and Remuneration Committee</td>
<td>Non-Executive</td>
<td>X X 0</td>
</tr>
<tr>
<td>Raed Al Mudaisheem</td>
<td>Member of the Board of Directors, Chair of the Executive Committee</td>
<td>Independent</td>
<td>✓ 2</td>
</tr>
<tr>
<td>Hasan Al Jabri</td>
<td>Member of the Board of Directors, Chair of the Executive Committee</td>
<td>Independent</td>
<td>✓ X 1</td>
</tr>
<tr>
<td>Khaled Al Hukail</td>
<td>Member of the Board of Directors, Member of the Remuneration Committee</td>
<td>Independent</td>
<td>✓ 2</td>
</tr>
<tr>
<td>Youcef Al Youssfi</td>
<td>Member of the Board of Directors</td>
<td>Independent</td>
<td>✓ X 0</td>
</tr>
<tr>
<td>Abdulkarim Essallal</td>
<td>Member of the Board of Directors</td>
<td>Non-Executive</td>
<td>X X 0</td>
</tr>
<tr>
<td>Yahya Al Yahya</td>
<td>Chair of the Board of Directors, and Member of the Executive Committee</td>
<td>Independent</td>
<td>✓ X 0</td>
</tr>
<tr>
<td>Shawqi Mustag</td>
<td>Member of the Board of Directors, and Member of the Remuneration Committee</td>
<td>Independent</td>
<td>✓ X 0</td>
</tr>
<tr>
<td>Abdulmohsen Al Taibah</td>
<td>Member of the Board of Directors, Member of the Nomination and Remuneration Committee</td>
<td>Non-Executive</td>
<td>X X 0</td>
</tr>
<tr>
<td>Ayman Al Tayyar</td>
<td>Member of the Board of Directors, Member of the Nomination and Remuneration Committee</td>
<td>Independent</td>
<td>X X 0</td>
</tr>
<tr>
<td>Abdulmohsen Al Yahya</td>
<td>Member of the Board of Directors, Member of the Nomination and Remuneration Committee</td>
<td>Non-Executive</td>
<td>X X 0</td>
</tr>
<tr>
<td>Wajdi Al Ghabban</td>
<td>Executive Vice President of the Executive Committee, and Member of the Executive Committee</td>
<td>Executive</td>
<td>✓ X 2</td>
</tr>
<tr>
<td>Sultan Al-Bouq</td>
<td>Executive Vice President of Corporate Services and General Counsel</td>
<td>Executive</td>
<td>✓ X 2</td>
</tr>
</tbody>
</table>
Corporate Governance (continued)

24. Compliance with Laws and Regulations

The Company is committed to maintaining the best standards of quality and performance in all its activities. This commitment extends to include the rules provided for in the Corporate Governance Regulations, Rules on the Offer of Securities and Continuous Obligations, Listing Rules, and any other relevant law and regulation. The Company is fully committed to applying its best efforts towards the rules included in the Corporate Governance Regulations and Listing Rules in all its operations. The Company has a comprehensive policy on the implementation of Corporate Governance Regulations through the continuous update of the Corporate Governance Manual of the Company based on the updates in the laws, regulations and international best practices to be adhered to by stakeholders such as directors, managers and employees, in order to protect the interests of the Company and other relevant parties. The Board of Directors, with help from its sub-committees such as the Audit Committee, Nomination and Remuneration Committee, and the Executive Committee, provides continuous support to promote compliance with Corporate Governance Regulations while ensuring continuous review and effective implementation. The company applies all provisions of the Corporate Governance Regulation issued by the Capital Market Authority. The following highlights are the articles of the Corporate Governance Regulations that have not been implemented, and the reasons:

Fifth chapter:
Article 70:
The Company’s Board shall, by resolution therefrom, form a committee to be named the ‘risk management committee’. The Chairman and the majority of its members shall be Non-Executive Directors. The members of that committee shall possess an adequate level of knowledge in risk management and finance.

Article 71:
The competencies of the risk management committee shall include the following:
• developing a strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company’s activities, monitoring their implementation, and reviewing and updating them based on the Company’s internal and external changing factors;
• determining and maintaining an acceptable level of risk that may be faced by the Company and ensuring that the Company does not go beyond such level;
• ensuring the feasibility of the Company’s continuation, the successful continuity of its activities and determining the risks that threaten its existence during the following twelve (12) months;
• overseeing the Company’s risk management system and assessing the effectiveness of the systems and mechanisms for determining and monitoring the risks that threaten the Company in order to determine areas of inadequacy therein;
• regularly reassessing the Company’s ability to take risks and be exposed to such risks (through stress tests as an example);
• preparing detailed reports on the exposure to risks and the recommended measures to manage such risks, and presenting them to the Board;
• providing recommendations to the Board on matters related to risk management;
• ensuring the availability of adequate resources and systems for risk management;
• reviewing the organisational structure for risk management and providing recommendations regarding the same before approval by the Board;
• verifying the independence of the risk management employees from activities that may expose the Company to risk;
• ensuring that the risk management employees understand the risks threatening the Company and seeking to raise awareness of the culture of risk; and
• reviewing any issues raised by the audit committee that may affect the Company's risk management.

Article 72: Meetings of the Risk Management Committee
• The risk management committee shall convene periodically at least once every six months, and as may be necessary.

Reason:
The Board did not form a risk committee because the formation of this type of committee is optional. However, the tasks of the company’s risk committee are entrusted to the audit committee, the company’s external and internal auditor, and also the company has an external consultants in this field.

Article 87:
The Ordinary General Assembly, based on the Board’s recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for the purpose of developing the social and economic conditions of the community.

Reason:
This is an optional article. However, the company has a policy that guarantees a balance between its objectives and those of the community for the purpose of developing the social and economic conditions of the community, and in line with the plans and future visions set by the state.

Article 88:
The Board shall establish programs and determine the necessary methods for proposing social initiatives by the Company, which include:
• establishing indicators that link the Company’s performance with its social initiatives and comparing it with other companies that engage in similar activities;
• disclosing the objectives of the Company’s social responsibility to its employees and raising their awareness and knowledge of social responsibility;
• disclosing plans for achieving social responsibility in the periodical reports on the activities of the Company; and
• establishing awareness programs to the community to familiarize them with the Company’s social responsibility.

Reason:
This is an optional article.

Article 93:
Provide the necessary details regarding bonuses and compensation paid for each of the following apart: A. Board of Director members. B. Top Five Executive Managers including Chief Executive Officer and Chief Financial Officer.

Reasons:
In accordance with the CMA’s board resolution No. 1-35-2018 dated on 7/9/1439 corresponding to 3/26/2018, the disclosure of remunerations of top five Executive Managers in accordance with Article 95/8 is calculated and disclosed in a collective manner. Note that the remuneration of the members of the board of directors was included in detail through a detailed schedule included in clause No. (7) section No. (11) under the title of Remuneration of Board Members, while the rewards of senior executives were briefly presented in paragraph (17) of this report.

Article 95:
If the Board forms a corporate governance committee, it shall assign to it the competences stipulated in Article (94) of these Regulations. Such committee shall oversee any matters relating to the implementation of governance, and shall provide the Board with its reports and recommendations at least annually.

Reasons:
This is an optional article.

25. Role of the Shareholders

SACC’s General Assembly is the platform where shareholders exercise their voting rights. Shareholders’ consent is required for key decisions such as the approval of the financial statements, Board of Directors Annual Report, the review and approval of the Board of Directors’ recommendation on dividend payments, the election of Board members, amendments to the bylaws, appointment of external auditors and raising registered capital. Each shareholder is entitled to attend the General Assembly and is entitled to one vote per share; and may delegate his attendance and voting power to any other person (other than employees of the Company and Board members).
Corporate Governance (continued)

26. Investor relations
At SACC Investor Relations, we strive to be a world-class investor relations team. Our commitment as a key resource to the financial community and SACC leadership is to be a reliable, responsive and transparent source of valuable information. We are dedicated to upholding our core values of integrity and high ethical standards in our relationships with our stakeholders.

Our investor relations program ensures transparency in all communications while complying fully with the continuous and consistent disclosure obligations stipulated by the Kingdom’s Capital Market Authority. We also ensure timely flow of information through various channels such as the website, Tadawul announcements and conference attendance. In addition, we offer access to our Investor Relations team by phone and email, and host special events for analysts and investors including an Investor Day and earnings calls.

We follow a policy of proactive communication with the market and informing our stakeholders of all key developments that will have an impact on the business. We hold dialogues with the investor community and advise the Company’s Senior Management about market perceptions. Our dialogues with shareholders have become increasingly important as our individual and institutional investors are always looking for up-to-date information on Company developments, our business plans, achievements and challenges.

27. Requests to obtain Shareholder records

<table>
<thead>
<tr>
<th>Number</th>
<th>Request date</th>
<th>Request reasons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>31/12/2019</td>
<td>Company procedures</td>
</tr>
<tr>
<td>2</td>
<td>25/1/2019</td>
<td>Dividend distribution</td>
</tr>
<tr>
<td>3</td>
<td>06/10/2019</td>
<td>Company procedures</td>
</tr>
<tr>
<td>4</td>
<td>25/09/2019</td>
<td>Company procedures</td>
</tr>
<tr>
<td>5</td>
<td>29/08/2019</td>
<td>Dividend distribution</td>
</tr>
<tr>
<td>6</td>
<td>09/07/2019</td>
<td>Company procedures</td>
</tr>
<tr>
<td>7</td>
<td>18/06/2019</td>
<td>Dividend distribution</td>
</tr>
<tr>
<td>8</td>
<td>28/04/2019</td>
<td>General Assembly</td>
</tr>
<tr>
<td>9</td>
<td>27/03/2019</td>
<td>Dividend distribution</td>
</tr>
<tr>
<td>10</td>
<td>27/01/2019</td>
<td>General Assembly</td>
</tr>
<tr>
<td>11</td>
<td>16/01/2019</td>
<td>Company procedures</td>
</tr>
</tbody>
</table>

28. Communication with Shareholders
SACC maintains regular communications with the shareholders. The Company has taken a series of measures to ensure their rights of access to information through Tadawul website and SACC website, www.saudiacatering.com. SACC provides full and comprehensive information about its activities and businesses through its Annual Report, periodic financial statements and dividends procedures.

The Company also endeavors to maintain links with its shareholders, answer their queries and provide them with the required information on a timely basis.

29. Initiatives planned to improve transparency or communications with investors in 2019
We provide potential and current investors with maximal knowledge and access to the Company’s financial updates. Focusing on accuracy, we provide investors with a comprehensive outline of what they can expect for the upcoming financial year.

From a technical perspective, we may decide to design a mobile application which provides investors with essential access to the Company’s news and important data.

In an effort to strengthen the company’s relationship with its shareholders and to preserve their rights, Saudi Airlines Catering Company has built a new platform for its shareholders to inquire about their unpaid dividends effective from the first quarter of 2019 using the following electronic link https://ebid.saudiacatering.com/viewdata.aspx. The company also allocates a specialized team to respond to the inquiries and concerns of shareholders and related parties by phone at 0123539400 ext. 8185 or by e-mail (investors@saudiacatering.com).

30. Procedure to inform the Board members of the shareholders’ suggestions and notes on the Company and its performance
Keeping the Board members informed of the shareholders’ proposals and comments on the Company and its performance through the following procedures:

1. Presenting the shareholders’ proposals and comments (if any) to the Board members at the nearest meeting or any other effective means of communication to achieve the purpose on an ongoing basis.
2. Organizing continuous meetings with investors (Investor Relation Programs) and briefing the Board on the substantive proposals they make.
3. The Board members are attending the General Assembly meetings where shareholders raise their suggestions to the Board during the meeting and the Board responds to these suggestions during the meeting.

In addition, the Chairman of the Board discusses the shareholders’ suggestions (if any) and the performance without the presence of any of the executives (whenever deemed necessary).

31. Risks
SACC is exposed to various risks through the normal course of its activities. Every business has to accept a certain level of risk, and any expected gains from business activities must be assessed against the relevant risks.

The purpose of risk management is to ensure the Company can effectively execute its strategies and achieve its targets, in the short term and beyond. The risk is to identify the risks that could prevent the Company from reaching its goals, and then to determine an acceptable level for those risks. Risks identified need to be avoided, mitigated, transferred, or monitored.

SACC’s management processes use a set of reactive, proactive, protective, and preventive tools to protect it against threats, and to turn some of the risks into opportunities.

To be managed, risks need to be identified and understood in advance. Risk treatment and mitigation plans must be established, and continuous follow-up must be in place for the related controls. Consequently, risk management is an essential part of SACC’s strategic and operational management.

Strategic risks factors
Strategic risk assessment is part of the Company’s strategic planning process. A risk is defined as strategic if it could have a long-term impact on the business.

The Company defines the areas of strategic risk as:

Business environment risk
Business cycles in the economy, and in customer industries, influence the demand for SACC’s products, as well as its financial condition and operating results. Some sectors of the business could be affected by adverse changes in economic conditions and employment levels. The Company’s diversification strategy provides a degree of stability in cyclical markets.

Market and customer risk
SACC’s business relies on securing and retaining a diverse range of clients in various industry segments. Despite this diversification, SACC’s business still relies largely on its relationship with Saudia, so any adverse development affecting the airline could have a negative impact on SACC. The Company has strategies in place to strengthen long-term relationships with clients and customers based on quality, value, and innovation. The diversification strategy ensures that SACC does not rely on a particular sector, geography, or group of clients.

Global political risk
The airline industry is global and is hence dependent on political and economic developments, not only in the Kingdom of Saudi Arabia, but worldwide. SACC’s businesses are largely dependent upon the airline industry and may be impacted adversely by negative global events and trends. We try to anticipate and contribute to important changes in public policy, when possible.

People risk factors
Recruitment
Failure to attract and recruit people with the right skills at all levels could limit SACC’s success. The Company faces resource challenges in some of its businesses due to a lack of industry experience among candidates, finding appropriately qualified people, and the seasonal nature of some of its businesses. The Company aims to mitigate this risk using efficient, time-critical resource management, mobilizing existing experienced employees, and providing appropriate training and development programs.

Retention and motivation
At all levels of the organization, retaining and motivating the best people with the right skills is vital to SACC’s long-term success. The Company has established training, development, performance management, and reward programs to retain, develop, and motivate its people. Effective communication channels help the senior management team to monitor, understand, and respond appropriately to employees’ needs.
The Company’s occupational health and safety systems, travel safety instructions, and crisis management guidelines are designed to protect employees. Appropriate insurance is in place for all personnel. SACC operates at five airports in industrial-size catering units, two laundry plants, and numerous other smaller premises, including catering outlets, retail shops, lounges, industrial sites, and on-shore oil-rigs. SACC leases most of its sites. While operating, SACC is exposed to risks in areas such as occupational health, employee safety, environment, fire, natural events, and site security. The Company manages these risks with established management procedures and loss prevention programs. Risks that cannot be directly influenced are transferred, where feasible, to insurance companies. SACC has a large number of contracts with many clients. Failing to comply with contractual terms and conditions could lead to loss of business. The Company has processes in place to ensure that it meets the required standards, and that it complies with the contractual terms and conditions.

**Financial risks factors**

SACC’s activities expose it to a variety of financial risks: market risk (cash flow and interest rate risk), credit risk, and liquidity risk. The Board has put in place appropriate structures to ensure risk governance and monitoring across the Company. SACC’s overall financial risk management focuses on the unpredictability of financial markets and clients’ payment behavior, seeking to minimize potentially adverse effects on the Company’s financial performance. Financial risk is managed at the headquarters and group level, identifying, evaluating, and acting on financial risks where appropriate. The principles of overall financial risk management are formally documented, as are policies covering specific areas such as credit risk and the investment of excess liquidity.

**Cash flow and interest rate risk**

As SACC has no significant interest-bearing assets, the Company’s income and associated operating cash inflows are substantially independent of changes in market interest rates. SACC has no interest-bearing liabilities.

**Credit risks**

Credit risk reflects the risk that a counterparty will default on its contractual obligations, resulting in financial loss to SACC. The credit risk arising from cash and cash equivalents, and from deposits with banks and financial institutions, is limited because the counterparties are banks and financial institutions which, in general, have an investment-grade rating assigned by international credit-rating agencies.

We monitor our third- and related-party trade receivables continuously, and have a policy in place to manage and collect overdue receivables. Due to its proper monitoring and appropriate provisioning, management does not expect any additional losses due to client non-performance.

**Liquidity risks**

Prudent liquidity risk management includes maintaining sufficient cash and available funding from an adequate amount of committed credit facilities. The Company ensures flexibility in funding by maintaining sufficient availability of cash and cash equivalent instruments. SACC does not have any credit facilities in place. The management team monitors the risk of a shortage of funds by continuously reviewing short-term cash forecasts, and by using mid-term cash forecasts throughout the year.

**Information technology and cyber security**

Information technology and cyber-security risks related to SACC’s internal operations are constantly identified and mitigated using network security, endpoint protection, access risk management, and vulnerability management. The IT department monitors internal threat exposure levels with vulnerability-scanning capabilities, and coordinates a response to identified cyber-security incidents. The management team also closely monitors SACC’s information security capabilities.

The Company relies on a variety of IT systems to manage and deliver services and communicate with clients, consumers, suppliers, and employees. The management team focuses on maximizing the effectiveness of information systems and technology as a business enabler, and to reduce resulting cost and exposure.

SACC actively identifies and responds to cyber-security risks. Cyber-security strategy work and implementation will continue during the coming years.
### Corporate Governance (continued)

#### 32. Penalties, sanctions, prudential measures or restrictions imposed on the Company by the financial market authority or any party supervisory, regulatory or judicial

<table>
<thead>
<tr>
<th>Penalties, sanctions, prudential measures</th>
<th>Reasons of violation</th>
<th>Date of violation</th>
<th>Authority issuing the violation</th>
<th>How to solve and avoid it</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fine with value of twenty thousand Saudi Riyals (SAR 20,000)</td>
<td>Violation of paragraph (a) of Article (61) of the Rules on the Offer of Securities and Continuing Obligations. Where the Company has disclosed inaccurate information in its announcement published on the Saudi Stock Exchange (Tadawul)’s website on 07/11/2018 regarding its interim financial results for the period ending on 30/09/2018. Which was corrected by the company’s announcement published on the Saudi Stock Exchange (Tadawul)’s website 07/11/2018.</td>
<td>07/02/2019</td>
<td>The Capital Market CMA</td>
<td>The company has paid the fine imposed on it and set some policies and procedures not to repeat this.</td>
</tr>
<tr>
<td>Fine with value of fifty thousand Saudi Riyals (SAR 50,000)</td>
<td>No separate sections for female employees in line with the rules set by the Ministry of Labor and Social Development</td>
<td>29/05/2019</td>
<td>Ministry of Labor and Social Development</td>
<td>An objection was raised to cancel the violation, and the Ministry’s decision was revoked and the violation was canceled.</td>
</tr>
</tbody>
</table>

#### 33. The company’s social contributions during 2019

In the area of corporate social responsibility, the Company continued to enhance its social role by participating in two important initiatives, one of which is related to the main sector of the Company (catering sector) with Iteam Association, which aims to preserve the grace of waste by conveying the idea of food banks in which are applied in the world and in the Kingdom of Saudi Arabia, with a professional manner that preserves the privacy of the community and the beneficiary. On the other hand, we have proudly continued our relationship with Quadroun Association, which aims to integrate persons with disabilities as equal and active members. SACC reaffirms its commitment to work together to achieve sustainability and build a society that is inclusive, fair and accessible to all groups and assist in achieving the National Plan and the Vision of the Kingdom 2030. It is worth mentioning that we are in the process of establishing a new section on social initiatives to expand the scope of participation and link it to the company’s core values.

#### 34. The Board of Directors declarations

The Board of Directors approved and declares the following, based on the Corporate Governance Regulations and the Listing Rules:

- The accounting records were properly and correctly prepared.
- The internal control system was properly designed and effectively implemented.
- There was no doubt about the Company’s ability to continue the business.
- Consolidated financial statements were prepared in accordance with international financial standards, and in accordance with the Company’s bylaws and Articles of Association with respect to the preparation and publishing of financial statements.
- There were no redemptions, purchases or cancellations by the Company of any of recoverable debt instruments.
- The Company did not issue or grant any debt instruments convertible to shares, contractual based securities, option rights, subscription right notes or similar rights.
- The Company does not have any conversion or subscription rights under any convertible debt instrument, contractually based securities, warrants, or similar rights; both issued or granted.
- The Company did not issue any shares or debt instruments for any of its affiliates.
- There are no differences from the standards approved by the Saudi Organization for Certified Public Accountants (SOCPA), which are the IFRS Standards.
- Apart from the disclosures in the section related to related parties’ transactions, there were no contracts in which the Company was a party nor was there any material interest for any Board member, Executive Management Member, their relatives or any other related person.
- Except what was disclosed earlier in this report, there are no interests, contractually based securities, and subscription rights of the issuer’s directors, senior executives, and their relatives in the shares or debt instruments of the issuer or any of its subsidiaries; nor was there any change in those interests or rights during 2019, except what was disclosed earlier in this report.
- There were no arrangements or agreements through which any Board member or any executive to waive any salary or compensation.
- There are no arrangements or agreements through which any of the Company’s shareholders to waive the rights to profits.
- Except what was disclosed of shares owned by the Board and Executive Management, there are no other interests in the shares of eligibility of voting that are owned by any person other than the Board, Executive Management, and their relatives and any other contractual interests and any changes in those interests in line with Article 45 of the Listing Rules.
- There were no comments received by the shareholders regarding the Company and its performance.
- The external Auditor’s Report doesn’t contain any reservations on the relevant annual financial statements.
- There are no arrangement or recommendation by the Board to change the Company’s external auditor.
- Except as disclosed in clause 32, the Company did not receive any fine, penalty, precautionary procedure, or preventive measure from the CMA nor any other regulatory, supervisory, or judicial authority.
- There was no recommendation to appoint an Internal Auditor for the Company, as it already has an Internal Audit Division.
- There are no recommendations of the Audit Committee that conflict with the Board’s decisions, nor did the Board refuse to take any of the Audit Committee’s recommendation into consideration regarding the appointment, dismissal, assessment, or determining the remuneration of the external auditor.
- The Company does not have any loans as of 31st December 2019.
- The Company does not have any investments for the benefit of its employees.
- The Company has no treasury shares.
Financial statements

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126 Statement of Financial Position
127 Statement of Profit or Loss and Other Comprehensive Income
128 Statement of Changes in Equity
129 Statement of Cash Flows
130 Notes to the Financial Statements
Opinion
We have audited the financial statements of Saudi Airlines Catering Company (“the Company”), which comprise the statement of financial position as at December 31, 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, to the financial statements comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition
We performed the following procedures in relation to revenue recognition:
• Assessed the appropriateness of the Company’s revenue recognition accounting policies by considering the requirements of IFRS 15 - “Revenue from Contracts with Customers.”
• Assessed the design and implementation, and tested the operating effectiveness of the Company’s controls, including anti-fraud controls, over the recognition of revenue as per the Company’s policy.
• Inspected sales transactions, on a sample basis taking place at either side of the year-end to assess whether revenue was recognized in the correct period.
• Selected, on a sample basis, revenue transactions and verified the related supporting documents, which included signed agreements and customer signed acknowledgement, to ensure the accuracy and validity of revenue recognition.
• Selected agreements and customer signed acknowledgement, to ensure the accuracy and validity of revenue recognition.

Impairment of Trade Receivables
We performed the following procedures in relation to the impairment allowance of trade receivables:
• Reviewed management’s assessment of the impairment of trade receivables and the ECL model, and assessed the appropriateness of the assumptions used.
• Tested significant assumptions, including those related to historical trends and future economic events that were used to calculate the likelihood of default and the expected loss on default and tested the arithmetical accuracy of the ECL model and appropriateness of allowance recorded.
• We also evaluated the adequacy of the disclosures included in the accompanying financial statements.

First time adoption of IFRS 16 “Leases”
We performed the following procedures in relation to the implementation of IFRS 16:
• Reviewed the impact assessment report provided by the Company in respect of classification and measurement of its right of use assets and lease liabilities and assessed the approach taken towards implementation of IFRS 16.
• Verified the accuracy of the underlying lease data by agreeing a sample of leases to the original contract and other supporting information.
• Tested lease schedules, on a sample basis, by recalculating the amounts underlying the right of use assets and lease liabilities, based on the terms of the lease contracts and checked the arithmetical accuracy of those individual lease schedules.
• Assessed the appropriateness of the discount rates applied by management in determining lease liabilities.
• Tested, on a sample basis, contracts exempted from recognition under IFRS 16 and insured the appropriateness of excluding them from the assessment.
• Verified the completeness of the list of contracts included in the management’s assessment.
• Assessed the appropriateness of the disclosures made in the financial statements.
Independent Auditors’ Report

To the Shareholders of Saudi Airlines Catering Company

Other Information
Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors’ report thereon. The annual report is expected to be made available to us after the date of this auditors’ report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company’s By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
• Identify and assess the risks of material misstatement of the 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 Company’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 Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors’ report to the related disclosures in the financial statements and, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.
• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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 of Saudi Airlines Catering Company (“the Company”).

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ 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.

For KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baashen
License No: 392
Jeddah, Rajab 1, 1441H
Corresponding to February 25, 2020
### Statement of Financial Position

**As at December 31, 2019**

(Expressed in Saudi Arabian Riyals)

<table>
<thead>
<tr>
<th>Note</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Amount</td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
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<td>586,708,910</td>
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<tr>
<td>Right-of-use assets</td>
<td>529,765,770</td>
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<tr>
<td>Subleased assets</td>
<td>12,858,734</td>
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<tr>
<td>Intangible assets</td>
<td>1,846,190</td>
<td>258,269</td>
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<td>Investment property</td>
<td>36,388,484</td>
<td>38,337,434</td>
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<tr>
<td>Equity accounted investee</td>
<td>11,588,345</td>
<td>15,125,813</td>
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<td>Financial assets at amortized costs</td>
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<td>Inventories</td>
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</tr>
<tr>
<td>Trade and other receivables</td>
<td>108,559,751</td>
<td>192,857,373</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>186,905,543</td>
<td>147,252,743</td>
</tr>
<tr>
<td>Current assets</td>
<td>1,331,922,935</td>
<td>1,415,363,541</td>
</tr>
<tr>
<td>Total assets</td>
<td>2,504,265,024</td>
<td>2,085,785,659</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>820,000,000</td>
<td>820,000,000</td>
</tr>
<tr>
<td>Statutory reserve</td>
<td>333,835,879</td>
<td>333,835,879</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>131,816,062</td>
<td>127,619,578</td>
</tr>
<tr>
<td>Total equity</td>
<td>1,305,651,941</td>
<td>1,301,455,457</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>19,118,460</td>
<td>-</td>
</tr>
<tr>
<td>Employees’ benefits</td>
<td>176,750,314</td>
<td>167,423,832</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>36,388,484</td>
<td>38,337,434</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>117,164,903</td>
<td>-</td>
</tr>
<tr>
<td>Zakat and income tax liabilities</td>
<td>34,182,178</td>
<td>30,310,014</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>144,964,413</td>
<td>147,252,743</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>605,361,494</td>
<td>616,906,370</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,198,613,083</td>
<td>1,415,363,541</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td>2,504,265,024</td>
<td>2,085,785,659</td>
</tr>
</tbody>
</table>

The accompanying notes 1 through 35 form an integral part of these financial statements.

---

### Statement of Profit or Loss and Other Comprehensive Income

**For the year ended December 31, 2019**

(Expressed in Saudi Arabian Riyals)

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Amount</td>
</tr>
<tr>
<td>Revenue</td>
<td>2,156,266,255</td>
<td>2,035,757,930</td>
</tr>
<tr>
<td>Gross profit</td>
<td>786,932,028</td>
<td>696,479,472</td>
</tr>
<tr>
<td>(Allowance for)/reversal of expected credit losses</td>
<td>18,712,544</td>
<td>12,818,781</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(245,538,680)</td>
<td>(244,449,367)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(3,851,112)</td>
<td>(1,624,719)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>519,581,523</td>
<td>505,579,489</td>
</tr>
<tr>
<td>Finance income</td>
<td>3,137,128</td>
<td>1,478,314</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(34,296,036)</td>
<td>(5,256,820)</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(32,958,908)</td>
<td>(3,778,506)</td>
</tr>
<tr>
<td>Share in loss of equity accounted investee</td>
<td>(3,355,121)</td>
<td>(5,406,251)</td>
</tr>
<tr>
<td>Profit before zakat and income tax</td>
<td>503,667,494</td>
<td>496,395,061</td>
</tr>
<tr>
<td>Zakat and income tax expense</td>
<td>(59,134,091)</td>
<td>(37,714,777)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>463,533,403</td>
<td>458,280,884</td>
</tr>
</tbody>
</table>

Other comprehensive income

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remeasurement of defined benefit liability</td>
<td>(3,749,353)</td>
<td>4,690,707</td>
</tr>
<tr>
<td>Share of other comprehensive loss of associate</td>
<td>(182,347)</td>
<td>(101,200)</td>
</tr>
<tr>
<td>Other comprehensive (loss)/gain for the year</td>
<td>(3,931,700)</td>
<td>4,580,697</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>460,021,703</td>
<td>463,861,581</td>
</tr>
</tbody>
</table>

Earnings per share

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per share</td>
<td>5.66</td>
<td>5.60</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>5.66</td>
<td>5.60</td>
</tr>
</tbody>
</table>

The accompanying notes 1 through 35 form an integral part of these financial statements.

Chief Financial Officer  Chief Executive Officer  Authorized Board of Directors Member
Statement of Changes in Equity
For the year ended December 31, 2019
(Expressed in Saudi Arabian Riyals)

<table>
<thead>
<tr>
<th>Note</th>
<th>Share capital</th>
<th>Statutory reserve</th>
<th>Retained earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>820,000,000</td>
<td>353,835,879</td>
<td>109,109,072</td>
<td>1,282,944,951</td>
</tr>
</tbody>
</table>

Total comprehensive income
Profit for the year
Other comprehensive income
Total comprehensive income

Transactions with owners of the Company
Contributions and distributions
Dividends declared
Balance at January 1, 2019
Impact of adoption of IFRS 16
Total comprehensive income
Profit for the year
Other comprehensive loss
Total comprehensive income
Transactions with owners of the Company
Contributions and distributions
Dividends declared
Balance at December 31, 2019

The accompanying notes 1 through 35 form an integral part of these financial statements.

Chief Financial Officer  Chief Executive Officer  Authorized Board of Directors Member

Statement of Cash Flows
For the year ended December 31, 2019
(Expressed in Saudi Arabian Riyals)

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>463,933,403</td>
<td>459,280,884</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zakat and tax</td>
<td>39,134,091</td>
<td>37,114,177</td>
</tr>
<tr>
<td>Depreciation on property, plant and equipment and investment in property</td>
<td>76,917,741</td>
<td>62,387,898</td>
</tr>
<tr>
<td>Depreciation on right-of-use assets</td>
<td>81,854,770</td>
<td>-</td>
</tr>
<tr>
<td>Amortization</td>
<td>297,170</td>
<td>1,023,915</td>
</tr>
<tr>
<td>Bad debt write off</td>
<td>296,621</td>
<td>-</td>
</tr>
<tr>
<td>Share of change in fair value of investment in associates</td>
<td>8,595,571</td>
<td>9,246,193</td>
</tr>
<tr>
<td>Loss on sale of property, plant and equipment</td>
<td>506,880</td>
<td>105,341</td>
</tr>
<tr>
<td>Employee benefits service cost</td>
<td>17,890,880</td>
<td>14,860,779</td>
</tr>
<tr>
<td>Provision for accrued bonus – long term</td>
<td>1,810,092</td>
<td>2,400,000</td>
</tr>
<tr>
<td>Finance income</td>
<td>(1,337,128)</td>
<td>(1,478,314)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>64,823,466</td>
<td>(63,068,048)</td>
</tr>
<tr>
<td>Share of loss in equity accounted investees</td>
<td>3,355,121</td>
<td>5,406,251</td>
</tr>
<tr>
<td>Allowance/(reversal) of expected credit losses, net</td>
<td>7,112,344</td>
<td>(12,818,781)</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>734,663,592</td>
<td>582,785,163</td>
</tr>
<tr>
<td>Changes in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>64,989,223</td>
<td>(82,480,609)</td>
</tr>
<tr>
<td>Inventories</td>
<td>(37,359,651)</td>
<td>(24,293,155)</td>
</tr>
<tr>
<td>Prepayments and other assets</td>
<td>64,823,466</td>
<td>(63,068,048)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(27,015,284)</td>
<td>66,658,533</td>
</tr>
<tr>
<td>Cash generated from operating activities</td>
<td>800,101,346</td>
<td>479,601,884</td>
</tr>
<tr>
<td>Payment of accrued bonus – long term</td>
<td>(176,890)</td>
<td>(19,401,260)</td>
</tr>
<tr>
<td>Employees' benefits paid</td>
<td>(20,598,118)</td>
<td>(19,401,260)</td>
</tr>
<tr>
<td>Zakat &amp; income tax paid</td>
<td>(35,261,927)</td>
<td>(37,994,250)</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>744,062,411</td>
<td>422,206,374</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments received for sublease</td>
<td>4,251,844</td>
<td>40,000,000</td>
</tr>
<tr>
<td>Proceeds from sale of investment</td>
<td>5,990</td>
<td></td>
</tr>
<tr>
<td>Proceeds from disposal of property, plant and equipment</td>
<td>63,496,018</td>
<td>92,791,815</td>
</tr>
<tr>
<td>Additions to property, plant and equipment</td>
<td>1,885,091</td>
<td></td>
</tr>
<tr>
<td>Additions to intangibles assets</td>
<td>(61,123,265)</td>
<td>(51,259,886)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments of lease liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(560,028,592)</td>
<td>(325,241,423)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(641,288,326)</td>
<td>(325,241,423)</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>41,650,800</td>
<td>45,705,085</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of the year</td>
<td>147,252,743</td>
<td>101,547,658</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of the year</td>
<td>188,903,543</td>
<td>147,252,743</td>
</tr>
</tbody>
</table>

The accompanying notes 1 through 35 form an integral part of these financial statements.

Chief Financial Officer  Chief Executive Officer  Authorized Board of Directors Member
Notes to the Financial Statements
For the year ended December 31, 2019
(Expressed in Saudi Arabian Riyals)

1. REPORTING ENTITY
Saudi Airlines Catering Company (the “Company”) is a Saudi Joint Stock Company domiciled in the Kingdom of Saudi Arabia. The Company was registered as a Saudi limited liability company on Muhamarr 20, 1429H (January 29, 2008) under commercial registration number 4030175741.

The main objectives of the Company are the provision of cooked and non-cooked food to private and public sectors, provision of sky sales, operation and management of duty-free zones in Saudi Arabian airports and ownership, operation and management of restaurants at airports and other places, and the ownership, operation and management of central laundries.

The Company mainly provides catering services to Saudi Arabian Airlines and other foreign airlines in the airports of Jeddah, Riyadh, Dammam and Madinah in Saudi Arabia and to Saudia’s flights operating from Cairo International Airport.

The Company also has the following branches, which are operating under separate Commercial registrations:

<table>
<thead>
<tr>
<th>Branch Location</th>
<th>C.R.</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rabigh</td>
<td>4602006306</td>
<td>Rajab 16, 1436H (May 5, 2015)</td>
</tr>
<tr>
<td>Makkah</td>
<td>4031084114</td>
<td>Jumada Al-Atwal 23, 1435H (March 25, 2014)</td>
</tr>
<tr>
<td>Jeddah</td>
<td>4030227235</td>
<td>Jumada Al-Thuwal 1433H (April 23, 2012)</td>
</tr>
<tr>
<td>Riyadh</td>
<td>100336658</td>
<td>Jumada Al-Thani 1, 1433H (April 23, 2012)</td>
</tr>
</tbody>
</table>

The registered head office of the Company is located at the following address:

Saudi Airlines Catering Company
Al Saeb Al Jomhi Street
Prince Sultan Bin Abdulaziz Road, Almohammadiya District (5)
P. O. Box 9178, Jeddah 21413
Kingdom of Saudi Arabia

2. BASIS OF ACCOUNTING

a) Statement of compliance
These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (“SOCPA”) (hereafter referred to as “IFRS as endorsed in KSA”).

b) Basis of Measurement
This is the first set of the Company’s annual financial statement in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in Note 4.

These financial statements have been prepared under the historical cost basis, except for the defined benefit obligation which is recognized at the present value of future obligation using the projected unit credit method.

c) Functional and presentation currency
These financial statements are presented in Saudi Arabian Riyals (“SR”) which is the Company’s functional and presentation currency.

3. USE OF JUDGEMENTS AND ESTIMATES
In preparing these financial statements, the management has made judgments, estimates and assumptions that affect the application of the Company’s accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

A. Judgements
The management exercises judgement in applying the accounting policies that have the most significant effects on the amounts recognized in the financial statements.

Lease Term
Certain property leases contain extension options exercisable by the management up to one year before the end of the non-cancellable contract period. Where practicable, the management seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the management and not by the lessors. At the lease commencement date, the management assesses whether it is reasonably certain to exercise the extension options and thereafter reassesses if there is a significant event or significant changes in circumstances within its control.

B. Assumptions and estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Inventories obsolescence provision
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. Amounts which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence.

At the reporting date, gross inventories were SR 164.9 million (December 31, 2018: SR 138.4 million) with a provision for obsolete and slow-moving inventories amounting to SR 11.1 million (December 31, 2018: SR 13.4 million). Any difference between the inventories and their net realisable value. Amounts which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence.

Impairment for expected credit losses (ECL) in trade and other receivables
The management’s determination of the ECL in trade and other receivables requires them to take into consideration certain estimates for forward looking factors while calculating the probability of default. These estimates may differ from actual circumstances.

Useful lives of property, plant and equipment, & investment property
The management determines the estimated useful lives of property, plant and equipment & investment property for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear.

The management reviews the useful lives, residual value and method of depreciation annually for any significant changes and any resultant changes to the depreciation charge are adjusted in current and future periods.

The Company was registered as a Saudi limited liability company on Muhamarr 20, 1429H (January 29, 2008) under commercial registration number 4030175741.

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<tbody>
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<tr>
<td>Jeddah</td>
<td>4030227235</td>
<td>Jumada Al-Thuwal 1433H (April 23, 2012)</td>
</tr>
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<td>100336658</td>
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3. USE OF JUDGEMENTS AND ESTIMATES
In preparing these financial statements, the management has made judgments, estimates and assumptions that affect the application of the Company’s accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

A. Judgements
The management exercises judgement in applying the accounting policies that have the most significant effects on the amounts recognized in the financial statements.

Lease Term
Certain property leases contain extension options exercisable by the management up to one year before the end of the non-cancellable contract period. Where practicable, the management seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the management and not by the lessors. At the lease commencement date, the management assesses whether it is reasonably certain to exercise the extension options and thereafter reassesses if there is a significant event or significant changes in circumstances within its control.

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The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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The management reviews the useful lives, residual value and method of depreciation annually for any significant changes and any resultant changes to the depreciation charge are adjusted in current and future periods.
Notes to the Financial Statements continued

For the year ended December 31, 2019
(Expressed in Saudi Arabian Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES

Except for the changes below, the management has consistently applied the accounting policies to all periods presented in these financial statements.

The management applied IFRS 16 with a date of initial application of 1 January 2019 using the modified retrospective approach under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated, i.e. it is presented as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS have not generally been applied to comparative information.

a. Leases

i. Definition of a lease

Previously, the management determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Determining whether an Arrangement contains a Lease. Under IFRS 16, the management assesses whether a contract is or contains a lease based on the definition of a lease, as explained below.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

ii. As a lessee

As a lessee, the Company leases many assets, including an operations building, staff accommodation building, laundry plant land, office building and vehicles. The company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the management. Under IFRS 16, the management recognised right-of-use assets and lease liabilities for most leases – i.e. these leases are on statement of financial position.

At commencement or on modification of a contract that contains a lease component, the management allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

Leases classified as operating leases under IAS 17

Assets held under other leases were classified as operating leases and were not recognised in the management’s statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease. Leases classified as finance leases under IAS 17. The management classified leases as operating leases. The management recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on statement of financial position.

At commencement or on modification of a contract that contains a lease component, the management allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

Leases classified as operating leases under IAS 17

Assets held under other leases were classified as operating leases and were not recognised in the management’s statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease. Leases classified as finance leases under IAS 17. The management classified leases as operating leases. The management recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on statement of financial position.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The management used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the management:

• did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

• did not recognise right-of-use assets and liabilities for leases of low value assets;

• excluded initial direct cost from the measurement of the right-of-use asset at the date of initial application; and

• used hindsight when determining the lease term.

For leases of other assets, which were classified as operating under IAS 17, the management recognised right-of-use assets and lease liabilities.

Under IFRS 16 at transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the management’s incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the management applied this approach to all other leases.

iii. As a lessor

The Company sub-leases assets, AM1 Building in King Khalid International Airport in Riyadh. The management has classified these leases as finance lease. The Company sub-leased small portion of Staff accommodation in Damman which management has classified as operating lease.

The management is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

Under IFRS 16, the management is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset.

The Company sub-leases some of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognized from the head leases are presented in statement of financial position and measured at fair value at that date. The Company assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset and concluded that they are operating leases under IFRS 16.

The Company has applied IFRS 15 revenue from contracts with customers to allocate consideration in the contract to each lease and non-lease component.

iv. Impacts on financial statements

When measuring lease liabilities, the management discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 4.86%. The impact of transition is summarized below:

<table>
<thead>
<tr>
<th>1 January 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right-of-use assets presented</td>
</tr>
<tr>
<td>Property and equipment owned</td>
</tr>
<tr>
<td>Subleased assets</td>
</tr>
<tr>
<td>Lease liabilities</td>
</tr>
<tr>
<td>Receivable adjustment for subleased assets</td>
</tr>
<tr>
<td>Receivables</td>
</tr>
<tr>
<td>Accruals</td>
</tr>
<tr>
<td>Impairment of Rights of use assets</td>
</tr>
<tr>
<td>Impact on Retained earnings</td>
</tr>
</tbody>
</table>

v. Impact on the period

The Company has recognised depreciation and interest costs, instead of operating lease expense. During the year ended December 31, 2019, the Company recognised SR 81.9 million of depreciation charges and SR 276 million of interest costs in respect of these leases.

Furthermore, during the assessment, the management identified a leased property which is vacant and not used nor sub leased. The management is currently negotiating with the lessor to exit and terminate the contract related to this vacant property. The management has formed a provision of SR 17.8 million for the expected cash out flows on termination of the contract.

Movement in lease liabilities and subleased assets over the periods ended December 31, 2019 are as follows:

<table>
<thead>
<tr>
<th>Lease liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease liability as at 1 January 2019</td>
</tr>
<tr>
<td>Increase in Lease Liability due to finance cost</td>
</tr>
<tr>
<td>Lease payment made during the year</td>
</tr>
<tr>
<td>Lease liability as at 31 December 2019</td>
</tr>
<tr>
<td>Less: Current portion of lease liability</td>
</tr>
<tr>
<td>Non-current portion of lease liability</td>
</tr>
</tbody>
</table>
4. SIGNIFICANT ACCOUNTING POLICIES

v. Impact for the period continued

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the management’s estimate of the amount expected to be payable under a residual value guarantee, or if the management changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The management has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The management recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Company as a lessor

At inception or on modification of a contract that continue a lease component, the management allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the management makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the management considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interest in the head lease and sublease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

The accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16.

b. Investment in Associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Company investments in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company’s share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised, nor individually tested for impairment.

The profit or loss reflects the Company’s share of changes in OCI of those investees in OCI and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed above.

The management has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed above.

vi. Leases policy

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any late lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reviewed and any decrease in the residual value of the right-of-use asset is recorded immediately.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the management uses its incremental borrowing rate as the discount rate.

The management determines if incremental borrowing rate by obtaining interest rates from various external financing sources and make certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

• fixed payments, including in-substance fixed payments;
• variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
• amounts expected to be payable under a residual value guarantee; and
• the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.
4. SIGNIFICANT ACCOUNTING POLICIES

b. Investment in Associates

After application of the equity method, the management determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the management determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the management calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss.

Upon loss of significant influence over the associate, the management measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

c. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

d. Revenue

The Company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15 and is given below:

Step 1 – Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 – Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 – Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4 – Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the management allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the management expects to be entitled in exchange for satisfying each performance obligation.

Step 5 – Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

• The Company's performance does not create an asset with an alternate use to the Company and the Company has an unconditional right to the economic benefits of that asset.

• The Company satisfied a performance obligation and recognizes revenue over time, if one of the following criteria is met:

ii. The Company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

The Company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

• The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

The Company's performance does not create an asset with an alternate use to the Company and the Company has an unconditional right to the economic benefits of that asset.

Upon loss of significant influence over the associate, the management measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

e. Employee benefits

i. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

ii. Defined benefit plans

Provision is made for amounts payable to employees under the Saudi Labour Law and employee contracts. This liability, which is unfunded, represents the amount payable to each employee on a going concern basis. The cost of providing benefits is determined using the projected unit credit method as amended by IAS 19.

Remeasurements, comprising of actuarial gains and losses, excluding amounts included in interest on the defined benefit liability are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

• The date of the plan amendment or curtailment, and

• The date that the Company recognizes related restructuring costs.

Interest is calculated by applying the discount rate to the defined benefit liability. The management recognizes the following changes in the defined benefit obligation under ‘cost of sales’, and ‘general and administration expenses’ in the income statement:

• Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

• Interest expense or income

iii. Other long-term employee benefits

The Company’s obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value if the impact is material. Remeasurements are recognized in profit or loss in the period in which they arise.

iv. Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring.

f. Zakat and income tax

The Company is subject to regulations issued by the General Authority of Zakat and Tax (“GAZT”) in the Kingdom of Saudi Arabia, which is subject to interpretations. Zakat is levied at a fixed rate of 2.5% on the higher of adjusted Zakat profit or based on Zakat base. The Company establishes provisions where appropriate on the basis of amounts expected to be paid to the GAZT and yearly evaluates positions taken in the Zakat returns with respect to any Zakat differences. Zakat is charged to the statement of profit or loss. Additional Zakat liability, if any, related to prior years’ assessments arising from GAZT are accounted for in the year in which the final assessments are finalized.

Moreover, certain shareholders in the Company are subject to income tax, which is recognized as an expense in the statement of profit or loss.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference and unused tax losses arise from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.
4. SIGNIFICANT ACCOUNTING POLICIES continued

f. Zakat and income tax continued

The management withholds taxes on transactions with non-resident parties in accordance with GAZT regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

g. Segment information

A segment is a distinguishable component of the Company that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Company to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

The Company has the following three strategic divisions, which are reportable segments. Those divisions offer different products and services, and are managed separately because of their different fundamentals.

The following summary describes the operations of each reportable segment:

<table>
<thead>
<tr>
<th>Reportable segments</th>
<th>Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflight</td>
<td>Inflight catering, airline equipment and business lounge</td>
</tr>
<tr>
<td>Retail</td>
<td>Onboard and ground</td>
</tr>
<tr>
<td>Catering and Facilities</td>
<td>Remote &amp; Camp management, Business &amp; Industries catering, Security services, Laundry services, Hajj and Umrah &amp; Baggage handling services</td>
</tr>
</tbody>
</table>

The Company’s Board reviews the internal management reports of each strategic division at least quarterly.

h. Contingencies

Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. An assessment is made at each reporting date to recognize contingent liabilities which are probable obligations arising from past events whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly under the control of the Company.

i. Finance income and finance cost

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Company right to receive payment is established.

j. Operating profit

Operating profit is the result generated from the continuing principal revenue producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity accounted investees and income taxes.

k. Interest income

Interest income is recognized on a time proportion basis using the effective interest method.

l. Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term and is included in statement of profit or loss.

m. Cash dividends to shareholders

The Company recognizes a liability to make cash distributions to the shareholders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the companies regulations of Saudi Arabia, a final distribution is authorized when it is approved by the shareholders and interim dividends are approved by the Board of Directors. A corresponding amount is recognized directly in equity.

n. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business.

The management determines its allowance for inventory obsolescence based upon historical experience, current condition, and current and future expectations with respect to sales.

o. Current versus non-current classification

The management presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

p. Property, plant and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Expenditure on maintenance and repairs of items of property, plant and equipment is expensed.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

Capital work-in-progress represents all costs relating directly to on-going construction projects and are capitalized as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category. Capital work-in-progress is not depreciated.

ii. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Company.

iii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over the estimated useful lives, and is generally recognized in profit or loss. Land is not depreciated.

The estimated useful lives of the principal classes of assets are as follows:

- Building & leasehold improvements: 2-30 years
- Equipment: 3-15 years
- Motor vehicles: 7-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property and equipment.
Notes to the Financial Statements continued
For the year ended December 31, 2019
(Expressed in Saudi Arabian Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES continued

q. Investment property
Investment property is initially measured at cost and is depreciated over its useful life.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

r. Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets comprise software, which have finite useful lives and are measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. The estimated useful life of software is 5 years.

s. Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares recognized as a deduction from equity.

t. Earnings per share – EPS
The management determines basic earnings per share by dividing profit or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the year. The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year multiplied by a time-weighting factor.

The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year; a reasonable approximation of the weighted average is adequate in many circumstances.

Diluted EPS amounts are calculated by dividing the profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

u. Statutory reserve
In accordance with the Saudi Arabian Regulations for Companies, the Company has to transfer 10% of the net income in each year to the statutory reserve until it has built a reserve equal to 30% of the share capital. This reserve is not available for distribution to the shareholders of the Company.

v. Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

w. Provisions
A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

x. Financial Instruments
i. Recognition and initial measurement
Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an instrument not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and measurement of financial assets and financial liabilities
On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI - debt investment, FVOCI - equity investment, or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

• It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

• Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

• It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

• Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at Fair Value Through Profit and Loss (FVTPL)
These assets are subsequently measured at fair value, Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt Investments at Fair Value through Other Comprehensive Income (FVOCI)
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity Investments at Fair Value through Other Comprehensive Income (FVOCI)
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The financial assets at amortised cost consist of trade receivables and cash and cash equivalents.

iii. Financial Liabilities – Classification, subsequent measurement and gain and losses
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expenses, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gain and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.
Notes to the Financial Statements continued
For the year ended December 31, 2019
(Expressed in Saudi Arabian Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES continued

x. Financial Instruments continued

iv. Derecognition

Financial assets
The management derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities
The management derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The management also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

v. Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

vi. Impairment of financial assets

The management recognises loss allowances for ECLs on financial assets measured at amortised cost and contract assets. The management measures loss allowances at an amount equal to lifetime ECLs.

Under IFRS 9, loss allowances are measured on either of the following bases:

• 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

• Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the management considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

The management assumes that the credit risk on a financial asset has increased significantly if it is more than 730 days past due from government and 365 days past due from non-government parties.

The management considers a financial asset to be in default when:

• the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or

• the financial asset is past due as per terms of agreement with customers.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the management assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

• Evidence that a financial asset is credit-impaired includes the following observable data:
  • significant financial difficulty of the debtor;
  • a breach of contract such as a default or being more than 365 days past due;
  • the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
  • It is probable that the debtor will enter bankruptcy or other financial reorganisation; or
  • the disappearance of an active market for a security because of financial difficulties.

Presentation of impairment

Allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to Trade receivables and contract assets, including contract assets and finance lease receivables, are presented separately in the statement of profit or loss.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

y. Impairment

i) Non-financial assets

The management assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the management estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company’s assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the management estimates the asset’s or CGU’s recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

5. NEW STANDARDS, AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

Standards and amendments issued but not yet effective up to the date of issuance of the Company’s financial statements are listed below. The Company is currently assessing the implications of the below mentioned standards and amendments on its financial statements, however, it expects that the impact, if any, would not be material to the financial statements.

Effective for annual periods beginning on or after

New Standards or amendments

<table>
<thead>
<tr>
<th>Effective for annual periods</th>
<th>New Standards or amendments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2020</td>
<td>Amendments to References to Conceptual Framework in IFRS Standards</td>
</tr>
<tr>
<td></td>
<td>Definition of a Business (Amendments to IFRS 3)</td>
</tr>
<tr>
<td>1 January 2021</td>
<td>Amendments to Material (Amendments to IAS 1 and IAS 8)</td>
</tr>
<tr>
<td>IFRS 17 Insurance Contracts</td>
<td></td>
</tr>
</tbody>
</table>

Available for optional adoption/effective date deferred indefinitely

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
Notes to the Financial Statements continued
For the year ended December 31, 2019
(Expressed in Saudi Arabian Riyals)

6. PROPERTY, PLANT AND EQUIPMENT
A. Reconciliation and carrying amount

<table>
<thead>
<tr>
<th></th>
<th>Cost:</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance at January 1, 2019</td>
<td>33,786,058</td>
</tr>
<tr>
<td></td>
<td>Additions</td>
<td>257,549,100</td>
</tr>
<tr>
<td></td>
<td>Adjustments</td>
<td>(856,925)</td>
</tr>
<tr>
<td></td>
<td>Disposals</td>
<td>(17,651,803)</td>
</tr>
<tr>
<td></td>
<td>Transfer from capital work under construction</td>
<td>65,941,688</td>
</tr>
<tr>
<td></td>
<td>Balance at December 31, 2019</td>
<td>33,786,058</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Accumulated depreciation:</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance at January 1, 2019</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Charge for the year</td>
<td>(24,418,526)</td>
</tr>
<tr>
<td></td>
<td>Disposals</td>
<td>(848,906)</td>
</tr>
<tr>
<td></td>
<td>Adjustments</td>
<td>(4,854,246)</td>
</tr>
<tr>
<td></td>
<td>Balance at December 31, 2019</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Carrying amounts:</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>At December 31, 2019</td>
<td>33,786,058</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>Building &amp; leasehold improvements</th>
<th>Equipment</th>
<th>Motor vehicles</th>
<th>Under construction</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost:</td>
<td>Land</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Balance at January 1, 2018</td>
<td>33,786,058</td>
<td>257,549,100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Additions</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Disposals</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transfer from capital work under construction</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Balance at December 31, 2018</td>
<td>33,786,058</td>
<td>257,549,100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

B. Capital work in progress

2019
Capital work under construction represents construction works at Saudia City Motal in Jeddah, welcome lounges at King Khalid International Airport (Terminals 1, 2 and 5) in Riyadh and Alfursan Lounge at King Abdulaziz International Airport (New Airport).

There are no restrictions on any asset neither any asset have been pledged as security to any party.

C. Depreciation for the year ended December 31 was allocated as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>66,753,458</td>
<td>51,913,346</td>
</tr>
<tr>
<td></td>
<td>8,215,333</td>
<td>8,525,603</td>
</tr>
<tr>
<td></td>
<td>74,968,791</td>
<td>60,438,949</td>
</tr>
</tbody>
</table>

D. Subleased assets adjustments
As result of the adoption of IFRS 16 and as explained under note 9A, the management transferred some assets that are subleased from the property, plant and equipment.

The cost and accumulated depreciation of the transferred assets are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>17,651,803</td>
</tr>
<tr>
<td>Accumulated depreciation as at January 1, 2019</td>
<td>(3,089,066)</td>
</tr>
<tr>
<td>Depreciation reversed for the year ended December 31, 2019</td>
<td>(1,765,180)</td>
</tr>
<tr>
<td>Total Right of use assets</td>
<td>12,797,557</td>
</tr>
</tbody>
</table>

7. INTANGIBLE ASSET
Reconciliation and carrying amount

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>3,820,824</td>
<td>3,820,824</td>
</tr>
<tr>
<td>Accumulated amortization</td>
<td>3,562,555</td>
<td>2,539,640</td>
</tr>
<tr>
<td>Amortisation</td>
<td>297,170</td>
<td>1,023,915</td>
</tr>
<tr>
<td>Balance at December 31</td>
<td>3,859,725</td>
<td>3,562,555</td>
</tr>
<tr>
<td>Carrying amounts</td>
<td>1,846,190</td>
<td>258,269</td>
</tr>
</tbody>
</table>

Amortisation
The amortisation is included in general and administrative expenses.

8. INVESTMENT PROPERTY
A. The investment property is part of a building constructed by the Company and is being leased to a related party in Damman.
B. Reconciliation and carrying amount

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>42,876,890</td>
<td>42,876,890</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>4,539,456</td>
<td>2,590,507</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>1,948,949</td>
<td>1,949,949</td>
</tr>
<tr>
<td>Balance at December 31</td>
<td>43,424,646</td>
<td>4,539,456</td>
</tr>
<tr>
<td>Carrying amounts</td>
<td>36,388,484</td>
<td>38,337,434</td>
</tr>
</tbody>
</table>

C. Depreciation amount
The depreciation is included in general and administrative expenses.
9. Leases

A. Right-of-use assets

The reconciliation and carrying amount of the right-of-use assets is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Commercial Building Lease</th>
<th>Land Lease</th>
<th>Residential Lease</th>
<th>Vehicles Lease</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January 1, 2019</td>
<td>400,178,454</td>
<td>59,814,366</td>
<td>136,844,270</td>
<td>14,763,450</td>
<td>611,600,540</td>
</tr>
<tr>
<td>December 31, 2019</td>
<td>400,178,454</td>
<td>59,814,366</td>
<td>136,844,270</td>
<td>14,763,450</td>
<td>611,600,540</td>
</tr>
</tbody>
</table>

| **Accumulated Depreciation:** |                     |           |                  |               |            |
| **January 1, 2019** | –                        |           |                  |               |            |
| **Charge for the year** | 65,153,375              | 2,757,836 | 10,250,167       | 3,693,392     | 81,854,770 |
| **December 31, 2019** | 65,153,375              | 2,757,836 | 10,250,167       | 3,693,392     | 81,854,770 |

| **Carrying amounts as at December 31, 2019** |                     |           |                  |               |            |
| **Commercial Building Lease** | 335,025,079            | 57,056,530| 126,594,103      | 11,070,058    | 529,745,770|
| **Land Lease** | -                        |           |                  |               |            |
| **Residential Lease** | -                        |           |                  |               |            |
| **Vehicles Lease** | -                        |           |                  |               |            |

Depreciation for the year has been allocated as follows:

<table>
<thead>
<tr>
<th></th>
<th>Note 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost of sales</strong></td>
<td>24</td>
</tr>
<tr>
<td><strong>General and administrative expenses</strong></td>
<td>26</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>81,854,770</td>
</tr>
</tbody>
</table>

B. Lease Liabilities

Lease liabilities as at December 31 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Future Minimum Lease Payment</th>
<th>Interest</th>
<th>Present Value of Minimum Lease Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commercial Building Lease</strong></td>
<td>419,039,611</td>
<td>67,045,396</td>
<td>351,994,215</td>
</tr>
<tr>
<td><strong>Land Lease</strong></td>
<td>92,137,202</td>
<td>38,494,314</td>
<td>53,642,888</td>
</tr>
<tr>
<td><strong>Residential Lease</strong></td>
<td>189,923,806</td>
<td>69,298,880</td>
<td>120,624,926</td>
</tr>
<tr>
<td><strong>Car Lease</strong></td>
<td>8,081,542</td>
<td>477,393</td>
<td>7,604,149</td>
</tr>
<tr>
<td><strong>As at December 31, 2019</strong></td>
<td>709,182,161</td>
<td>175,315,983</td>
<td>533,866,178</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Future Minimum Lease Payment</th>
<th>Interest</th>
<th>Present Value of Minimum Lease Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commercial Building Lease</strong></td>
<td>466,594,940</td>
<td>85,057,554</td>
<td>381,337,426</td>
</tr>
<tr>
<td><strong>Land Lease</strong></td>
<td>101,037,161</td>
<td>41,222,795</td>
<td>59,814,366</td>
</tr>
<tr>
<td><strong>Residential Lease</strong></td>
<td>207,233,572</td>
<td>75,665,772</td>
<td>131,567,800</td>
</tr>
<tr>
<td><strong>Car Lease</strong></td>
<td>15,776,221</td>
<td>1,012,771</td>
<td>14,763,450</td>
</tr>
<tr>
<td><strong>As at January 1, 2019</strong></td>
<td>790,441,894</td>
<td>202,958,852</td>
<td>587,483,042</td>
</tr>
</tbody>
</table>

At December 31, the lease liabilities are presented in the statement of financial position as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current portion</strong></td>
<td>117,364,903</td>
<td>-</td>
</tr>
<tr>
<td><strong>Non-current portion</strong></td>
<td>416,501,275</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>533,866,178</td>
<td>-</td>
</tr>
</tbody>
</table>

C. Subleased assets

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Less than one year</strong></td>
<td>12,105,955</td>
</tr>
<tr>
<td><strong>One to five years</strong></td>
<td>15,377,950</td>
</tr>
<tr>
<td><strong>More than five years</strong></td>
<td>27,484,905</td>
</tr>
<tr>
<td><strong>Total undiscounted lease receivables</strong></td>
<td>2,098,748</td>
</tr>
<tr>
<td><strong>Unearned finance income</strong></td>
<td>25,385,157</td>
</tr>
</tbody>
</table>

D. Operating lease

The Company leases out its investment property. The management has classified these leases as operating leases because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

Rental income recognized by the management during 2019 was SR. 3.4 million (2018: SR. 2.9 million).

The following table sets out a maturity analysis of lease payments showing the undiscounted lease payments to be received after the reporting date.

<table>
<thead>
<tr>
<th></th>
<th>Future Minimum Lease Payment</th>
<th>Interest</th>
<th>Present Value of Minimum Lease Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commercial Building Lease</strong></td>
<td>27,117,280</td>
<td>1,732,123</td>
<td>25,385,157</td>
</tr>
<tr>
<td><strong>As at December 31, 2019</strong></td>
<td>27,117,280</td>
<td>1,732,123</td>
<td>25,385,157</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Future Minimum Lease Payment</th>
<th>Interest</th>
<th>Present Value of Minimum Lease Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commercial Building Lease</strong></td>
<td>31,369,124</td>
<td>3,069,251</td>
<td>28,299,872</td>
</tr>
<tr>
<td><strong>As at December 31, 2018</strong></td>
<td>31,369,124</td>
<td>3,069,251</td>
<td>28,299,872</td>
</tr>
</tbody>
</table>

Lease receivables as at December 31, 2019 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commercial Building Lease</strong></td>
<td>27,117,280</td>
<td>31,369,124</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>25,385,157</td>
<td>28,299,872</td>
</tr>
</tbody>
</table>

Notes to the Financial Statements continued

For the year ended December 31, 2019

(Expressed in Saudi Arabian Riyals)
9. LEASES continued

D. Operating lease continued

ii) Amortization cost

Year ended December 31, 2019  Year ended December 31, 2018

Lease expense 160,208,020  159,507,750

10. EQUITY ACCOUNTED INVESTEES

A. Investment in associate

The Company has a 40% shareholding in Saudi French Company for Duty Free Operations and Management.

B. The balances of the investment in associate as at December 31 as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Country of Incorporation</th>
<th>Effective ownership interest (%)</th>
<th>Carrying value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi French Company for Duty Free Operations and Management (Limited Liability Company)</td>
<td>Kingdom of Saudi Arabia</td>
<td>40%</td>
<td>11,588,345</td>
</tr>
</tbody>
</table>

C. The movement in the investment in associate during the year was as follows:

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>15,125,813</td>
</tr>
<tr>
<td>Share in net loss</td>
<td>(3,355,121)</td>
</tr>
<tr>
<td>Share in other comprehensive loss</td>
<td>(182,347)</td>
</tr>
<tr>
<td>Closing balance</td>
<td>11,588,345</td>
</tr>
</tbody>
</table>

At the date of the financial statements, the associate had not issued audited financial statements yet. Accordingly, the financial data below and the share of loss for the year ended December 31, 2019 is based on management draft financial statements.

Share in net assets

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non current assets</td>
<td>158,408,508</td>
</tr>
<tr>
<td>Current assets</td>
<td>78,753,777</td>
</tr>
<tr>
<td>Total assets</td>
<td>237,162,285</td>
</tr>
<tr>
<td>Non current liabilities</td>
<td>109,334,455</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>98,856,968</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>208,191,423</td>
</tr>
<tr>
<td>Net assets</td>
<td>28,970,862</td>
</tr>
<tr>
<td>Company’s share in net assets (40%)</td>
<td>11,588,345</td>
</tr>
</tbody>
</table>

Share in loss

<table>
<thead>
<tr>
<th>Year ended December 31, 2019</th>
<th>Year ended December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>290,271,279</td>
</tr>
<tr>
<td>Net loss for the year</td>
<td>(2,919,708)</td>
</tr>
<tr>
<td>Other adjustment</td>
<td>(5,406,251)</td>
</tr>
<tr>
<td>Revised net loss for the year</td>
<td>(8,387,803)</td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td>(455,867)</td>
</tr>
<tr>
<td>Company’s share of loss for the year (40%)</td>
<td>(3,355,121)</td>
</tr>
<tr>
<td>Company’s share of other comprehensive loss (40%)</td>
<td>(182,347)</td>
</tr>
</tbody>
</table>

The Company has a call option by which it has the right to purchase 11% of the total shares of the associate from one of the shareholders subject to fulfilling legal requirements and obtaining certain approvals. If the Company succeeded to fulfill all the requirements and purchased the 11% shares, its shares in the investee will reach 51% and accordingly will have control over the investee and will then start consolidating.

At the date of the financial statements, the management has not exercised the call option.

i) Impairment test of associate

The recoverable amount of this equity accounted investee is estimated using discounted cash flows. The fair value measurement was categorized as a level 3 fair value based on the inputs in the valuation technique used.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management’s assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Terminal value growth rate</td>
<td>3%</td>
<td>0%</td>
</tr>
<tr>
<td>Growth rate (average of next five years)</td>
<td>18%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Management of the Company has assessed in detail the carrying value of Saudi French Company for Duty Free Operations and Management at December 31 on the basis of above assumptions and concluded that the associate is not impaired.

11. FINANCIAL ASSETS AT AMORTIZED COST

12. INVENTORIES

A. Inventories comprise the following:

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail items</td>
<td>106,838,242</td>
</tr>
<tr>
<td>Catering items</td>
<td>44,068,578</td>
</tr>
<tr>
<td>Spare parts</td>
<td>7,654,963</td>
</tr>
<tr>
<td>Packing and other materials</td>
<td>6,118,042</td>
</tr>
<tr>
<td>Provision for slow-moving and obsolete inventories</td>
<td>153,791,958</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements continued
For the year ended December 31, 2019
(Expressed in Saudi Arabian Riyals)

12. INVENTORIES continued
B. Movement in provision for slow moving and obsolete inventories for the year was as follows:

<table>
<thead>
<tr>
<th>Note</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance at beginning of the year</td>
<td>Charge for the year</td>
</tr>
<tr>
<td></td>
<td>11,097,867</td>
<td>10,827,783</td>
</tr>
<tr>
<td></td>
<td>Reversal during the year</td>
<td>Write-off during the year</td>
</tr>
<tr>
<td></td>
<td>(2,232,212)</td>
<td>(10,904,029)</td>
</tr>
<tr>
<td></td>
<td>Balance at end of the year</td>
<td></td>
</tr>
<tr>
<td></td>
<td>8,865,655</td>
<td></td>
</tr>
</tbody>
</table>

Provision for slow-moving and obsolete inventories is based on the nature of inventories, sales expectations, historic trends and other qualitative factors.

13. TRADE AND OTHER RECEIVABLES
A. Trade and other receivables comprise the following:

<table>
<thead>
<tr>
<th>Note</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trade receivables due from related parties (net of purser provision)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>868,141,260</td>
<td>652,808,496</td>
</tr>
<tr>
<td></td>
<td>Trade receivables - third parties</td>
<td></td>
</tr>
<tr>
<td></td>
<td>915,871,661</td>
<td>263,063,165</td>
</tr>
<tr>
<td></td>
<td>Less: Allowance for expected credit losses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(47,730,401)</td>
<td>(40,502,850)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,736,282,520</td>
<td>650,370,811</td>
</tr>
</tbody>
</table>

• Trade receivables disclosed above are classified as loans and receivables and are measured at amortized cost.
• The Company does not have any collateral over receivables and are unsecured. Unimpaired trade receivables are expected on the basis of past experience, to be fully recoverable.
• 74% of the trade receivables is due from government or semi-government entities (2018: 76%)

14. PREPAYMENTS AND OTHER ASSETS
Prepayments and other assets at December 31 comprise the following:

<table>
<thead>
<tr>
<th>Note</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Prepayments</td>
<td></td>
</tr>
<tr>
<td></td>
<td>69,632,981</td>
<td>21,279,521</td>
</tr>
<tr>
<td></td>
<td>Unbilled receivables</td>
<td></td>
</tr>
<tr>
<td></td>
<td>268,417,405</td>
<td>188,903,540</td>
</tr>
<tr>
<td></td>
<td>VAT Input tax</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6,391,692</td>
<td>6,075,999</td>
</tr>
<tr>
<td></td>
<td>Margin deposits with banks</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4,010,586</td>
<td>4,030,586</td>
</tr>
<tr>
<td></td>
<td>Advances to suppliers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,601,382</td>
<td>12,462,620</td>
</tr>
<tr>
<td></td>
<td>Advances to employees</td>
<td></td>
</tr>
<tr>
<td></td>
<td>108,555,751</td>
<td>192,857,373</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td></td>
<td>482,596,345</td>
<td>483,794,560</td>
</tr>
</tbody>
</table>

• Unbilled receivables represents billing not yet approved by customers. As at December 31, 2019 there were Nil unbilled receivable outstanding for more than 1 year.

15. CASH AND CASH EQUIVALENTS
Cash and cash equivalents at December 31 comprise the following:

<table>
<thead>
<tr>
<th>Note</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash at bank - current accounts</td>
<td></td>
</tr>
<tr>
<td></td>
<td>168,174,435</td>
<td>145,997,345</td>
</tr>
<tr>
<td></td>
<td>Cash in hand</td>
<td></td>
</tr>
<tr>
<td></td>
<td>729,108</td>
<td>1,255,398</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td></td>
<td>184,903,543</td>
<td>147,252,743</td>
</tr>
</tbody>
</table>

16. SHARE CAPITAL
A. Share capital

<table>
<thead>
<tr>
<th>Note</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In issue at beginning of the year (number of shares)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>82,000,000</td>
<td>82,000,000</td>
</tr>
<tr>
<td></td>
<td>Issued for cash</td>
<td></td>
</tr>
<tr>
<td></td>
<td>82,000,000</td>
<td>82,000,000</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td></td>
<td>820,000,000</td>
<td>820,000,000</td>
</tr>
</tbody>
</table>

B. At December 31 the shareholders and their percentage interests in the share capital of the Company are as follows:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>No. of shares</th>
<th>Value in SR</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabian Airlines Corporation</td>
<td>29,274,000</td>
<td>292,740,000</td>
<td>35.7</td>
</tr>
<tr>
<td>Strategic Catering Company Limited</td>
<td>7,041,379</td>
<td>70,413,790</td>
<td>8.6</td>
</tr>
<tr>
<td>Abdulmohsen Alhokair Group for Tourism and Development</td>
<td>7,711,256</td>
<td>77,112,560</td>
<td>9.4</td>
</tr>
<tr>
<td>General public</td>
<td>37,973,365</td>
<td>379,733,650</td>
<td>46.3</td>
</tr>
<tr>
<td>Total</td>
<td>82,000,000</td>
<td>820,000,000</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>No. of shares</th>
<th>Value in SR</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabian Airlines Corporation</td>
<td>29,274,000</td>
<td>292,740,000</td>
<td>35.7</td>
</tr>
<tr>
<td>Strategic Catering Company Limited</td>
<td>7,641,379</td>
<td>76,413,790</td>
<td>9.3</td>
</tr>
<tr>
<td>Abdulmohsen Alhokair Group for Tourism and Development</td>
<td>7,111,256</td>
<td>71,112,560</td>
<td>8.7</td>
</tr>
<tr>
<td>General public</td>
<td>37,973,365</td>
<td>379,733,650</td>
<td>46.3</td>
</tr>
<tr>
<td>Total</td>
<td>82,000,000</td>
<td>820,000,000</td>
<td>100</td>
</tr>
</tbody>
</table>

C. Ordinary shares
Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.
17. STATUTORY RESERVE
In accordance with the new Company’s bylaws approved by the General Assembly meeting dated April 17, 2017 and the Saudi Arabian Regulations for Companies, the Company sets aside 10% of its profit each year as statutory reserve until such reserve equals to 30% of the share capital.

The Company has transferred an amount in excess of 30% to the statutory reserve in previous years.

18. DIVIDENDS
A. The following dividends were declared by the Company during the year ended December 31.

<table>
<thead>
<tr>
<th>Date</th>
<th>Dividend</th>
<th>Shares</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 27, 2019</td>
<td>SR 1.30 per ordinary share (Income tax adjusted)</td>
<td>105,141,497</td>
<td>136,679,956</td>
</tr>
<tr>
<td>May 09, 2019</td>
<td>SR 1.30 per ordinary share (Income tax adjusted)</td>
<td>104,278,586</td>
<td>137,092,217</td>
</tr>
<tr>
<td>August 06, 2019</td>
<td>SR 1.35 per ordinary share (Income tax adjusted)</td>
<td>108,311,685</td>
<td>148,652,584</td>
</tr>
<tr>
<td>November 05, 2019</td>
<td>SR 1.50 per ordinary share (Income tax adjusted)</td>
<td>120,489,602</td>
<td>180,734,403</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>438,221,370</td>
</tr>
</tbody>
</table>

B. The movement in the dividends payable for the year ended December 31 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>123,661,981</td>
<td>104,420,724</td>
</tr>
<tr>
<td>Declared during the year</td>
<td>438,221,370</td>
<td>445,351,075</td>
</tr>
<tr>
<td>Paid during the year</td>
<td>(260,443,492)</td>
<td>(177,129,416)</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>1,422,759</td>
<td>123,229,981</td>
</tr>
</tbody>
</table>

19. EMPLOYEE BENEFITS

B. The movement in the dividends payable for the year ended December 31 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>123,229,981</td>
<td>104,420,724</td>
</tr>
<tr>
<td>Declared during the year</td>
<td>438,221,370</td>
<td>445,351,075</td>
</tr>
<tr>
<td>Paid during the year</td>
<td>(260,443,492)</td>
<td>(177,129,416)</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>1,422,759</td>
<td>123,229,981</td>
</tr>
</tbody>
</table>

A. Defined benefit obligations

i) Movement in defined benefit liability
The following table shows a reconciliation from the opening balance to the closing balance for the employees’ end-of-service benefits.

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1</td>
<td>165,023,832</td>
<td>168,998,200</td>
</tr>
<tr>
<td>Current service cost included in profit or loss</td>
<td>17,890,880</td>
<td>14,860,779</td>
</tr>
<tr>
<td>Finance cost</td>
<td>6,653,165</td>
<td>5,256,820</td>
</tr>
<tr>
<td>Included in OCI</td>
<td>24,544,045</td>
<td>20,117,599</td>
</tr>
<tr>
<td>Actuarial loss/(gain) arising from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Demographic assumptions</td>
<td>3,749,353</td>
<td>(4,690,707)</td>
</tr>
<tr>
<td>- Financial assumptions</td>
<td>-</td>
<td>9,855,947</td>
</tr>
<tr>
<td>- Experience adjustment</td>
<td>5,969,294</td>
<td>(16,036,475)</td>
</tr>
<tr>
<td>Remeasurement loss/(gain):</td>
<td>3,749,353</td>
<td>(4,690,707)</td>
</tr>
<tr>
<td>Other Benefits paid</td>
<td>(20,598,118)</td>
<td>(19,401,260)</td>
</tr>
<tr>
<td>Employees’ end of service benefits</td>
<td>172,719,112</td>
<td>165,023,832</td>
</tr>
</tbody>
</table>

ii) Actuarial assumptions
The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>2.25%</td>
<td>4.30%</td>
</tr>
<tr>
<td>Future salary growth</td>
<td>2.25%</td>
<td>4.30%</td>
</tr>
<tr>
<td>Voluntary turnover rate</td>
<td>6.6%</td>
<td>6.6%</td>
</tr>
<tr>
<td>In-voluntary turnover rate</td>
<td>10.45%</td>
<td>10.45%</td>
</tr>
<tr>
<td>Retirement age</td>
<td>60 years</td>
<td>60 years</td>
</tr>
</tbody>
</table>

iii) Sensitivity analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in discount rate (1%)</td>
<td>(164,300,183)</td>
<td>(157,239,801)</td>
</tr>
<tr>
<td>Change in future salary growth (1%)</td>
<td>(162,869,970)</td>
<td>(174,390,781)</td>
</tr>
</tbody>
</table>

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

B. Accrued bonus – long term
The movement in accrued bonus-long term during the year was as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1</td>
<td>2,400,000</td>
<td>1,810,082</td>
</tr>
<tr>
<td>Provision for the year</td>
<td>(178,890)</td>
<td>2,400,000</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>4,031,202</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes to the Financial Statements continued
For the year ended December 31, 2019
(Expressed in Saudi Arabian Riyals)

A. Defined benefit obligations

i) Movement in defined benefit liability
The following table shows a reconciliation from the opening balance to the closing balance for the employees’ end-of-service benefits.
### 20. ZAKAT AND INCOME TAX LIABILITIES

The following is the breakdown of the Zakat and income tax liability as at December 31:

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zakat payable</td>
<td>29,696,293</td>
<td>28,259,464</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>4,485,885</td>
<td>2,050,550</td>
</tr>
<tr>
<td>Zakat and income tax liabilities as at December 31</td>
<td>34,182,178</td>
<td>30,310,014</td>
</tr>
</tbody>
</table>

#### A. Zakat and income tax provision

**i)** The movement summary in Zakat provision is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>28,259,464</td>
<td>29,522,917</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>29,696,293</td>
<td>28,259,464</td>
</tr>
<tr>
<td>Adjustment related to prior years</td>
<td>176,917</td>
<td>(426,233)</td>
</tr>
<tr>
<td>Payments during the year</td>
<td>(28,458,381)</td>
<td>(29,096,684)</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>29,696,293</td>
<td>28,259,464</td>
</tr>
</tbody>
</table>

**ii)** The movement in income tax provision is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>2,050,550</td>
<td>1,667,170</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>9,085,638</td>
<td>9,024,271</td>
</tr>
<tr>
<td>Adjustment related to prior year</td>
<td>175,243</td>
<td>256,675</td>
</tr>
<tr>
<td>Payments during the year</td>
<td>(6,825,546)</td>
<td>(8,897,566)</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>4,485,885</td>
<td>2,050,550</td>
</tr>
</tbody>
</table>

**iii)** Charge of the year ended December 31 is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zakat charge for the year</td>
<td>29,696,293</td>
<td>28,259,464</td>
</tr>
<tr>
<td>Zakat prior year adjustment</td>
<td>176,917</td>
<td>(426,233)</td>
</tr>
<tr>
<td>Income tax charge of the year</td>
<td>29,873,210</td>
<td>27,833,231</td>
</tr>
<tr>
<td>Income tax prior year adjustment</td>
<td>9,085,638</td>
<td>9,024,271</td>
</tr>
<tr>
<td>Income tax prior year adjustment</td>
<td>175,243</td>
<td>256,675</td>
</tr>
<tr>
<td>Income tax prior year adjustment</td>
<td>9,260,881</td>
<td>9,280,946</td>
</tr>
<tr>
<td>Total Zakat and income tax of the year</td>
<td>39,134,091</td>
<td>37,114,177</td>
</tr>
</tbody>
</table>

#### B. Zakat components

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td>1,722,542,084</td>
<td>670,422,118</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>593,251,580</td>
<td>167,423,832</td>
</tr>
<tr>
<td>Total equity</td>
<td>1,305,651,941</td>
<td>837,445,950</td>
</tr>
<tr>
<td>Profit before Zakat and income tax</td>
<td>503,352,794</td>
<td>396,365,108</td>
</tr>
</tbody>
</table>

#### C. Zakat assessments

The Company has submitted its Zakat and tax declarations for the years from 2009 to 2014. It has received queries from GAZT which it has responded to and is currently waiting for GAZT’s reply to these responses.

The Company has also submitted its Zakat and tax declarations for the years 2015 to 2018 which are currently under review by GAZT. The Company has obtained a certificate until April 30, 2020.

### 21. TRADE AND OTHER PAYABLES

Trade payables at December 31 comprise the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables – third parties</td>
<td>253,728,178</td>
<td>212,663,835</td>
</tr>
<tr>
<td>Trade payables – related parties</td>
<td>28,032,006</td>
<td>35,414,408</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>169,225,261</td>
<td>186,889,388</td>
</tr>
<tr>
<td>Dividend payable</td>
<td>1,423,759</td>
<td>123,229,987</td>
</tr>
<tr>
<td>VAT Output Tax</td>
<td>1,406,209</td>
<td>28,578,744</td>
</tr>
<tr>
<td>Total</td>
<td>543,814,413</td>
<td>586,596,356</td>
</tr>
</tbody>
</table>

### 22. RELATED PARTIES DISCLOSURES

#### A. Related parties include the Company’s shareholders, associated companies and directors and key management personnel of the Company. Terms and conditions of these transactions at agreed rates are approved by the Company’s management.

#### B. Transactions with key management personnel

Key management personnel compensation comprised the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short term employee benefits</td>
<td>7,081,174</td>
<td>6,536,196</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>243,776</td>
<td>145,800</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>776,632</td>
<td>532,292</td>
</tr>
<tr>
<td>Total</td>
<td>8,101,582</td>
<td>7,014,288</td>
</tr>
</tbody>
</table>

#### C. Related parties' transactions and balances

Significant related parties transactions and balances arising there from are as follows:

**i) Sale of goods and services (under trade and other receivables)**

<table>
<thead>
<tr>
<th>Transaction values for the year</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship</td>
<td>Balances</td>
<td>Balances</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>-------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Saudi Arabian Airlines Corporation*</td>
<td>1,456,963,495</td>
<td>1,409,449,802</td>
</tr>
<tr>
<td></td>
<td>598,827,070</td>
<td>663,009,364</td>
</tr>
<tr>
<td>Alhokair Company Joint Stock Company</td>
<td>257,775</td>
<td>98,168</td>
</tr>
<tr>
<td></td>
<td>17,448</td>
<td>(159,913)</td>
</tr>
<tr>
<td>Saudi Airlines Cargo Company</td>
<td>13,804,912</td>
<td>14,718,896</td>
</tr>
<tr>
<td></td>
<td>11,970,020</td>
<td>14,176,765</td>
</tr>
<tr>
<td>Saudi Ground Services Company</td>
<td>45,245,311</td>
<td>45,144,079</td>
</tr>
<tr>
<td></td>
<td>33,004,466</td>
<td>32,527,902</td>
</tr>
<tr>
<td>Saudi French Company for Duty Free Operations and Management</td>
<td>5,498,078</td>
<td>4,506,141</td>
</tr>
<tr>
<td></td>
<td>8,958,552</td>
<td>12,338,822</td>
</tr>
<tr>
<td>Saudi Airlines Real Estate</td>
<td>413,261</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>803,940</td>
<td>418,052</td>
</tr>
<tr>
<td>Total</td>
<td>652,808,496</td>
<td>722,310,992</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements continued
For the year ended December 31, 2019
(Expressed in Saudi Arabian Riyals)

22. RELATED PARTIES DISCLOSURES continued
C. Related parties’ transactions and balances continued

ii) Purchase of goods (under trade and other payables)

Transaction values for the year

<table>
<thead>
<tr>
<th>Relationship</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Airlines Real Estate</td>
<td>5,308,280</td>
<td>13,397,623</td>
<td>16,133,360</td>
</tr>
<tr>
<td>Development Company</td>
<td></td>
<td></td>
<td>21,505,466</td>
</tr>
<tr>
<td>Saudi Ground Services Company</td>
<td>5,422,554</td>
<td>1,207,643</td>
<td>6,504,477</td>
</tr>
<tr>
<td>Newrest Company Holding S.L.</td>
<td>9,821,076</td>
<td>31,390,614</td>
<td>2,778,232</td>
</tr>
<tr>
<td>Gulfwest Company Limited</td>
<td>4,401,578</td>
<td>31,793,799</td>
<td>1,245,670</td>
</tr>
<tr>
<td>Saudi Arabian Airlines Corporation*</td>
<td>4,616,779</td>
<td>4,050,650</td>
<td>986,213</td>
</tr>
<tr>
<td>Saudi Airlines Cargo Company</td>
<td>275,530</td>
<td></td>
<td>7,455,197</td>
</tr>
<tr>
<td>Alzokair Company Joint</td>
<td>104,386</td>
<td>27,213</td>
<td>104,386</td>
</tr>
<tr>
<td>Total</td>
<td>28,032,006</td>
<td>35,434,408</td>
<td></td>
</tr>
</tbody>
</table>

* Transactions with Saudi Arabian Airlines Corporation includes transaction with the entities which are wholly owned by Saudi Arabian Airlines. The entities includes Saudi Airlines Corporation, Saudi Private Aviation, Saudi Royal Vip, Saudia Royal Fleet, Saudia Aerospace Engineering, Saudia Medical Service, Prince Sultan Aviation and Flyadeal.

23. REVENUE

In-flight catering

<table>
<thead>
<tr>
<th>Relationship</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,524,966,840</td>
<td>1,460,605,418</td>
</tr>
<tr>
<td>Non-airlines</td>
<td>231,532,777</td>
<td>189,958,393</td>
</tr>
<tr>
<td>Business lounge</td>
<td>182,914,245</td>
<td>170,831,566</td>
</tr>
<tr>
<td>Rital revenue</td>
<td>176,688,018</td>
<td>177,777,238</td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>22,600,193</td>
<td>26,580,696</td>
</tr>
<tr>
<td>Total</td>
<td>2,156,266,255</td>
<td>2,035,757,930</td>
</tr>
</tbody>
</table>

24. COST OF SALES

Cost of materials and goods | 674,720,073 | 645,382,870 |
Personnel costs | 297,992,825 | 295,906,356 |
Depreciation on property, plant and equipment | 66,752,458 | 51,913,346 |
Depreciation on right-of-use assets | 70,233,696 | |
Rent and maintenance of production units | 65,774,166 | 151,697,845 |
Other operating costs | 74,108,158 | 72,411,424 |
Supplies and expendable items | 34,982,638 | 35,611,666 |
Communication and utilities | 24,005,244 | 30,589,765 |
Other operational costs | 60,763,969 | 55,965,468 |
| Total | 1,369,334,227 | 1,339,278,458 |

25. OTHER INCOME

Management fee income | 4,474,487 | 3,442,000 |
Medical ex - gratia income | 2,391,616 | 2,334,400 |
Commission income | 80,887 | 90,500 |
Others | 2,004,641 | 5,788,751 |
| Total | 8,951,631 | 12,355,651 |

26. GENERAL AND ADMINISTRATIVE EXPENSES

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal costs</td>
<td>140,507,382</td>
<td>116,594,906</td>
</tr>
<tr>
<td>Depreciation</td>
<td>21,765,357</td>
<td>10,474,553</td>
</tr>
<tr>
<td>Management fee</td>
<td>12,021,546</td>
<td>8,310,558</td>
</tr>
<tr>
<td>Professional and technical fee</td>
<td>11,444,936</td>
<td>3,985,034</td>
</tr>
<tr>
<td>Service agreement fee</td>
<td>10,859,439</td>
<td>10,547,099</td>
</tr>
<tr>
<td>Travelling</td>
<td>7,980,117</td>
<td>9,722,082</td>
</tr>
<tr>
<td>Utilities</td>
<td>7,363,777</td>
<td>6,905,430</td>
</tr>
<tr>
<td>Rent</td>
<td>6,253,978</td>
<td>24,034,737</td>
</tr>
<tr>
<td>Marketing and promotional insurance</td>
<td>6,613,198</td>
<td>7,004,925</td>
</tr>
<tr>
<td>Board of Directors’ fee</td>
<td>3,166,213</td>
<td>3,442,171</td>
</tr>
<tr>
<td>Stationary and printing</td>
<td>936,903</td>
<td>414,027</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>731,212</td>
<td>271,342</td>
</tr>
<tr>
<td>Amortization</td>
<td>297,170</td>
<td>1,023,315</td>
</tr>
<tr>
<td>Other</td>
<td>12,424,218</td>
<td>8,051,579</td>
</tr>
<tr>
<td>Total</td>
<td>245,538,680</td>
<td>214,449,367</td>
</tr>
</tbody>
</table>

27. OTHER EXPENSES

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank commissions</td>
<td>2,193,687</td>
<td>1,519,379</td>
</tr>
<tr>
<td>Foreign currency exchange loss</td>
<td>1,150,545</td>
<td>-</td>
</tr>
<tr>
<td>Loss on sale of property, plant and equipment</td>
<td>506,860</td>
<td>105,341</td>
</tr>
<tr>
<td>Total</td>
<td>3,851,112</td>
<td>1,624,719</td>
</tr>
</tbody>
</table>

28. FINANCE INCOME

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income on sublease assets</td>
<td>1,337,128</td>
<td>1,478,314</td>
</tr>
<tr>
<td>Interest income on financial asset classified as amortised cost</td>
<td>1,337,128</td>
<td>1,478,314</td>
</tr>
<tr>
<td>Finance income</td>
<td>1,337,128</td>
<td>1,478,314</td>
</tr>
<tr>
<td>Finance income recognised in profit or loss</td>
<td>1,337,128</td>
<td>1,478,314</td>
</tr>
</tbody>
</table>

29. FINANCE COST

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest from lease liabilities</td>
<td>27,642,871</td>
<td>-</td>
</tr>
<tr>
<td>Interest on employees’ end-of-service benefits</td>
<td>6,653,165</td>
<td>5,256,820</td>
</tr>
<tr>
<td>Total</td>
<td>34,296,036</td>
<td>5,256,820</td>
</tr>
</tbody>
</table>

30. EARNINGS PER SHARE

A. Basic earnings per share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

i. Profit attributable to ordinary shareholders (basic)

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>463,933,403</td>
<td>459,280,884</td>
</tr>
<tr>
<td>Weighted-average number of ordinary shares (basic)</td>
<td>82,000,000</td>
<td>82,000,000</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements continued
For the year ended December 31, 2019
(Expressed in Saudi Arabian Riyals)

30. Earnings per Share continued
A. Basic earnings per share continued
iii. Earnings per share – basic

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share</td>
<td>5.66</td>
<td>5.60</td>
</tr>
</tbody>
</table>

B. Diluted earnings per share
There were no diluted shares during the year, accordingly, the diluted earnings per share will be the same as the basic earnings per share.

31. Operating Segments
A. Information about reportable segments

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>2,156,266,255</td>
<td>2,035,757,930</td>
</tr>
<tr>
<td>Inter-segment revenue</td>
<td>1,707,122,865</td>
<td>1,959,119,018</td>
</tr>
<tr>
<td>External revenue</td>
<td>1,679,817,063</td>
<td>2,035,757,930</td>
</tr>
<tr>
<td>Segment revenue</td>
<td>1,766,501,029</td>
<td>2,093,009,467</td>
</tr>
<tr>
<td>Segment profit/(loss)</td>
<td>513,980,402</td>
<td>63,256,788</td>
</tr>
<tr>
<td>Segment assets</td>
<td>993,812,786</td>
<td>287,562,584</td>
</tr>
<tr>
<td>Segment liabilities</td>
<td>291,189,683</td>
<td>46,047,245</td>
</tr>
<tr>
<td>Other assets</td>
<td>444,995,950</td>
<td>33,712,813</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>70,369,381</td>
<td>22,060,478</td>
</tr>
<tr>
<td>Total assets</td>
<td>2,504,265,024</td>
<td>784,330,202</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,198,613,083</td>
<td>764,330,202</td>
</tr>
<tr>
<td>Total profit</td>
<td>503,067,494</td>
<td>496,395,061</td>
</tr>
</tbody>
</table>

B. Reconciliations of information on reportable segments to IFRS measures
I. Revenue

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue for reportable segments</td>
<td>2,146,767,638</td>
<td>2,019,563,649</td>
</tr>
<tr>
<td>Revenue for other segments</td>
<td>384,681,357</td>
<td>381,444,733</td>
</tr>
<tr>
<td>Elimination of intersegment revenue</td>
<td>(375,162,740)</td>
<td>(365,250,452)</td>
</tr>
<tr>
<td>Total revenue</td>
<td>2,156,266,255</td>
<td>2,035,757,930</td>
</tr>
</tbody>
</table>

II. Profit

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total profit for reportable segments</td>
<td>888,088,123</td>
<td>871,223,190</td>
</tr>
<tr>
<td>Profit for other segments</td>
<td>(385,020,629)</td>
<td>(374,828,129)</td>
</tr>
<tr>
<td>Total profit</td>
<td>503,067,494</td>
<td>496,395,061</td>
</tr>
</tbody>
</table>

III. Assets

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>2,504,265,024</td>
<td>2,085,758,659</td>
</tr>
<tr>
<td>Head office</td>
<td>645,843,684</td>
<td>537,918,903</td>
</tr>
<tr>
<td>Total assets</td>
<td>2,504,265,024</td>
<td>2,085,758,659</td>
</tr>
</tbody>
</table>

IV. Liabilities

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total liabilities for reportable segments</td>
<td>1,511,530,288</td>
<td>1,258,943,509</td>
</tr>
<tr>
<td>Assets for other segments</td>
<td>346,891,052</td>
<td>288,923,247</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,858,421,340</td>
<td>1,547,866,756</td>
</tr>
<tr>
<td>Head office</td>
<td>537,918,903</td>
<td>359,297,406</td>
</tr>
<tr>
<td>Total assets</td>
<td>2,035,757,930</td>
<td>503,067,494</td>
</tr>
</tbody>
</table>

V. Geographical information

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue for reportable segments</td>
<td>2,156,266,255</td>
<td>2,035,757,930</td>
</tr>
<tr>
<td>Revenue for other segments</td>
<td>384,681,357</td>
<td>381,444,733</td>
</tr>
<tr>
<td>Total revenue</td>
<td>2,156,266,255</td>
<td>2,035,757,930</td>
</tr>
</tbody>
</table>

C. Major customer
Revenue from one customer of the Company’s Airline segment represented approximately 60% of the Company’s total revenue.
32. CAPITAL MANAGEMENT

The Company’s objective in managing capital is to safeguard the Company’s ability as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its businesses.

The Company manages the Capital structure in the context of economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, opt for short term or long term loans.

The Company monitors return on capital employed and makes adjustment to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may obtain short term or long term loans. The Company monitors capital using a debt equity ratio.

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total liabilities</td>
<td>1,196,613,083</td>
</tr>
<tr>
<td>Less: cash and cash equivalents</td>
<td>(188,903,543)</td>
</tr>
<tr>
<td>Net debt</td>
<td>1,007,709,540</td>
</tr>
<tr>
<td>Total equity</td>
<td>1,305,651,941</td>
</tr>
<tr>
<td>Net debt to total equity ratio</td>
<td>77%</td>
</tr>
</tbody>
</table>

The debt equity ratio for 2019 deteriorated due to the application of IFRS 16, whereby the inclusion of the lease liability has increased the total liabilities by SR 534 million at December 31, 2019.

33. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

A. Measurement of fair values

Except for the investment property, the fair values of the Company’s financial assets and liabilities approximate their carrying amounts.

B. Financial risk management

The Company’s activities expose it to a variety of financial risks: market risk (cash flow and interest rate risk), credit risk and liquidity risk.

The Company’s overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Company’s financial performance.

Risk management framework

The Board of Directors has put in place appropriate structures to ensure risk governance and monitoring across the Company. The Board of Directors has put in place appropriate structures to ensure risk governance and monitoring across the Company.

The principles of overall financial risk management, as well as policies covering specific areas such as credit risk and the investment of excess liquidity exist and are formally documented.

Sensitivity analysis

Every 1% increase or decrease in exchange rate with all other variables held constant will decrease or increase profit before zakat and income tax for the year by SR 0.3 million (December 31, 2018 = SR -0.4 million).

Credit risk

Credit risk reflects the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. The credit risk arising from cash and cash equivalents and deposits with banks and financial institutions are limited because the counterparties are banks and financial institutions which, in general, have an investment grade rating assigned by international credit rating agencies.

The Company’s gross maximum exposure to credit risk at the reporting date is as follows:

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td>656,703,848</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>263,063,165</td>
</tr>
<tr>
<td>Balances with banks</td>
<td>188,174,435</td>
</tr>
<tr>
<td>Other receivables</td>
<td>27,355,520</td>
</tr>
<tr>
<td>Investment in sub-lease</td>
<td>25,385,157</td>
</tr>
<tr>
<td>Financial asset at amortized cost</td>
<td>18,754,026</td>
</tr>
<tr>
<td>1,180,436,151</td>
<td>1,193,431,259</td>
</tr>
</tbody>
</table>

Credit risk on receivable and bank balances is limited as:

- Cash balances are held with banks with sound credit ratings ranging from A2 to A1 based on Moody’s credit rating and BBB+ based on Fitch credit rating. All bank accounts are held with banks within Saudi Arabia and Cairo.
- The Company currently does not obtain security/collateral from its customers.
Notes to the Financial Statements continued
For the year ended December 31, 2019
(Expressed in Saudi Arabian Riyals)

33. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT continued
B. Financial risk management continued
Concentration Risk
As at December 31, 2019, 5 largest customers (December 31, 2018: 5 largest customers) account for approximately 71% (31 December 2018: 78%) of gross outstanding trade receivables.

Liquidity risk
Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The Company maintain flexibility in funding by maintaining sufficient availability of cash and cash equivalent instruments. The Company does not have any credit facilities in place and monitor risk to a shortage of funds by reviewing short-term cash forecasts on a continuous basis and by undertaking mid-term cash forecasts during the year.

Fair value of assets and liabilities
The following table shows the carrying amount of the financial assets and financial liabilities at December 31, 2018 and 2019. The Company does not have any assets measured at FVTPL or FVOCI at December 31, 2018 and 2019.

Financial assets classified as amortised cost

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due from related parties</td>
<td>652,808,496</td>
<td>722,310,992</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>215,332,764</td>
<td>227,914,555</td>
</tr>
<tr>
<td>Balances with banks</td>
<td>188,174,435</td>
<td>145,997,345</td>
</tr>
<tr>
<td>Other receivables</td>
<td>27,335,520</td>
<td>22,687,824</td>
</tr>
<tr>
<td>Investment in sub-lease</td>
<td>25,385,157</td>
<td>-</td>
</tr>
<tr>
<td>Financial asset at amortized cost</td>
<td>19,754,026</td>
<td>29,991,692</td>
</tr>
<tr>
<td></td>
<td>1,128,790,398</td>
<td>1,148,902,408</td>
</tr>
</tbody>
</table>

Financial liabilities as at amortised cost

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>481,870,275</td>
<td>558,217,612</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>533,866,178</td>
<td>-</td>
</tr>
</tbody>
</table>

All the financial assets and liabilities mentioned above are at amortised cost and are not subject to fair value assessment.

Exposure to liquidity risk
The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>Less than one year</th>
<th>More than one year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>451,870,275</td>
<td>451,870,275</td>
<td>451,870,275</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>533,866,178</td>
<td>533,866,178</td>
<td>117,364,903</td>
</tr>
<tr>
<td></td>
<td></td>
<td>416,501,275</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2018</th>
<th>Less than one year</th>
<th>More than one year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>558,217,612</td>
<td>558,217,612</td>
<td>558,217,612</td>
</tr>
</tbody>
</table>

The inflows/(outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to financial liabilities which are not usually closed out before contractual maturity.

34. COMMITMENTS AND CONTINGENCIES
As at December 31, the Company had the following commitments and contingencies:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital commitments</td>
<td>114,492,477</td>
<td>81,609,125</td>
</tr>
<tr>
<td>Letter of guarantees</td>
<td>48,827,369</td>
<td>39,590,143</td>
</tr>
</tbody>
</table>

Letters of guarantee are issued by a bank on behalf of the Company to a supplier and promises to meet any financial obligations to the supplier in the event of default and this requires the Company to place cash with the bank. As at December 31, 2019, the Company fully paid the amount against letters of guarantee, hence no further financial charges are payable.

The Company had a credit facility with SABB from April 2018 for the new bank guarantee issued on behalf of the Company to a supplier with the year-to-date issued amount of SR. 22,997,544.

35. DATE OF AUTHORISATION FOR ISSUE
These financial statements were approved by the Board of Directors on Rajab 1, 1441H, corresponding to February 25, 2020.

Chief Financial Officer  Chief Executive Officer  Authorized Board of Directors Member