

SAUDI AIRLINES
CATERING



الخطوط السعودية
للتجهين

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.

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Financial highlights

Revenue (SAR)

2.16bn



Pay-out ratio

98.1%



Net profit after Zakat and Income Tax (SAR)

463.9m



Earnings per share (SAR)

5.66



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



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Chairman's Statement

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.



Transforming for the journey ahead

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%.



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."

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.

Earnings per share (SAR)

5.66

Revenue (SAR)

2.156bn

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 unrivalled 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 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.

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 53.8% over 2018.

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, Yousef Al Yousfi, Khaled Al Hukail and Abdulkarim Essoulami, bringing a new range of skills, experience and insight to the SACC governance team.

A new decade for lounge services

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



3,500
people will be catered for every day

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.



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

Growing our e-commerce

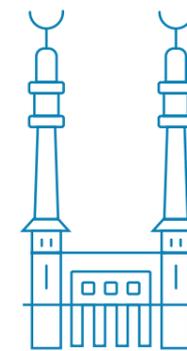
Following major investments in 2018, SACC launched a revitalized e-commerce platform on January 1, 2019 – a retail platform that encapsulates the Kingdom's vision for the development of a digital/knowledge economy. Thanks to a highly focused roll-out strategy, our e-commerce retail sales revenue grew 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.



700,000
meals served in Hajj and Umrah unit

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, Dammam received four new high-loaders and three new high-loaders were added to our Jeddah fleet.

Board of Directors



	Mohammed Abdulaziz Al Sarhan Chairman of the Board (Independent)	Sami Abdulmohsen Al-Hokair Vice Chairman of the Board of Directors (Non-Executive)	Hasan Shakib Al Jabri Board member (Independent)	Raed Ibrahim Al Mudaiheem Board member (Independent)	Fahd Abdulmohsen Al Rasheed Board member (Independent)	Jonathan Stent-Torriani Board member (Non-Executive)	Yousef Hamad Al Yousfi Board member (Independent)	Khaled Mohammed Al Hukail Board member (Independent)	Abdulkarim Essoulami Board member (Non-Executive)
Committee memberships	Member of Nomination and Remuneration Committee	Executive Committee member	Chairman of the Audit Committee	Member of Audit committee, Member of the Executive Committee	Chairman of Nomination and Remuneration Committee	Member of Nomination and Remuneration Committee, Member of Executive Committee		Member of the Nomination and Remuneration Committee	
Current positions	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Managing Director, Abdulmohsen Abdulaziz Al-Hokair Holding Group, KSA Board Member, Abdulmohsen Abdulaziz Al-Hokair Holding Group, KSA 	<ul style="list-style-type: none"> CEO of SEDCO Holding Group Board Member of Elaf Travel & Tourism Company Ltd Deputy Chairman of the Board & Chairman of Executive Committee Dar Al-Tamleek Board member of The Arabian Petroleum Supply Co SA (APSCO) 	<ul style="list-style-type: none"> Board Member, Masdar Building Materials, KSA (JCC) Chairman of the Board of United Mining Industries, KSA (JCC) 	<ul style="list-style-type: none"> Board member, Emaar The Economic City, KSA (Listed) Board member, Ports Development Co., KSA (Ltd.) 	<ul style="list-style-type: none"> Co-founding Partner and Co-CEO, Newrest Group Holding S.L, France (S.L.) Majority owner and Director, Ritz Carlton Montreal 	<ul style="list-style-type: none"> Partner and Head of Investment in the Future Investment Company Founder of Jawa Energy Company and Head of shareholder 	<ul style="list-style-type: none"> Chairman of the Board of Directors of Société General Saudi Arabia Member of the Board of Directors of the Printing and Packaging Company and a member of the Remuneration Committee 	<ul style="list-style-type: none"> Board Director, Newrest, Maroc Services Co Morocco Board Director, Newrest Wagonlit Co.
Previous positions	<ul style="list-style-type: none"> Chairman of the Board of Directors of Al Safi Danone Company Limited Chairman of the Board of Directors of Ghassan Ahmed Al Sulaiman Furniture Company 	<ul style="list-style-type: none"> Board Member, Catering & Strategic Co., KSA (Ltd.) Member of the Tourism Committee of the Eastern Province, Kingdom of Saudi Arabia 	<ul style="list-style-type: none"> Chairman of the Board of Directors of SEDCO Luxembourg for Financial Investments Chairman of the Board of Directors of SEDCO Capital International Funds for Financial Investments 	<ul style="list-style-type: none"> CEO of Masdar Building Materials, KSA (JCC) Board Member, Arabian Pipes Co., KSA (Listed) 	<ul style="list-style-type: none"> CEO and Managing Director of Emaar The Economic City, KSA (Listed) Board member, Petromin Co., KSA (Ltd.) 	<ul style="list-style-type: none"> Board Member IFCO CEO Copass Group PLC Southern Europe President Gate Group EMEA CEO Nuance Group Australasia 	<ul style="list-style-type: none"> Chief Investment Officer at Saudi Development and Technical Investment Company (TAQNIA) Member of the Board and audit committee of Leejam Sports Company 	<ul style="list-style-type: none"> Deputy General Manager, SABIC, USA Director of risk and insurance management at SABIC, Kingdom of Saudi Arabia 	<ul style="list-style-type: none"> Professor at the University of Rabat in Morocco
Academic qualifications	<ul style="list-style-type: none"> Bachelor of Science from Oregon State University, USA 	<ul style="list-style-type: none"> Bachelor of Administrative Science, King Saud University 	<ul style="list-style-type: none"> Bachelor's degree in Agricultural Engineering from the American University of Beirut Executive Management Program from Columbia University in the United States of America 	<ul style="list-style-type: none"> Bachelor's in Electrical Engineering, King Saud University Masters' Degree in Electrical Engineering, King Saud University 	<ul style="list-style-type: none"> Bachelor's in Business Administration, Washington University MBA, The Stanford Business School 	<ul style="list-style-type: none"> Bachelor of Arts (Economics & History) McGill University, Canada Bachelor of Science Ecole Hoteliere de Lausanne (EHL), Switzerland 	<ul style="list-style-type: none"> Master of Business Administration, Harvard University Bachelor's degree in Electronic Engineering, University of Colorado Boulder 	<ul style="list-style-type: none"> University degree from Hamlin USA University Various courses in management, marketing and risk from the University of Minnesota - America 	<ul style="list-style-type: none"> Bachelor's degree in Business Administration from the Institute of Communications, University of Rabat, Morocco
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 beginning of his career in various activities in the sectors of the petroleum industry and the distribution of his products. He also participated in many conferences, training courses, seminars, 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 services where He held several leadership positions in companies such as: Al-Faisaliah Holding Group.	Sami 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.	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.	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 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.	Jonathan 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 Nuance 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.	Al-Yousifi 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 (TAQNIA), 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-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.	Essoulami 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 Essoulami 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.

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

Management Team



Wajdy Al-Ghabban
CHIEF EXECUTIVE OFFICER



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



Sylvain Benoit
EXECUTIVE VICE PRESIDENT -
CATERING & FACILITIES



Matti Kivekas
CHIEF FINANCIAL OFFICER*

* held the position from 1-1-2019 until 18-6-2019



Tarek Tharwat
CHIEF AUDIT EXECUTIVE



Abdulwahab Saati
EXECUTIVE VICE
PRESIDENT - RETAIL



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



Talal Al Toaimi
VICE PRESIDENT -
AIRPORT LOUNGES



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



Fahad Khayat
VICE PRESIDENT - QUALITY
& STANDARD CONTROL

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.



Transforming 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.

“

We must become a more agile and innovative organization that is prepared to drive change rather than merely adapt to it.”

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.

Net profit after Zakat and Income Tax (SAR)

463.9m

Net profit margin

21.5%

We continue to benefit from the success of Saudia, adding value to its services and supporting the airline’s TOP5 excellence program by rolling out innovative new menus and products in 2019, while also achieving substantial cost savings through process reengineering. We also continued to serve the needs of over 100 airlines throughout the nation and, consequently, the division achieved a growth in net profit of 2.1%, reaching SAR 883.6 million for the year, on the back of annual revenues of SAR 1.707 billion.

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.

CEO's Statement (continued)



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.

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.

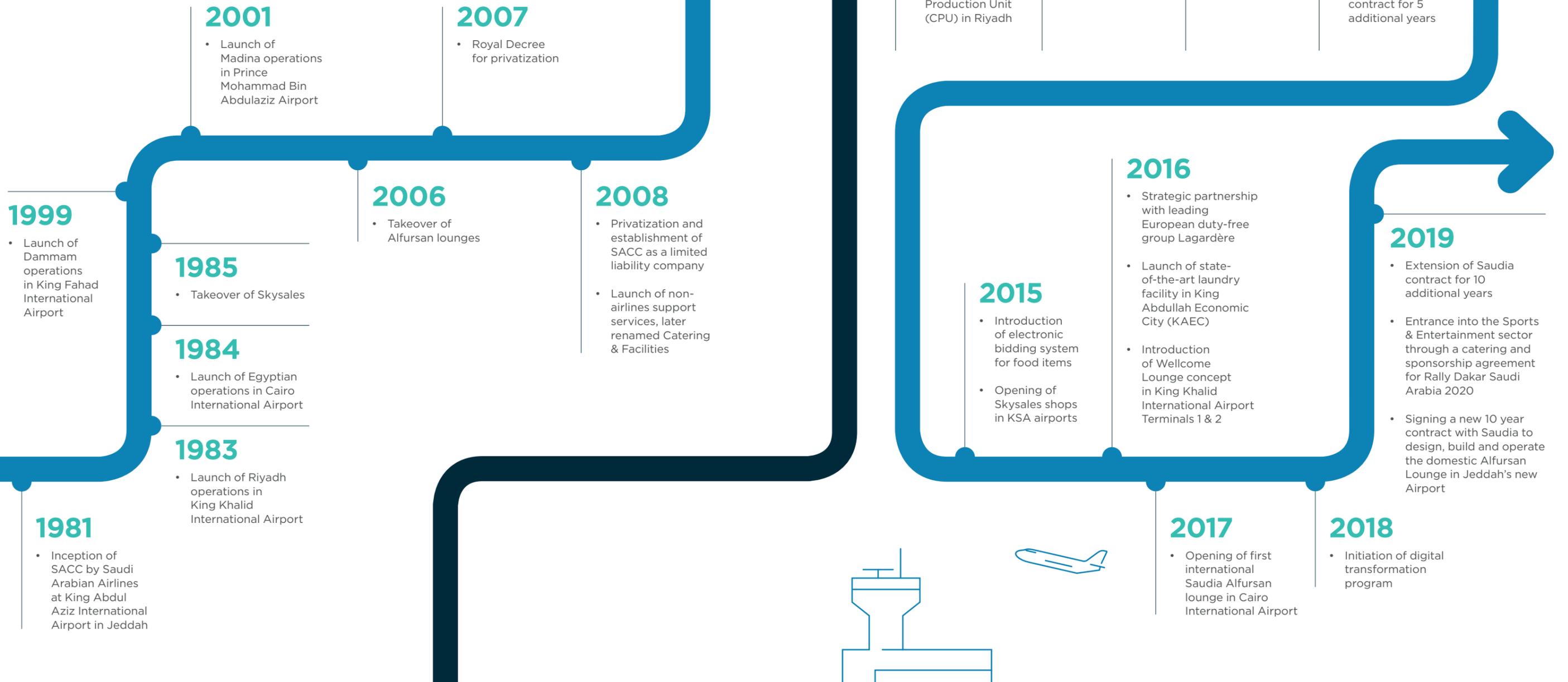
These initiatives, designed in response to the feedback generated by our people, reflect the deep appreciation and admiration we have for all of our employees, whose tireless dedication to our success is so vital to our progress and development as a company. They also benefit our clients, whom I thank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

Wajdy Al-Ghabban
Chief Executive Officer



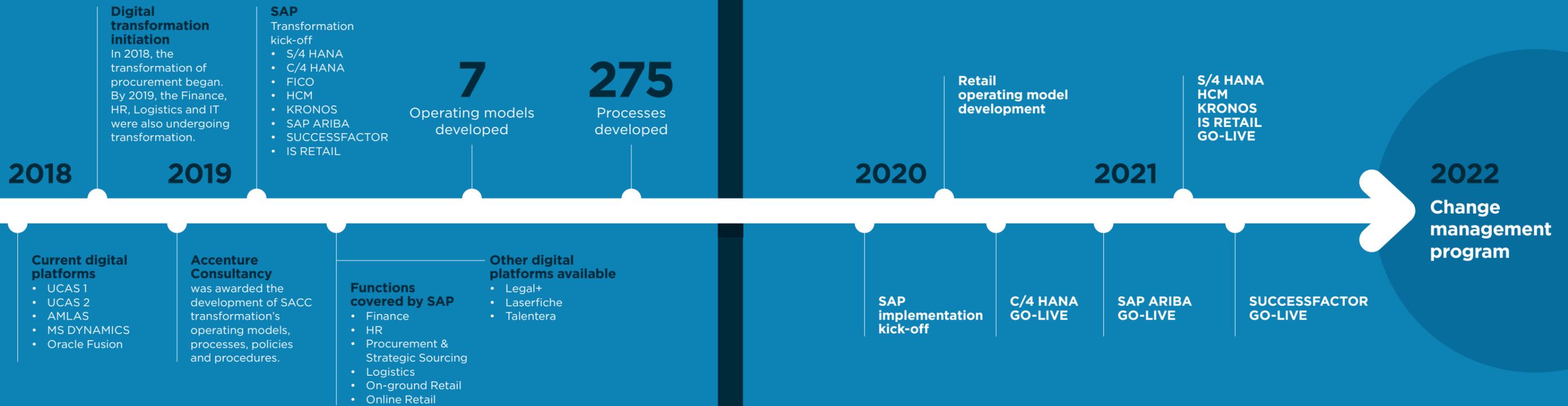
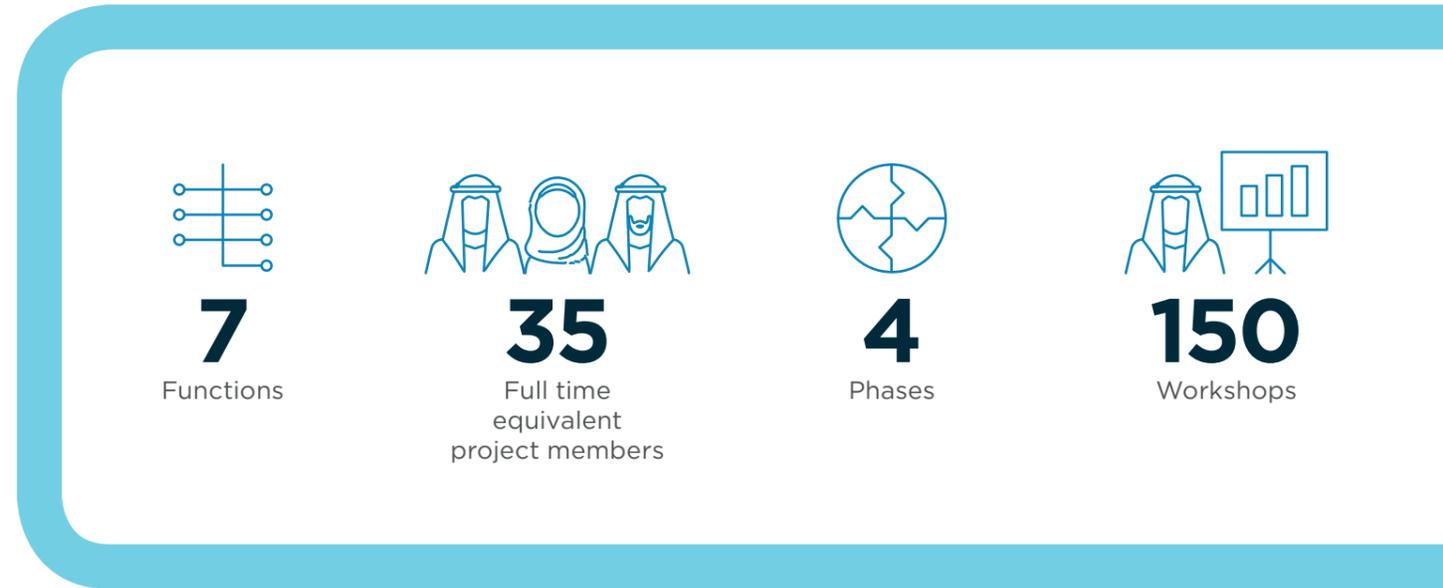
Our Journey

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.



Business Model

Mission

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

INPUTS →

Financial

- Capital allocation
- Assets
- Cash
- Debt

Physical

- Land
- Infrastructure
- Equipment
- Technology

Human

- Workforce
- Expertise
- Leadership
- Procurement

Social and relationship

- Government
- Partnerships & JVs
- Community
- Customers

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

UNDERPINNED BY OUR VALUES

Customer Orientation →

Commitment to Quality →

Team Spirit →

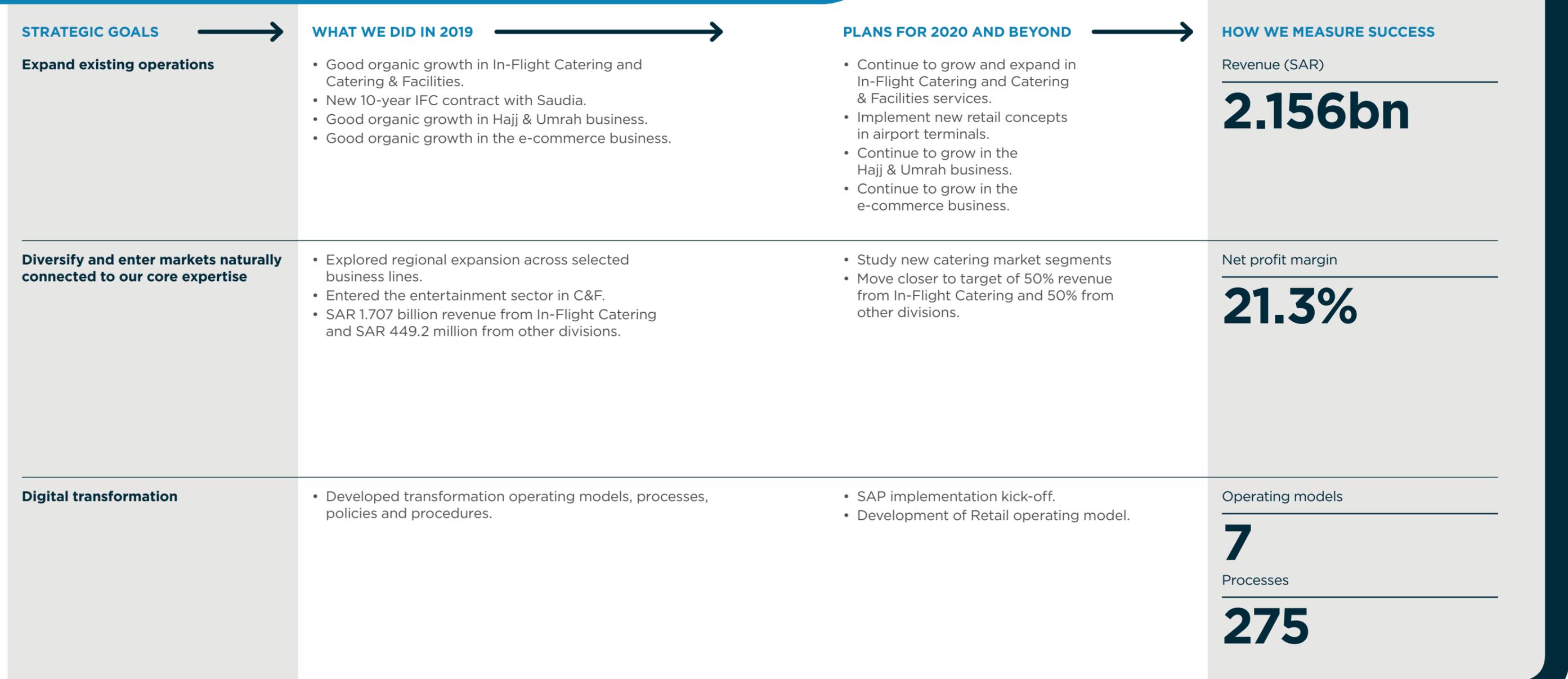
Transparency →

Sustainability

SACC Strategy

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.



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.

- Provide SACC's Board and Management the risk information they need to make more informed decisions.
- Define risk roles and responsibilities explicitly.
- Provide the platform for leveraging risk information in strategic planning and key processes.
- Improve SACC's reputation and public confidence.
- Enable better understanding of risk fluctuations throughout the organization, providing comparability over time.
- Develop and implement appropriate risk mitigation and monitoring plans by risk owners.
- Identify and assess a broad array of risks that could negatively impact the achievement of SACC's goals and objectives.
- Ensure appropriate risks are taken within SACC's stated risk appetite.

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.

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.

Risk Appetite

Risk Appetite is the extent of risk 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.

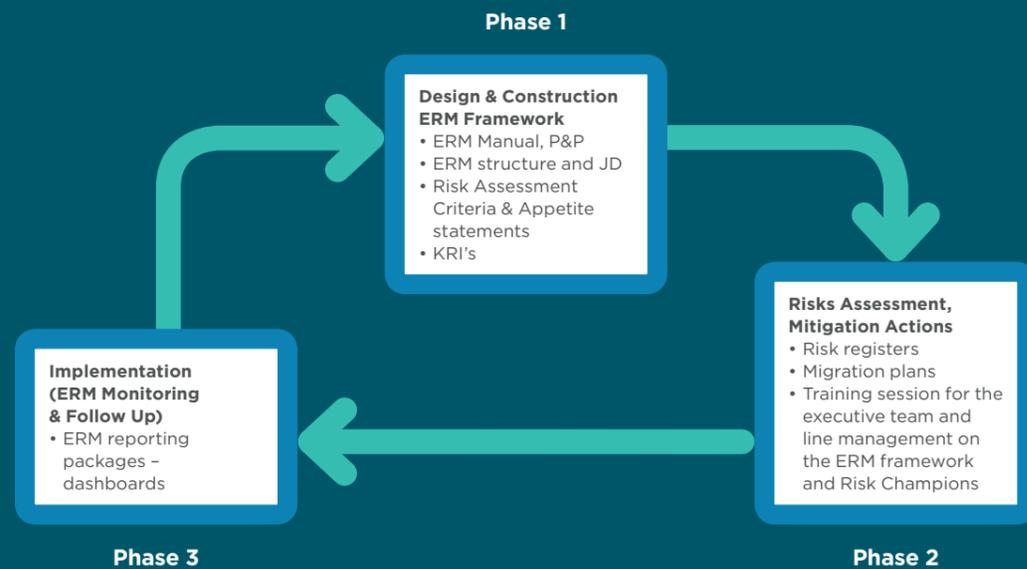
SACC is committed to executing all strategic initiatives to achieve its corporate vision and mission. SACC's approach is to minimize its exposure

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.

SACC recognizes that its risk appetite varies according to the activity undertaken, and that its acceptance of risk is subject always to ensuring that potential benefits and risks are fully understood before developments are authorized, and that appropriate measures to mitigate risks are established, where required.

Risk Category	Risk Appetite	Risk Appetite Statements
Strategic Risks	Low	Risks associated with the SACC's strategy, as well as to its value, priorities and implementation. Strategic risks are linked to decisions at the enterprise level and the implementation of those decisions and resources that are devoted to the implementation of the strategies. It also includes responding to changes in the internal and external environment. Sound strategic risk management is critical to ensure its sustainability with the service and its ability to continue working independently and effectively. Accordingly, SACC has the intention to fully align with all strategic initiatives in light of its vision and mission. SACC has a low risk appetite for strategic risks.
Reputational Risks	Low	Risks associated with SACC's reputation being negatively impacted, thereby hindering the accomplishment of strategic tasks and objectives. Reputational risk is inherent in all activities of SACC and includes factors such as employee conduct, human resource practices, supervision, legal decisions, policy decisions, financial responsibility and information security. A reputation risk assessment should consider the department's culture, problem escalation, responsiveness, and communication strategies. SACC has a low risk appetite for reputational risks.
People Risks	Moderate	Risks associated with talent management, recruitment, training, talent retention, career and leadership development, succession planning, performance management and compensation. Human resources risks also include compliance with labor laws, work procedures and safety regulations SACC conducts many initiatives and employee program to mitigate such risks. SACC has a moderate risk appetite for people risks.
IT & Cybersecurity Risks	Moderate	Risks associated with the ability of systems to meet users' requirements and manpower support. These risks are also associated with technological innovation. SACC has undertaken many initiatives to comply with the National Cybersecurity Authority (NCA) and to reduce any cybersecurity risk. SACC has a moderate risk appetite for information technology and cybersecurity risks.
Regulatory Risks	Zero Tolerance	Risks associated with SACC not fulfilling its obligations under the law. Regulatory risks are inherent in all activities and decisions and may involve factors such as supervision, policy decisions, employee conduct and human resource practices, as well as contractual obligations. Coordination between the different departments and other regulatory and governmental bodies is also important for the identification and management of legal risks. SACC has a zero-tolerance approach to regulatory risks.
Governance Risks	Zero Tolerance	Risks associated with conflicts of interest among staff, maintenance of proper revisions and updates on the Corporate Governance manual, adherence to the Company's business code of conduct and code of ethics. SACC has a zero-tolerance approach to governance risks.
Financial Risks	Low	Risks associated with impairment of financial resources due to adverse economic conditions, and the inefficient use of resources or increased expenditures, which hinder the ability to achieve SACC's objectives. SACC has a low risk appetite for financial risks.
Operational Risks	Moderate	Risks related to internal controls, employee conduct, operational efficiency, third-party control, physical security and business continuity planning. Operational risks to service are also associated with financial risks, as they represent the main operations of SACC. SACC has a moderate risk appetite for operational risks.

ERM project phases



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 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 consumers 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 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 facilities. 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



KPIs

Number of flights served

217,060



Why it is important

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

How we performed

The number of flights decreased from 2018 by 1.4%.

Number of in-flight meals

40.6m



Why it is important

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.

How we performed

Number of meals increased from 2018 by 1.5%.

Average meal price, including handling fee (SAR)

36.9



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.

How we performed

Meal prices increased from 2018 by 3.4%.

Number of lounge guests

3.20m



Why it is important

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

How we performed

The number of guests increased from 2018 by 25%.

Earnings per share (SAR)

5.66



Why it is important

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

How we performed

Our earnings per share increased from 2018 by 1.1%.

Pay-out ratio

98.1%



Why it is important

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

How we performed

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

Net profit after Zakat and income tax (SAR)

463.9m



Why it is important

Strong, continuous financial performance guarantees that we can continue our growth and ensure steady dividends to our shareholders.

How we performed

Our net profit after Zakat and Income Tax was 1% higher than 2018.

Revenue (SAR)

2.16bn



Why it is important

Revenue growth is a sign of healthy growth of our business.

How we performed

Our revenue increased by 5.9% from 2018.

Dependency on revenues from Saudi Arabian Airlines

64.1%*



Why it is important

While Saudia is and will remain our most important client, our strategy is to reduce this dependency.

How we performed

Our dependency increased by 1.6 percentage points from 2018.

* 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...



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.



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.

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 217,000 flight 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 airlines 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.

Airport lounge guests served in 2019

2.6m

Total number of sectors

900

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.

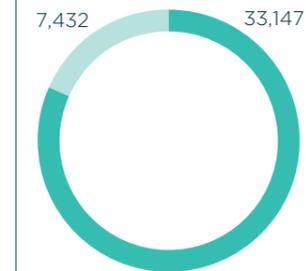
Staff training and familiarization will also be a major focus for the lounges business, as will our aim to expand our existing map of multi-sector engagement by entering the entertainment space.

Other ongoing projects in 2020 include our development of a flight menu for VVIP 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.

Number of meals ('000)

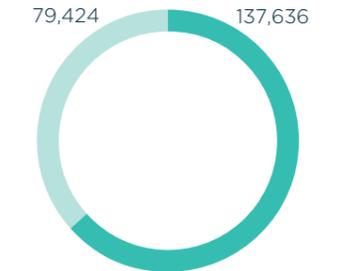
40,579



■ Saudia
■ Other Airlines

Number of flights

217,060



■ Saudia
■ Other Airlines



Retail

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.

Number of retail shops

48

Number of airlines with on-board SkySales

3

Number of products on skysalesonline.com

10,000



Retail (continued)

Rebalancing our retail operations for the future

It has been a 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 shrunk 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

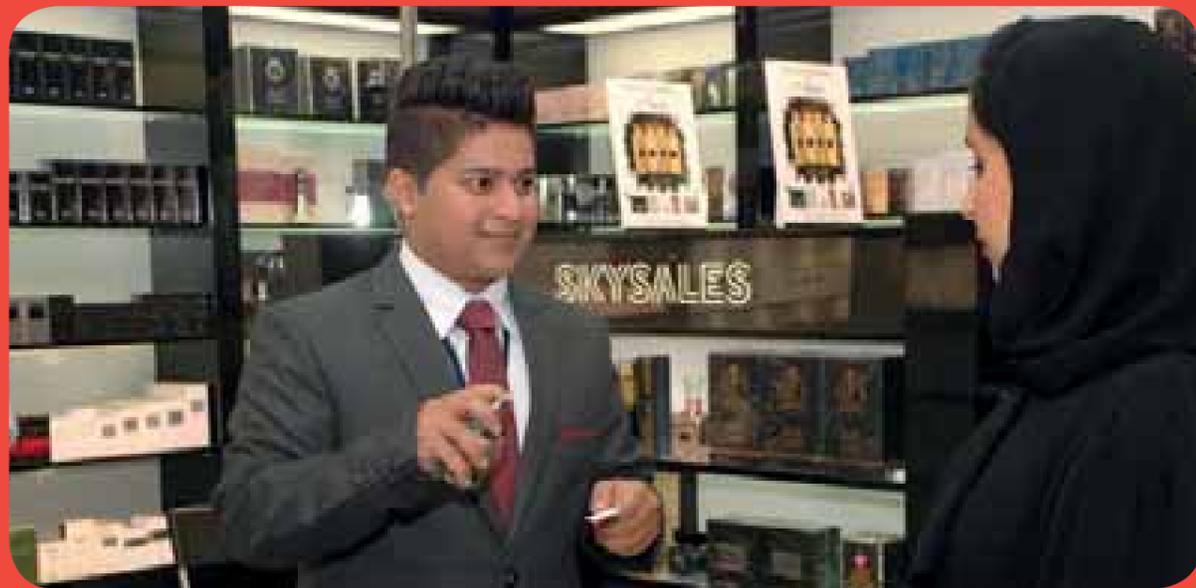
Our on-ground retail operations began the year in highly challenging circumstances. We also faced considerable back charges, owing to broadly anticipated rent reductions that failed to materialize.

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 Neom, 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 Abdulaziz University and another in the Flynas Riyadh crew compound. We also closed nine of our La Boutique in-hotel retail outlets, owing to low hotel occupancy and consequent low 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.



Total number of retail outlets 2017



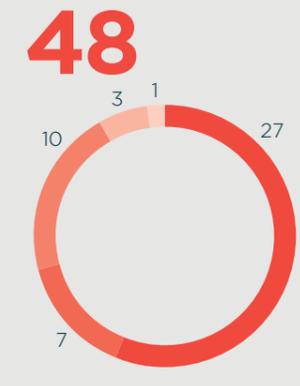
- Skysales (Airport Terminals)
- Skysales (Business Lounges)
- Skysales (Corporate Shops)
- Skysales La Boutique
- RetailTrax

Total number of retail outlets 2018



- Skysales (Airport Terminals)
- Skysales (Business Lounges)
- Skysales (Corporate Shops)
- Skysales La Boutique
- RetailTrax

Total number of retail outlets 2019



- Skysales (Airport Terminals)
- Skysales (Business Lounges)
- Skysales (Corporate Shops)
- Skysales La Boutique
- RetailTrax
- HRR

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.

Retail (continued)

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 earn 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 rebalancing 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 to three in 2019, after Al Bayraq shut down its operations.

A variety of training and motivational programs were delivered for aircrew to encourage higher sales, complemented

by a new Saudia crew app to track and incentivize individual in-flight sales performance.

Further initiatives are underway to stimulate our onboard operations. These include re-working our portfolio offering based on evolving consumer trends and market data, revisiting our pricing strategy and increasing innovation throughout the sales and customer service cycle.

We are also expanding our portfolio to meet the needs of the tourism, both religious and the rapidly growing non-religious segments, as we are well positioned as the first retail opportunity during their visits to the Kingdom and on their journeys back home.

eCommerce

Whilst onboard and on-ground retail both faced challenging market trends in 2019, the increasing preference for online purchases saw a major positive movement in the performance of our eCommerce channel. eCommerce sales revenue grew a staggering 1,177% during the year, while online orders increased 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.

2019 revenue growth in eCommerce

+1,177%

2019 growth in online orders

+1,000%

Our 100% Saudi retail platform, which is managed by our in-house Saudi team, encapsulates the Kingdom's vision for the development of a digital/knowledge economy.

We also launched our new SkysalesOnline app for iOS and Android, and established a customer service office and call center to allow us to refine our services in response to customer feedback.

Featuring a broad and diverse product range, the new platform capitalizes on the growing consumer preference for online shopping in the Kingdom, providing increased market share and brand equity as well as growing turnover and profitability in this increasingly-important sales channel.

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 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 our kitchens.

Our eCommerce activities in 2020 will include outsourced fulfillment 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.



ECOMMERCE SKUS AND CATEGORIES

Total live SKUs 2018

550



Perfumes



Jewellery



Travel accessories



Pens



Accessories



Watches



Sunglasses



Children's gifts

MORE ITEMS, MORE BRANDS, MORE CATEGORIES ARE ADDED IN 2019



Mobile phones



Mobile accessories



Laptops & tablets



Video games



Data storage



TVs

Total live SKUs 2019

7,567

Catering & Facilities

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.

 Business & Industries	 Remote Sites	 Hajj & Umrah	 Railway Services	 Party & Event Services
 Service Apartment (DAR Zan Suites)	 Accommodation Services	 Laundry Services	 Trace & Track Logistics	



Catering & Facilities (continued)



Accelerating C&F growth in 2019

As part of the strategic consolidation of our business lines in 2019, our Catering and Facilities division took over 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 headquarters 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 offer 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 this 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.

Increase in divisional profitability

53.8%

Business and Industry unit meals served

10m

Remote Sites meals served

3.6m

Client retention

95%

Revenue growth

26.2%

Revenue (SAR)

197.3m



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 Abdulla 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.

Hajj and Umrah meals served

700,000

Laundry Services revenue growth

+12%

Trace & Track Improvement in baggage recovery

23%

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.



Operations

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.

The SACC Quality & Standards Control (QSSC) division delivers and oversees all of our quality, safety, food safety and QHSE functions, primarily through dedicated systems for monitoring and assessing each area. Through these systems, we ensure the safety and quality of our products, outlets, equipment and workplaces.

The mission of our Information Technology (IT) division is to introduce and maintain the systems and applications that power our various business lines, identifying opportunities for automation and ensuring our operations continue to benefit from the latest software and electronic support.

The SACC Legal Affairs and Compliance division, staffed by a team of highly experienced law practitioners and paralegals, is responsible for the legal aspects of our business and ensures our compliance with all laws and regulations. Through the Legal Plus platform, the division manages all legal transactions and coordinates the provision of timely legal advice for clients throughout SACC.

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 allergens 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 ground service provider re-certification of our Jeddah (JED) station, and the GACA R 68 for work permitting, which is ongoing.

QSSC CERTIFICATIONS

EXISTING

ISO 22000: 2005 – Food Safety Management System

HACCP – food safety hazard analysis & critical control points

HALAL – for Halal food certification

ISO 9001:2015 – Quality Management System

OHSAS 1800: 2007 – occupational hazards at work

GACA R 151 – airside safety management system

NEW IN 2019

GACA R 151 ground service provider re-certification of JED station

GACA R 68 for work permit (in progress)

Gold status Mowaamah Certification from KSA Ministry of Labor

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-close 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 team 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 I of our SAP S4/HANA 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 exacting 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.



Financial Review

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.



Net sales (SAR)

2.2bn

Net profit after tax (SAR)

463.9m

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.

Saudia contract renewal (years)

10

Hajj and Umrah growth

122%



Investing in our People

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.

SACC PEOPLE STRATEGY

- 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 Qaderoon, 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 metrics 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 to develop a balanced scorecard for each segment.

With the objective of upgrading our current HR services delivery, a transformational project has been initiated with Accenture to optimize our processes and procedures and update our outdated policies in preparation for SAP implementation. We have also created a new HR Authority Matrix to expedite the approval cycle and thereby empower those in leadership positions throughout the business.

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 and celebrated for excelling in various aspects of their education in the second edition of our Young Rewards Program.

Saudi Nationals

1,578

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.

Saudization

34.27%



Student participants on summer training programs

67

Full-time employees

4,379



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 refine 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.



16 → 10

Grades were streamlined from 16 to 10 levels



836 → 63

Job titles reduced



Salary scale reviewed based on new structure



Benefits benchmarked to the market and revised to include new housing, transportation, education and communications benefits



Governance

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Corporate Governance



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

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

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

*Revenue includes internal income.

3. Affiliates' main activities

- Operating and managing duty free shops
- Providing catering services

Activity	Revenue in SAR	Percentage
Operating and managing duty free shops	290,271,279	100%
Providing catering services	0	0%
Total	290,271,279	100%

*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.

Corporate Governance (continued)

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')

Net Profit

2019	463,933,403
2018	459,280,884
2017	481,737,979
2016	519,105,487
2015	698,500,954

Total Assets

2019	2,504,265,024
2018	2,085,785,659
2017	1,882,961,406
2016	1,881,785,352
2015	1,848,220,612

Total Liabilities

2019	1,198,613,083
2018	784,330,202
2017	600,016,458
2016	621,195,805
2015	530,060,246

SAR

Declaration	2015	2016	2017	2018	2019
Current Assets	1,335,359,487	1,235,756,877	1,192,668,183	1,415,363,541	1,331,922,935
Non-current Assets	512,861,125	646,028,475	690,293,226	670,422,118	1,172,342,089
Total Assets	1,848,220,612	1,881,785,352	1,882,961,409	2,085,785,659	2,504,265,024
Current Liabilities	384,426,935	457,923,163	431,018,258	616,906,370	605,361,494
Non-current Liabilities	145,633,311	163,272,642	168,998,200	167,423,832	593,251,589
Total Liabilities	530,060,246	621,195,805	600,016,458	784,330,202	1,198,613,083

6. Business Comparison (5 years) SAR

Declaration	2015	2016	2017	2018	2019
Revenue	2,260,800,463	2,256,650,268	1,952,564,940	2,035,757,930	2,156,266,255
Cost of Revenue	1,436,259,260	1,490,899,501	1,229,772,985	1,339,278,458	1,368,334,227
Zakat and Income Tax	41,840,694	33,505,845	41,669,319	37,114,177	39,134,091
Gross Profit	824,541,201	765,750,767	722,791,955	696,479,472	786,932,028
Net Profit	698,500,954	519,105,487	481,737,979	459,280,884	463,933,403

7. Geographic analysis of revenue SAR

Year	Geographic analysis for total income of the Company		
	Saudi Arabia	Egypt	Total
2019	2,093,009,467	63,256,788	2,156,266,255

Corporate Governance (continued)

8. Affiliate's geographic analysis of revenue SAR

Year/2019	Geographic Analysis of total income of the Company	
	Saudi Arabia	Total
Saudi French Company for Operating and Managing Duty Free Shops	290,271,279	290,271,279
SACC for Catering Services	0	0

* SACC for Catering Services Co. did not achieve any revenues during the year 2019 AD 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.

9. Significant differences in operational results, compared to previous expectations

	2018 SAR	2019 SAR	Change (+) or (-) SAR	Percentage of change
Revenue/sales	2,035,757,930	2,156,266,255	120,508,325	5.92%
Cost of revenue	1,339,278,458	1,369,334,227	30,055,769	2.24%
Gross profit	696,479,472	786,932,028	90,452,556	12.99%
Other operating income	12,355,651	8,951,631	(3,404,020)	(27.55%)
Other operating expenses	(1,624,719)	(3,851,112)	(2,226,393)	(137.03%)
Operating income (loss)	505,579,818	539,381,523	33,801,705	6.69%

10. Subsidiaries' details

Name of the related company	Capital SAR	Ownership percentage	Main activity	Main operating country	Country of Incorporation
Saudi French Company for Operating and Managing Duty Free Shops	76,894,000	40%	Operating and managing Duty Free shops in airports	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
SACC for Catering Services	5,000,000	100%	Providing catering services	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

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.

11-1. Members of the Board of Directors for the current session started on January, 2019

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 Faisaliah Holding Group
- Chairman of the Board of Directors of Goknur for Juice Company in Turkey

Previous positions

- Chairman of the Board of Directors of Al Safi 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 Faisaliah Holding Group
- Consultant at Al-Faisaliah Holding Group
- Managing Director and CEO of Al Safi Danone Company Limited
- Managing Director of Al-Safi Danone Food Est
- General Manager of 'Petromin' Refinery Department in Riyadh

Academic qualifications

Bachelor of Science from Oregon State University, USA

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 beginning of his career in various activities in the sectors of the petroleum industry and the distribution of his products. He also participated in many conferences, training courses, seminars, 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 services where He held several leadership positions in companies such as: Al-Faisaliah Holding Group. He currently chairs the Board of Directors of Bahri Company and. and Goknur for Juice Company in Turkey, and participates in the Board of director of Al Faisaliah Holding Group.

Sami 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

Sami 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.

Corporate Governance (continued)

11. Board of Directors (continued)

11-1. Members of the Board of Directors for the current session started on January, 2019 (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 Elaf Travel & Tourism - Elaf Group
- Deputy Chairman of the Board of Directors and Chairman of the Executive Committee of the Dar Al Tamlek Company
- Member of the Board of Directors and Chairman of the Audit Committee of the Saudi Airlines Catering Company
- Member of the Board of Directors of the Arab Petroleum Products Trading Company (APSCO)

Previous positions

- Chairman of the Board of Directors of SEDCO Luxembourg for Financial Investments
- 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-Ahli 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 (JCC)
- 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 Muhaidib Group, KSA (Ltd.)

Previous positions

- CEO of Masdar Building Materials, KSA (JCC)
- 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 (Ltd.)

Previous positions

- CEO and Managing Director of Emaar The Economic City, KSA (Listed)
- Board member, Petromin Co., KSA (Ltd.)
- 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, Nuance Australasia
- President EMEA, Gate Gourmet
- CEO, Southern Europe, Compass Group
- Co-owner, Bebebiz

Academic qualifications

- B.S. Marketing and Management, Davis and Elkins College
- Project Management Professional

Professional experience

Jonathan 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 Nuance 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)

11-1. Members of the Board of Directors for the current session started on January, 2019 (continued)

Yousef Hamad Al Yousfi

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 (TAQNIA)
- Member of the Board and audit committee of Leejam Sports Company
- Sector Analyst at Passport Capital USA
- Associate at Jadwa Investment Co.
- Consultant at Booz & 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-Yousifi 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 (TAQNIA), 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-Yousifi 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 of the Printing and Packaging Company and a member of the Remuneration Committee
- Member of the Audit Committee of the Saudi Arabian Ashmore Company
- Manager of Al Waseet Company

Previous positions

- Deputy General Manager, SABIC, USA
- Director of risk and insurance management at SABIC, Kingdom of Saudi Arabia
- Researcher in marketing solutions, SABIC, KSA

Academic qualifications

- University degree from Hamlin USA University
- Various courses in management, marketing and risk from the University of Minnesota - America

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.

Al-Hukail currently chairs the Board of Directors of Société General Saudi Arabia, and he participates in the membership 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.

Abdulkarim Essoulami

Board member (Non-Executive)

Current positions

- Board Director, Newrest, Maroc Services Co Morocco
- Board Director, Newrest Wagonlit 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 Groupo 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

Essoulami 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 Essoulami 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. Essoulami 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)

11. Board of Directors (continued)

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

Yahya Abdullah Al Yahya

Chairman of the Board of Directors (Independent), Chairman of the Executive Committee

Current positions

- Board Member, Gulf International Bank, Bahrain (Ltd.)

Previous positions

- 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, USA (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 (SRERC), 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 Committees, 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)
- 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, EA Juffali & Bros, Riyadh, KSA (Ltd.)
- Board Director, Saudi Agricultural Bank, Riyadh, KSA (Ltd.)
- Director General, The Institute of Banking, SAMA, 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.)

Academic qualifications

- Fellow, Eisenhower Exchange Fellowship
- PhD, Industrial & Operations Engineering, The University of Michigan
- MSE, Industrial & Operations Engineering, The University of Michigan
- BSE, Systems Engineering, King Fahd University of Petroleum and Minerals

Professional experience

Yahya has more than 40 years of experience in academia, government and the private sectors, thus bringing with him a large and diversified skill set that would aid and serve in accomplishing the strategic goals of the Company. Those skill sets were established and polished through various positions he held both nationally and internationally.

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 Hekma 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 Djameel Taibah

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

Current positions

- Board Member, EMAAR Economic City, KSA (Listed)
- Board Member, Alesha Industries Co., KSA (Ltd.)
- Board Member, Qudra Energy Co, KSA (Ltd.)

Previous positions

- CEO at Qudra Company, KSA (Ltd.)

Academic qualifications

- B.S. in Electrical Engineering, King Fahd University of Petroleum and Minerals

Professional experience

Abdullah has over 29 years of experience in strategic and operation management through various posts in the region. Abdullah held the position of CEO at Qudra Energy, 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.) 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 Gizan, 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.)

Academic qualifications

- B.S. Marketing and Management, Davis and Elkins College
- Project Management Professional
- Certified Assessor

Professional experience

Shawgi Mushtag has more than 30 years of operational and management experience in the airline and catering industries. Mushtag 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 Mushtag served as Executive VP - Privatization at Saudia, during the period from 2008 to 2015.

11-3. Board of Directors' meetings

Name	Number of Meetings (7)							Total meetings
	27/01/2019	19/02/2019	29/04/2019	6/8/2019	* 11/9/2019	5/11/2019	15/12/2019	
Mohammed Al Sarhan	✓	✓	✓	✓	*✓	✓	✓	7
Sami Al Hokair	✓	✓	✓	*✓	x	✓	✓	6
Jonathan Torriani	✓	✓	✓	✓	*✓	✓	✓	7
Raid Al Mudaiheem	✓	✓	✓	✓	*✓	✓	✓	7
Fahd Al Rasheed	✓	*✓	x	x	*✓	x	x	3
Khaled Al Hukail	✓	✓	✓	✓	*✓	✓	✓	7
Yousef Al Yousefi	✓	✓	✓	✓	*✓	✓	✓	7
Abdulkarim Essolami	x	✓	✓	x	*✓	✓	✓	5
Hassan Al Jabri	✓	✓	✓	✓	*✓	✓	✓	7
Yahya Al Yahya **	x	x	x	x	*x	x	x	0
Shawgi Mushtag**	x	x	x	x	*x	x	x	0
Abdullah Taibah **	x	x	x	x	*x	x	x	0
Ayman Al Tayyar **	x	x	x	x	*x	x	x	0
Abdulmohsin Al Yahya **	x	x	x	x	*x	x	x	0

* 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 periods between 01/01/2019 to 01/25/2019.

11-4-1. 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 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 Ghassan 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 Chairman 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)
- Consultant at Al-Faisaliah Holding Group, KSA (JCC)
- 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 'Petromin' 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)

11-4-1. Current and previous memberships of Boards of Directors and/or their membership of Executive Management in other companies (local or international) (continued)

Fahd Abdulmohsen Al Rasheed

Current Board and Management memberships

- Board Member, Emaar The Economic City, KSA (Listed)
- Board Member, Ports Development Co., KSA (Ltd.)

Previous Board and Management memberships

- CEO, and Managing Director of Emaar The Economic City, KSA (Listed)
- Board Member, Petromin Co., KSA (Ltd.)
- 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)
- Vice-Chairman, Northern Region Cement Co., KSA (Listed)
- Board Member, Bawan 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 Muhaidib Group, KSA (Ltd.)

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 (Ltd.)
- Member of the Board of Directors of Elaf Travel & Tourism – Elaf Group, KSA (Ltd.)
- Deputy Chairman of the Board of Directors and Chairman of the Executive Committee of the Dar Al Tamlek 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)

Previous Board and Management memberships

- CEO of the Saudi Economy and Development Company for Securities SEDCO, KSA (Ltd.)
- Chairman of the Board of Directors of SEDCO Luxembourg for Financial Investments, KSA (Ltd.)
- Chairman of the Board of SEDCO Capital International Funds for Financial Investments, KSA (Ltd.)
- Member of the Board of Directors of Ahmed Mohamed Salah H. Baeshen & Co., KSA (JCC)
- Member of the Board of Directors, Roots Group Arabia, KSA (JCC)
- Member of the Board of Directors and Chairman of the Audit Committee of the Saudi Airlines Catering Company, KSA (Listed)
- Board member and head of investment banking business and managing director of Al-Ahli Capital, KSA (Listed)
- Head of Corporate Banking Department at National Commercial Bank, KSA (Listed)
- Deputy CEO of the Dar Al-Maal Al-Islami Trust, KSA (Financial establishment)
- An official in the Saudi American Bank (Samba Financial), 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 Medgulf Insurance Company, KSA (Listed)
- Member of the Board of Directors of Sada Investment Company, KSA (Ltd.)
- Partner and Head of Investment in the Future Investment Company, KSA (Ltd.)
- Founder of Jawa Energy Company and Head of shareholder, KSA (Ltd.)
- 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 Medgulf Insurance Company, KSA (Listed)
- Manager of Sada Investment Company, KSA (Ltd.)
- Member of the Investment Committee of the Venture Capital, KSA (Ltd.)
- 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 (TAQNIA), KSA (Ltd.)
- Member of the Board and audit committee of Leejam Sports Company, KSA (Listed)
- Sector Analyst at Passport Capital, USA (JCC)
- Associate at Jadwa Investment Co., KSA (JCC)
- 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 Abdullah Petroleum Studies and Research Center, KSA independent and non-profit center

Khaled Mohammed Al Hukail

Current Board and Management memberships

- Chairman of the Board of Directors of Société General 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 (Ltd.)

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)

Corporate Governance (continued)

11. Board of Directors (continued)

11-4-1. Current and previous memberships of Boards of Directors and/or their membership of Executive Management in other companies (local or international) (continued)

Abdulkarim Essoulami

Current Board and Management memberships

- CEO & Board Director, Rihal Group, Morocco (JCC)
- Board Member, Newrest Wagonlit Co., Morocco (JCC)
- Board Member, ATASA Co., Morocco (LTD)
- Chairman, Manzeh Diafa Co., Morocco (LTD)
- Board Member, SERHS Groupo Barcelona Co., Morocco (LTD)
- Shareholder, DELMONTE Morocco Ltd Co., Morocco (LTD)
- Chairman, Happy Frutti Co., Morocco (LTD)
- Chairman, La Patisserie de l'Atlantique Co., Morocco (LTD)
- Chairman & CEO, Rahal Maitre Traiteur Co., Morocco (JCC)
- Chairman, REZOCASH Co., Morocco (LTD)
- Chairman, PRIMA Foods Co., Morocco (LTD)
- Chairman, GROUPEX Co., Morocco (LTD)
- Board Member & Shareholder, EDENRED Co., Morocco (LTD)
- Chairman, Residence du Val Co., Morocco (LTD)
- Chairman, Ryad Al Ghizlane Co., Morocco (LTD)

Previous Board and Management memberships

Professor at the University of Rabat in Morocco, public establishment

11-4-2. Board members whose membership ended on 01/25/2019 in the previous Board session

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 (SRERC), KSA (Ltd.)
- Member of the Group of Twenty (G20) High Level Panel on Infrastructure Investment (HLPPII), 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 Committees, 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)
- 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, EA Juffali & Bros, Riyadh, KSA (Ltd.)
- Board Director, Saudi Agricultural Bank, Riyadh, KSA (Ltd.)
- Director General, The Institute of Banking, SAMA, 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 West Co., KSA (Ltd.)
- Board Member, Awal Al Qoutouf Co., KSA (Ltd.)
- Board Member, Alkhaleej 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 Hekma University, KSA (Ltd.)

Previous Board and Management memberships

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

Shawgi 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 Gizan, 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.)

Abdullah Djameel 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 (Ltd.)

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

Board name	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools			
Mohammed Al Sarhan	70,000		70,000		0	0	22,041
Sami Al-Hokair	0		0		0	0	0
Raed Al Mudaiheem	1,000		1,000		0	0	0
Fahd Al Rasheed	1,000		1,000		0	0	0
Jonathan Torriani	0		0		0	0	0
Hasan Al Jabri	0		0		0	0	0
Yousef Al Yousefi	0		0		0	0	0
Khaled Al Hukail	100		100		0	0	0
Abdulkarim Essolami	0		0		0	0	0
Yahya Al Yahya*	100		100		0	0	0
Abdullah Taibah*	1,000		1,000		0	0	0
Shawgi Mushtag*	0		0		0	0	0
Abdulmohsen Al Yahya*	201,022		201,022		0	0	0
Ayman Al Tayyar*	1,165		0		1,165	100%	0

* Members of the Board of Directors whose membership ended on 01/25/2019 in the previous session of the Board.

Description of benefits, contractual based securities, and subscription entitlements for Board Members and their relatives on the shares and debt instruments of the Company

Board name	Beginning of year		End of year		Net change	Percentage change
	Number of shares	Debt tools	Number of shares	Debt tools		
Mohammed Al Sarhan	0	0	0	0	0	0
Sami Al-Hokair	0	0	0	0	0	0
Raed Al Mudaiheem	0	0	0	0	0	0
Fahd Al Rasheed	0	0	0	0	0	0
Jonathan Torriani	0	0	0	0	0	0
Hasan Al Jabri	0	0	0	0	0	0
Yousef Al Yousefi	0	0	0	0	0	0
Khaled Al Hukail	0	0	0	0	0	0
Abdulkarim Essolami	0	0	0	0	0	0
Yahya Al Yahya*	0	0	0	0	0	0
Abdullah Taibah*	0	0	0	0	0	0
Shawgi Mushtag*	0	0	0	0	0	0
Abdulmohsen Al Yahya*	0	0	0	0	0	0
Ayman Al Tayyar*	0	0	0	0	0	0

* 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.)

Board name	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools			
Mohammed Al Sarhan	0	0	0	0	0	0	0
Sami Al-Hokair	0	0	0	0	0	0	0
Raed Al Mudaiheem	0	0	0	0	0	0	0
Fahd Al Rasheed	0	0	0	0	0	0	0
Jonathan Torriani	0	0	0	0	0	0	0
Hasan Al Jabri	0	0	0	0	0	0	0
Yousef Al Yousefi	0	0	0	0	0	0	0
Khaled Al Hukail	0	0	0	0	0	0	0
Abdulkarim Essolami	0	0	0	0	0	0	0
Yahya Al Yahya*	0	0	0	0	0	0	0
Abdullah Taibah*	0	0	0	0	0	0	0
Shawgi Mushtag*	0	0	0	0	0	0	0
Abdulmohsen Al Yahya*	0	0	0	0	0	0	0
Ayman Al Tayyar*	0	0	0	0	0	0	0

* 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 shares of the affiliate company (SACC for Catering Services Co.)

Board name	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools			
Mohammed Al Sarhan	0	0	0	0	0	0	0
Sami Al-Hokair	0	0	0	0	0	0	0
Raed Al Mudaiheem	0	0	0	0	0	0	0
Fahd Al Rasheed	0	0	0	0	0	0	0
Jonathan Torriani	0	0	0	0	0	0	0
Hasan Al Jabri	0	0	0	0	0	0	0
Yousef Al Yousefi	0	0	0	0	0	0	0
Khaled Al Hukail	0	0	0	0	0	0	0
Abdulkarim Essolami	0	0	0	0	0	0	0
Yahya Al Yahya*	0	0	0	0	0	0	0
Abdullah Taibah*	0	0	0	0	0	0	0
Shawgi Mushtag*	0	0	0	0	0	0	0
Abdulmohsen Al Yahya*	0	0	0	0	0	0	0
Ayman Al Tayyar*	0	0	0	0	0	0	0

* Members of the Board of Directors whose membership ended on 01/25/2019 in the previous session of the Board.

Corporate Governance (continued)

11. Board of Directors (continued)

11-6. Forming the Board of Directors & Membership Type

Member of Board of Directors	Type of membership
Mohammed Al Sarhan	Independent member (Chairman of the Board, Nomination & Remuneration Committee member)
Sami Al-Hokair	Non-Executive member (Vice Chairman of the Board, Executive Committee member)
Raed Al Mudaiheem	Independent member (Audit Committee member, Executive Committee member)
Fahd Al Rasheed	Independent member (Chairman of Nomination & Remuneration Committee, Executive Committee member)
Jonathan Torriani	Non-Executive member (Nomination & Remuneration Committee member, Executive Committee member)
Hasan Al Jabri	Independent member (Chairman of Audit Committee)
Yousef Al Yousefi	Independent member
Khaled Al Hukail	Independent member (Nomination & Remuneration Committee member)
Abdulkarim Essolami	Non-Executive member
Yahya Al Yahya*	Independent member (Chairman of the Board, Executive Committee member)
Abdullah Taibah*	Non-Executive member (Audit Committee member)
Shawgi Mushtag*	Independent member (Nomination & Remuneration Committee member)
Abdulmohsen Al Yahya*	Non-Executive member (Executive Committee member)
Ayman Al Tayyar*	Independent member (Audit Committee member)

* Members of the Board of Directors whose membership ended on 01/25/2019 in the previous session of the Board.

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). As stated in the Compensation Policy of the Board of Directors, the compensation shall be linked fully or partly to performance indicators such as meeting attendance.

Policy of Board of Directors' members remunerations:

- 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.
- 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.
- 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.
- 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, accountancy, legal, investment, or financial services rendered to the Company. Furthermore, the Company shall not contribute to a charity that a member is affiliated with.
- Any violation of the policy in determining the compensation shall be deemed void and cancelled.

Relationship between compensation and policy

- Board members have been awarded an annual remuneration based on article (a) 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.
- 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.
- The remuneration of all Board members did not exceed the annual limit of SAR 500,000.
- 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 Remunerations 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

Based on the Company's Governance Manual and its bylaws, the Board has three main subcommittees: Audit Committee, Nomination and Remuneration Committee and Executive Committee.

12-1. Audit Committee

The Audit Committee is composed of three non-executive members, one of which is an external party competent in financial and accounting affairs and is chaired by an independent Board member. The duties and responsibilities of this Committee include the study of the internal control systems, accounting policies, external auditor review and financial statements review, supervision of the Internal Audit Department, compliance, information technology supervision, reporting, and other responsibilities. The supervision on the Internal Audit department is to verify how efficient it is in the implementation of work and tasks determined by the Board of Directors.

It also studies the Internal Audit reports and follows up on the corrective actions in connection with the reported observations. The Committee also makes recommendations to the Board of Directors with regard to the appointment and removal of external auditors; determination of their remuneration; verification of their independence; follow-up of their duties; and studying the audit plan with the Internal Audit Department. The Committee studies the external auditors' notes to the Company's Financial Statements and follows up presenting them to the Board, expresses opinion thereon and makes recommendations to the Board of Directors in this regard. The Committee further studies the accounting policies of the Company, expresses opinions thereon and makes recommendations to the Board of Directors in their regard; and assesses the Company's estimation of material risks and the procedures taken by the Company's management to control and address such risks. The Audit Committee also prepares an Annual Report that is presented to the shareholders in the Annual General Assembly.

During 2019, there was no recommendation to appoint an Internal Auditor for the Company, as it already has an Internal Audit Division. In addition, 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 recommendations into consideration regarding the appointment, dismissal, assessment, or determining the remuneration of the external auditor. Due to the fact that the new Saudi Arabian Companies Law came by virtue of the need for prior approval of the General Assembly regarding the appointment of members of the Audit Committee and the fact that the Committee was appointed before the new law came into effect, appointment of the new members of the Committee was approved during the Extraordinary General Assembly meeting on 27th January, 2019.

12-01-01. Members of the Audit Committee

A) Members of the Audit Committee for current session

Hasan Shakib Al Jabri
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. 68)

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)

Corporate Governance (continued)

11. Board of Directors (continued) 11-7. Remuneration of Board Members (continued)

The table below shows the remunerations of the Board of Directors members during the year 2019, where the remunerations were calculated according to the current remuneration policy for the period between 01/01/2019 until 08/05/2019, while it has been calculated based on the approved recommended policy dated on 08/06/2019 for the period from 08/06/2019 to 31/12/2019. The amended remunerations is subject to General Assembly approval of during its next meeting for year 2020.

Board members	Fixed Compensation										Varied Compensation									
	Annual remuneration	Specific amount	Total allowance for attending committee meetings	Total allowance for attending General Assemblies	Remunerations for technical, managerial and consultative work	Remuneration for technical, managerial and consultative work	Remuneration of the Chairman, Managing Director or Secretary, if a member	In-kind benefits	Total	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares	Expenses	Total	End of service reward	Aggregate amount	Expenses allowance	
First: Independent Board Members																				
Mohammed Al Sarhan	318,444	-	12,000	12,000	3,000	-	-	25,000	370,444	-	-	-	-	8,306	8,306	-	378,750	0		
Raed Al Mudaiheem	350,250	-	12,000	6,000	6,000	-	25,000	399,250	-	-	-	-	-	0	0	-	399,250	0		
Yousef Al Yousefi	225,592	-	12,000	6,000	6,000	-	25,000	268,592	-	-	-	-	-	0	0	-	268,592	0		
Hasan Al Jabri	318,444	-	12,000	6,000	3,000	-	25,000	364,444	-	-	-	-	-	5,881	5,881	-	364,444	0		
Khaled Al Hukail	229,702	-	12,000	6,000	6,000	-	25,000	272,702	-	-	-	-	-	0	0	-	278,583	0		
Yahya Al Yahya	20,548	-	-	-	-	-	-	20,548	-	-	-	-	-	0	0	-	20,548	0		
Shawqi Mustrag	20,548	-	-	-	-	-	-	20,548	-	-	-	-	-	0	0	-	20,548	0		
Total	1,483,528	-	60,000	24,000	24,000	-	125,000	1,716,528	-	-	-	-	-	14,187	14,187	-	1,730,715	0		
Second: Non-Executive Directors																				
Fahd Al Rasheed	319,711	-	6,000	-	3,000	-	-	325,711	-	-	-	-	-	0	0	-	325,711	0		
Samir Al-Hokair	243,401	-	9,000	-	-	-	25,000	280,401	-	-	-	-	-	4,465	4,465	-	284,866	0		
Jonathan Torriani	350,250	-	12,000	12,000	-	-	-	374,250	-	-	-	-	-	3,653	3,653	-	377,903	0		
Abdulkarim Essoufiani	225,592	-	6,000	-	-	-	-	231,592	-	-	-	-	-	13,069	13,069	-	244,661	0		
Abdullah Taibah	20,548	-	-	-	-	-	-	20,548	-	-	-	-	-	3,486	3,486	-	24,034	0		
Abdulmohsen Al Yahya	20,548	-	-	-	-	-	-	20,548	-	-	-	-	-	0	0	-	20,548	0		
Ayman Al Tayyar	20,548	-	-	-	-	-	-	20,548	-	-	-	-	-	0	0	-	20,548	0		
Total	1,200,598	-	33,000	12,000	3,000	-	25,000	1,273,598	-	-	-	-	-	24,673	24,673	-	1,298,271	0		
Total	2,684,126	-	93,000	36,000	27,000	0	150,000	2,990,126	-	-	-	-	-	38,860	38,860	-	3,028,986	0		

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.

B) Members of the Audit Committee whose membership has ended as of 25/01/2019 in the previous session of the Board

Ayman Tarik Al-Tayyar

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)

Khaled Ali Otain

Member

Current positions

- CEO and Managing Partner of International Accountants in Riyadh

Previous positions

- Member of Accounting Standards Committee at the Saudi Organization for Certified Public Accountants (SOCPA)
- Member of the Exam Committee at the Saudi Institute for Internal Auditors
- Independent Auditor Ernst and Young
- Independent Auditor TAG

Academic qualifications

- BSc in Accounting, King Saud University
- Certified Public Accountant (SOCPA)
- Certified Fraud Examiner (CFE)

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 a 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

Name	Nature of Membership	Number of Meetings (4)				Total
		17/02/2019	28/04/2019	29/07/2019	24/10/2019	
Hasan Al Jabri	Chairman	✓	✓	*✓	✓	4
Raed Al-Mudaiheem	Member	✓	✓	*✓	✓	4
Mohamed Ikhwan	Member	*✓	*✓	✓	✓	4
Ayman Al Tayyar**	Member	x	x	x	x	0
Khaled Otain**	Member	x	x	x	x	0

* Attendance by phone conversation.

** 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

Name	Fixed Remuneration	Allowance for attending the meeting	Total
Hasan Al Jabri	92,852	6,000	98,852
Raed Al-Mudaiheem	100,000	6,000	106,000
Mohammed Ikhwan	92,852	3,000	95,852
Ayman Al Tayyar*	6,849	-	6,849
Khaled Otain*	6,849	-	6,849
Total	299,402	15,000	314,402

* 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.

* 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 06/08/2019 to 31/12/2019, whereas the remunerations mentioned above shall be disbursed 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.

12-01-4. 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. 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 skill 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 and 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. 67)

Khaled Mohammed Al Hukail

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. 70)

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)

Shawgi 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)

12-02-2. Table of Nomination and Remuneration Committee meetings

Name	Nature of Membership	Number of Meetings (5)					Total meetings
		19/02/2019	12/3/2019	29/04/2019	6/8/2019	5/11/2019	
Fahd Al Rasheed**	Chairman	*✓	*✓	x	x	x	2
Jonathan Torriani	Member	✓	✓	✓	✓	✓	5
Mohammed Al Sarhan	Member	✓	✓	✓	✓	✓	5
Khaled Al Hukail**	Member	x	x	x	x	x	0
Abdullah Taibah***	Member	x	x	x	x	x	0
Shawgi Mushtag***	Member	x	x	x	x	x	0

* 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 12/15/2019.

*** Members of the Nominations and Remunerations Committee whose membership ended on 01/25/2019 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

Name	Fixed Remunerations	Allowance for attending the meeting	Total
Fahd Al Rasheed	93,425	-	93,425
Jonathan Torriani	100,000	12,000	112,000
Mohammed Al Sarhan	92,852	12,000	104,852
Khaled Al Hukail	4,110	-	4,110
Abdullah Taibah	6,849	-	6,849
Shawgi Mushtag	6,849	-	6,849
Total	304,085	24,000	328,085

* 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 disbursed 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 business; assisting the Board in determining the strategic and investment goals of the Company; assist in determining the vision and duties of the Board; determining main and strategic goals to assist the Company in achieving the required results; assisting the Board in the periodic strategic evaluation of the Company's performance; participating in the evaluation and review of the main investment decisions; form and reform partnerships and their budgets; develop Company investments; develop and enhance information technology; manage relationships with main suppliers; responsible for the main commercial transactions, policies, and executive procedures of commercial day-to-day transactions; finding development methods; coordinate between Executive Management and other main functions' managers; supervise the performance of the CEO and Executive Management Members; review the ability of the commercial partner (if any); determine the investment strategy and policies; periodic review of potential investments' feasibility; review and approve measures and indicators to evaluate investments; review Zakat and Tax matters in relation to investment transactions in coordination with the Audit Committee; review and disclose accounting procedures and methods of all investment transactions based on the approved accounting standards; continuous review of investment consultants of the Company and determine if they should continue their service; review and report investment results to the Board; and any other tasks related to investments, Company policies, and other matters.

With the end of the previous session of the Board on 01/25/2019, the session of the Executive Committee has ended and only 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.

Corporate Governance (continued)

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)

Abdulmohsen Abdulaziz Al Yahya

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)

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

- Bachelors 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.

12-03-2. 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

Name	Fixed Remuneration	Attendance Allowance	Total
Jonathan Stent-Torriani	10,959	0	10,959
Raed Al Mudaiheem	10,959	0	10,959
Sami Al Hukair	4,110	0	4,110
Yahya Al-Yahya	6,849	0	6,849
Abdulmohsen Al-Yahya	6,849	0	6,849
Fahd Al-Rasheed	6,849	0	6,849
Wajdy Al-Ghabban	0	0	0
Total	53,424	0	53,424

Corporate Governance (continued)

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

- Bachelors 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.

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 Aldhabaan & 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 Componenta 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)

Professional experience

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

Previous positions

- Chief Internal Auditor at Saudi Binladin Group – Public Buildings and Airports Division 'PBAD'
- Corporate Internal Audit Manager at Orascom Construction Industries 'OCI' in Egypt, responsible for the cement division in Egypt and the overseas network
- Internal Audit Manager for North Africa and the overseas network of Abdul Latif Jameel 'ALJ'; based in Algeria
- Internal audit supervisor at Abdul Latif Jameel 'ALJ', the dealer of Toyota in KSA
- Credit Manager at 'Rhodia', French chemical group in Egypt
- Chief Accountant at 'Rhodia', French chemical group in Egypt
- Supervisor Deloitte & Touche Egypt (External Audit Firm)

Academic qualifications

- 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)

Professional experience

Tarek Tharwat holds an MBA in International Business from the University of Liverpool and a BSc in Accounting from Alexandria University in Egypt, and is a registered Chartered Accountant. Tarek also holds the Certified Internal Auditor (CIA) and the Certification in Risk Management Assurance (CRMA) both from the Institute of Internal Auditors (IIA), the Certified Financial Consultant (CFC) from the Institute of Financial Consultants (IFC) in addition to other audit and internal control professional certificates. Tarek has over 26 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

Previous positions

- Board Member, Thai Airport Ground Services
- Board Member, LSG Sky Chefs (Thailand) Ltd.
- Managing Director LSG Sky Chefs New Zealand and Rarotonga
- Operations Director LSG Sky Chefs Thailand, India, Nepal and Myanmar
- General Manager LSG Sky Chefs Thailand and Myanmar
- Deputy General Manager LSG Sky Chefs Thailand
- Various middle management roles with Alpha Flight Services in Europe

Academic qualifications

- Bachelor's in Hotel Management 1984-1988 (Hotel school) Groningen

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 2016. Jacob left the company on 02/28/2019 due to the expiry of his employment contract.

Corporate Governance (continued)

13. Executive Management (continued)

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

Abdulwahab Saati

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 Hadetha 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 Hotelier 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 Hotelier 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 Saudi 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, SODEXO, 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.

Corporate Governance (continued)

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 Manger central production Unit
- Unit operation Manger
- 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
- Unit Operations Assistant Manager, Equipment Control, 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

Item	SAR
Salaries and Compensation	4,610,521
Allowances	718,299
Annual Remuneration	2,772,762
Incentives	-
Any Compensation or Benefit that is Paid Monthly or Annually	-
Total	8,101,582

Based on the company's organization chart, the CEO and CFO are among the top executives as their compensation are included in the above Executive Management's compensation.

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

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Wajdy Al-Ghabban	-	-	-	-	-	-	100
Sultan Al-Booq	-	-	-	-	-	-	-
Tarek Tharwat	-	-	-	-	-	-	-
Matti Kivekas	-	-	-	-	-	-	-
Abdelwahab Saati	-	-	-	-	-	-	-
Fahad Khayyat	-	-	-	-	-	-	-
Jacob Roest	-	-	-	-	-	-	-
Sylvain Benoit	-	-	-	-	-	-	-
Talal Al Toaimi	-	-	-	-	-	-	-
Ibrahim Alsini	16	-	16	-	-	-	-
Khalid Al- Redian	-	-	-	-	-	-	-
Salah M. Al Umar	-	-	-	-	-	-	-

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

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Wajdy Al-Ghabban	-	-	-	-	-	-	-
Sultan Al-Booq	-	-	-	-	-	-	-
Tarek Tharwat	-	-	-	-	-	-	-
Matti Kivekas	-	-	-	-	-	-	-
Abdelwahab Saati	-	-	-	-	-	-	-
Fahad Khayyat	-	-	-	-	-	-	-
Jacob Roest	-	-	-	-	-	-	-
Sylvain Benoit	-	-	-	-	-	-	-
Talal Al Toaimi	-	-	-	-	-	-	-
Ibrahim Alsini	-	-	-	-	-	-	-
Khalid Al- Redian	-	-	-	-	-	-	-
Salah M. Al Umar	-	-	-	-	-	-	-

Corporate Governance (continued)

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 (Saudi French Company for Operating and Managing Duty Free Shops)

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Wajdy Al-Ghabban*	-	-	-	-	-	-	-
Sultan Al-Booq	-	-	-	-	-	-	-
Tarek Tharwat	-	-	-	-	-	-	-
Matti Kivekas	-	-	-	-	-	-	-
Abdelwahab Saati*	-	-	-	-	-	-	-
Fahad Khayyat	-	-	-	-	-	-	-
Jacob Roest	-	-	-	-	-	-	-
Sylvain Benoit	-	-	-	-	-	-	-
Talal Al Toaimi	-	-	-	-	-	-	-
Ibrahim Alsini	-	-	-	-	-	-	-
Khalid Al- Redian	-	-	-	-	-	-	-
Salah M. Al Umar	-	-	-	-	-	-	-

* Mr. Wajdy Al-Ghabban and Mr. Abdelwahab Saati are members of the Board of Directors of Saudi French Company for Operating and Managing Duty Free Shops, without any remuneration, bonus or other incentives.

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 Service Co.)

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Wajdy Al-Ghabban*	-	-	-	-	-	-	-
Sultan Al-Booq	-	-	-	-	-	-	-
Tarek Tharwat	-	-	-	-	-	-	-
Matti Kivekas	-	-	-	-	-	-	-
Abdelwahab Saati	-	-	-	-	-	-	-
Fahad Khayyat	-	-	-	-	-	-	-
Jacob Roest	-	-	-	-	-	-	-
Sylvain Benoit	-	-	-	-	-	-	-
Talal Al Toaimi	-	-	-	-	-	-	-
Ibrahim Alsini	-	-	-	-	-	-	-
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 the Executive Management members and their relatives on debt instruments of the affiliate company (Saudi French Co. for Operating and Managing Duty Free Shops)

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Wajdy Al-Ghabban*	-	-	-	-	-	-	-
Sultan Al-Booq	-	-	-	-	-	-	-
Tarek Tharwat	-	-	-	-	-	-	-
Matti Kivekas	-	-	-	-	-	-	-
Abdelwahab Saati*	-	-	-	-	-	-	-
Fahad Khayyat	-	-	-	-	-	-	-
Jacob Roest	-	-	-	-	-	-	-
Sylvain Benoit	-	-	-	-	-	-	-
Talal Al Toaimi	-	-	-	-	-	-	-
Ibrahim Alsini	-	-	-	-	-	-	-
Khalid Al- Redian	-	-	-	-	-	-	-
Salah M. Al Umar	-	-	-	-	-	-	-

* Mr. Wajdy Al-Ghabban and Mr. Abdelwahab Saati are members of the Board of Directors of Saudi French Company for Operating and Managing Duty Free Shops, without any remuneration, bonus or other incentives.

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
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Wajdy Al-Ghabban*	-	-	-	-	-	-	-
Sultan Al-Booq	-	-	-	-	-	-	-
Tarek Tharwat	-	-	-	-	-	-	-
Matti Kivekas	-	-	-	-	-	-	-
Abdelwahab Saati	-	-	-	-	-	-	-
Fahad Khayyat	-	-	-	-	-	-	-
Jacob Roest	-	-	-	-	-	-	-
Sylvain Benoit	-	-	-	-	-	-	-
Talal Al Toaimi	-	-	-	-	-	-	-
Ibrahim Alsini	-	-	-	-	-	-	-
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

- 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.
- 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.
- 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.
- 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.
- 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.
- Indicators relating to performance should be taken into account when determining the remuneration of Executive Management members.

Corporate Governance (continued)

13. Executive Management (continued)

13-5. Relationship between Compensation and Policy

- The Chief Executive Officer's compensation was determined by the Board of Directors and is reflected in his employment contract.
- 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.
- The compensations were based on a performance indicator that Executive Management members are evaluated against annually.

14. Related Party Transactions

Saudi 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 Essoulami, 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 every 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. Saudi 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

Related party	Its relation with the Company	Transaction/ purchase Type	Its duration	Its value
Saudi Arabian Airlines Establishment	One of major shareholders in the Company who owns more than (5%) of the total company's capital	In-flight catering services	This contract took effect on January 1st, 2015 and ends on December 31st, 2029	Provisional based on orders
		Catering and hospitality services for Al Forsan Lounge Terminal 5 in King Khaled International Airport	This contract took effect on October 4th, 2016 and ends on October 30th, 2025	Provisional based on orders
		Catering services in Al Forsan Lounge in Egypt International Airport	This contract took effect on February 16th, 2016 and ends on February 15th, 2025	Provisional based on orders
		Lease agreement in (AM1) building in King Khaled International Airport	This contract took effect on March 1st, 2016 and ends on February 28th, 2020	5,205,200 Saudi Riyal
		Catering services in (AM1) building in King Khaled International Airport	This contract took effect on March 1st, 2016 and ends on February 29th, 2020	Provisional based on orders

Related party	Its relation with the Company	Transaction/ purchase Type	Its duration	Its value
Saudi Arabian Airlines Establishment (continued)		Catering and Hospitality services for (Welcome) lounge in Prince Mohammed Bin Abdulaziz International Airport in Madinnah Monawara	This contract took effect on February 22nd, 2017 and end on February 22nd, 2020	Provisional based on orders
		Agreement with Saudia for operating and managing central baggage store	This contract took effect on October 1st, 2017 and ends on September 30th, 2020	27,000,000 Saudi Riyal
		Catering and hospitality services for Al Forsan Lounges in King Abdulaziz International Airport in Jeddah, King Khaled International Airport in Riyadh, King Fahd International Airport in Dammam and Prince Mohammed Bin Abdulaziz International Airport in Madinnah Monawara	This contract took effect on December 19th, 2011	Provisional based on orders
		Catering Service Agreement to Saudia IT Building	This contract took effect on January 1st, 2016	Provisional based on orders
		Catering Service to Saudia Reservations Diplomatic Quarter	This contract took effect on April 7th, 2016	Provisional based on orders
		Catering Service Agreement to Saudia Ticketing & Reservation office, Al Murooj	This contract took effect on October 17th, 2013	Provisional based on orders
		Inflight Catering Service to Saudia other flights	The contract entered into force 01/02/2019 and ends on 1/01/2022	Provisional based on orders
		Catering and hospitality services for Al Forsan Lounges for Saudi and other airlines cash passenger in King Abdulaziz International Airport in Jeddah King Khaled International Airport in Riyadh, King Fahd International Airport in Dammam and Prince Mohammed Bin Abdulaziz International Airport in Madinnah Al Monawarah	The contract entered into force 16/07/2017 and ends on 15/07/2020	Provisional based on orders
		IT Service Level agreement with Saudia	The contract entered into force 01/05/2018 and ends on 30/04/2020	There is no value as per the contract nature
		Design, constructing and operating Alfursan Domestic lounge at the New King Abdulaziz International Airport in Jeddah	The term of the contract shall be for a term of (10) years starting from the actual operation date.	Provisional based on orders

Corporate Governance (continued)

14. Related Party Transactions (continued)

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

Related party	Its relation with the Company	Transaction/ purchase Type	Its duration	Its value
Saudi Ground Services SGS	A subsidiary of Saudi Arabian Airlines Establishment	Catering services	This contract took effect on January 1st, 2015 and ends on December 31st, 2019	Provisional based on orders
		Lease agreement with SGS in King Fahad International Airport	This contract took effect on November 28th, 2015 and ends on November 27th, 2020	Provisional based on orders
		Transport services agreement with SGS in King Fahad International Airport in Dammam	This contract took effect on November 28th, 2015 and ends on November 27th, 2020	Provisional based on orders
		Laundry services to SGS in Riyadh	This contract took effect on December 26th, 2016 and ends on December 25th, 2020	Provisional based on orders
		Laundry services to SGS in Jeddah	This contract took effect on December 26th, 2016 and expires on December 25th, 2020	Provisional based on orders
Saudi Airlines Cargo	A subsidiary of Saudi Arabian Airlines Establishment	Cargo services	This contract took effect on December 8th, 2014 and ends on December 31st, 2020	Provisional based on orders
		Security services	This contract took effect on June 1st, 2016 and ends on May 30th, 2020	Provisional based on orders
		Catering services	This contract took effect on January 1st, 2017 and ends on December 31st, 2020	Provisional based on orders
		Lease agreement, Dar Zan suits	This contract took effect on January 1st, 2020 and ends on December 31st, 2020	Provisional based on orders
Saudi Airlines Real Estate & Development Company SARED	A subsidiary of Saudi Arabian Airlines Establishment	Lease of Residential Units in Saudi City compound	This contract took effect on July 15th, 2017 and ends on July 15th, 2020	1,845,000 Saudi Riyal
		Lease agreement for two commercial shops in Saudi City compound	This contract took effect on March 1st, 2018 and ends on February 29th, 2020	174,000 Saudi Riyal
		Investment of Motel in Saudi City compound	This contract took effect on April 1st, 2016 and ends on March 31st, 2023	2,400,000 Saudi Riyal
		Laundry service to SARED, SV club	This contract took effect on December 31st, 2019 and ends on December 30th, 2021	Provisional based on orders

Related party	Its relation with the Company	Transaction/ purchase Type	Its duration	Its value
Flyadeal	A subsidiary of Saudi Arabian Airlines Establishment	Inflight Catering services and Skysales Services	This contract took effect on September 5th, 2017 and ends on December 31st, 2020	9,000,000 Saudi Riyal (estimated value)
		Lease agreement for a building space	This contract took effect on August 1st, 2017 and ends on February 15, 2020	587,500 Saudi Riyal
Newrest Holding Co.	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	Management and Consultancy Services with Newrest Group Holding S.L	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	Estimated value according to the service
		Supply of Manpower Support Services	This contract took effect on November 10th, 2018 and ends on November 09th, 2020	Estimated value according to the service
		Leasing relationships for administrative offices in Riyadh for Strategic Catering Company	This contract took effect on August 1st 2018 and ends on July 31st, 2020.	14,000 Saudi Riyal yearly
Sami Abdul Mohsin Al-Hokair Group	One of major shareholders of the Company and member of Board of Directors Sami Abdul Mohsin Al-Hokair	Leasing relations of retail sale stores and other locations	This contract took effect on August 15th, 2014 and ends on August 14th, 2020	Provisional based on orders
		Catering Service to Hilton Double Tree Hotel in Riyadh	This contract took effect on March 01st, 2018 and ends on December 31st, 2019	Provisional based on orders
Gulf West Company	According to membership of the Eng. Abdulmohsin Al Yahya in the company, as he is the owner and CEO of West Gulf Company	Raw material and consumption goods import agreement with Gulf West Co.	This contract took effect on February 22nd, 2015 and ends on December 31st, 2020	Provisional based on orders
Emaar, the Economic City	Fahd Al-Rasheed is a Board member at SACC and the CEO and Managing Director at Emaar Economic City Company. In addition, Abdullah Taibah is a mutual Board member of SACC and Emaar Economic City Company	Building and residential units commercial transactions with Emaar the Economic City Company	This contract took effect on January 1st, 2018 and ends on December 31st, 2020	Provisional based on orders
		Lease Agreement with KAEC - Single Unit - Al Waha - for Saudi Laundry Services Maintenance Manager	This contract took effect on January 5th, 2017 and ends on January 4th, 2020	Provisional based on orders
		lease agreement with Emaar for Saudi Laundry Services Land	This contract took effect on February 1st, 2012 and ends on January 30th, 2032	2,508,876 Saudi Riyal

Corporate Governance (continued)

14. Related Party Transactions (continued)

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

Related party	Its relation with the Company	Transaction/ purchase Type	Its duration	Its value
Saudi French Company for Operating and Managing Duty Free Shops	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. Abdelwahab Saati Chief Operating Officer Retail	Managing and Operating Duty Free Shops in the Airports. The transactions are administrative fees and some logistical services related to the management and operation of duty free shops	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	Provisional based on orders

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

Related party	Income	Expenses
Saudi Arabian Airlines Establishment	1,452,932,158	4,616,779
Abdulmohsen Abdulaziz Al-Hokair Holding Group	257,775	104,386
Newrest Group Holding S.L.	-	9,821,076
Saudi Airlines Cargo Company	13,804,912	275,530
Saudi French Company for Operating and Managing Duty Free Shops	5,498,078	-
Saudi Airlines Real Estate Development Company	413,261	5,308,280
Saudi Ground Services Company	45,245,311	5,422,554
Flyadeal	4,031,337	-
Emaar the Economic City	-	2,395,009
Gulf West Co.	-	4,401,978

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

Related party	Receivables	Payables
Saudi Arabian Airlines Establishment	595,303,726	4,616,779
Abdulmohsen Abdulaziz Al-Hokair Holding Group	17,448	104,386
Newrest Group Holding S.L.	-	9,821,076
Saudi Airlines Cargo Company	11,197,020	275,530
Saudi French Company for Operating and Managing Duty Free Shops	8,958,552	-
Saudi Airlines Real Estate Development Company	803,940	5,308,280
Saudi Ground Services Company	33,004,466	5,422,554
Flyadeal	3,523,344	-
Emaar the Economic City	-	2,395,009
Gulf West Co.	-	4,401,978

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

Nature of work or act	Value of work or act	Duration of work or act	Conditions of work or act	Name of BM, EM, or their related party
Management and Consultancy Services with Newrest Group Holding S.L.	Estimated value according to the service	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	No preferential conditions compared to local market	Jonathan Stent-Torriani is a Board member at SACC and a founding partner and Co-CEO at Newrest Group Holding S.L.
Leasing relationships for administrative offices for Strategic Catering Company	14,000 Saudi Riyal	This contract took effect on August 1st 2018 and ends on July 31st, 2020	No preferential conditions compared to local market	Jonathan Stent-Torriani is a Board member at SACC and a founding partner and Co-CEO at Newrest Group Holding S.L.
Management and Consultancy Services with Newrest Group Holding S.L.	Estimated value according to the service	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	No preferential conditions compared to local market	Abdulkarim Essoulami is a mutual Board member at SACC and Shareholder and a Board member of Newrest Co. in Morocco
Leasing relationships for administrative offices for Strategic Catering Company	14,000 Saudi Riyal	This contract took effect on August 1st 2018 and ends on July 31st, 2020	No preferential conditions compared to local market	Abdulkarim Essoulami is a mutual Board member at SACC and Shareholder and a Board member of Newrest Co. in Morocco
Supply of Manpower Support Services	Estimated value according to the service	This contract took effect on November 10th, 2018 and ends on November 09th, 2020	No preferential conditions compared to local market	Jonathan Stent-Torriani is a Board member at SACC and a founding partner and Co-CEO at Newrest Group Holding S.L.
Supply of Manpower Support Services	Estimated value according to the service	This contract took effect on November 10th, 2018 and ends on November 09th, 2020	No preferential conditions compared to local market	Abdulkarim Essoulami is a mutual Board member at SACC and Shareholder and a Board member of Newrest Co. in Morocco
Commercial transactions for retail shops with Abdulmohsen Abdulaziz Al-Hokair Holding Group	Estimated value which represents 10% of the stores' revenues	This contract took effect on August 15th, 2014 and expires on August 14th, 2020	No preferential conditions compared to local market	Sami Al-Hokair is a Board member at SACC and the Managing Director at Abdulmohsen Abdulaziz Al-Hokair Holding Group
Catering Service to Hilton Double Tree Hotel in Riyadh	Estimated value according to the service	This contract took effect on March 01st, 2018 and ends on December 31st, 2019	No preferential conditions compared to local market	Sami Al-Hokair is a Board member at SACC and the Managing Director at Abdulmohsen Abdulaziz Al-Hokair Holding Group
Raw material and consumption goods import agreement with Gulf West Co	Provisional based on orders	This contract took effect on February 22nd, 2015 and expires on December 31st, 2019	No preferential conditions compared to local market	Abdulmohsen Al-Yahya is a Board member at both SACC and Gulf West Co.
Building and residential units commercial transactions with Emaar the Economic City Company	Provisional based on orders	This contract took effect on January 1st, 2017 and expires on December 31st, 2020	No preferential conditions compared to local market	Fahd Al-Rasheed is a Board member at SACC and Board Member at Emaar Economic City Company

Corporate Governance (continued)

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 (continued)

Nature of work or act	Value of work or act	Duration of work or act	Conditions of work or act	Name of BM, EM, or their related party
Building and residential units commercial transactions with Emaar the Economic City Company	Provisional based on orders	This contract took effect on January 1st, 2017 and expires on December 31st, 2020	No preferential conditions compared to local market	Abdullah Taibah is a mutual Board member of SACC and Emaar Economic City Company
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 SACC and Board Member at Emaar Economic City Company
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	Abdullah Taibah is a mutual Board member of SACC 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, 2032	No preferential conditions compared to local market	Fahd Al-Rasheed is a Board member at SACC and the Board Member at 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, 2032	No preferential conditions compared to local market	Abdullah Taibah is a mutual Board member of SACC and Emaar Economic City Company

16. Summary of payments made to the government during 2019

Declaration	Amount paid	Amount due	Summary	Reasons
GOSI	33,690,226	2,720,559	Paid amounts are for the Period Dec 2018-Nov 2019 and Dec 2019 paid in Jan 2020	Paid amounts are for the Period Dec 2018-Nov 2019 and Dec 2019 paid in Jan 2020
Customs	9,235,830	0	All Actual Payments to Customs in FY2019	All Actual Payments to Customs in FY2019
Visas/Passports/Labor Office Fees	30,322,948	0	All Actual Payments to Ministry of Labor & Ministry of Interior	All Actual Payments to Ministry of Labor & Ministry of Interior
Zakat	28,436,381	29,696,293	Fiscal year 2019 provisions	Payable in April 2020
Income Tax	6,825,546	4,485,885	Fiscal year 2019 provisions	Payable in April 2020

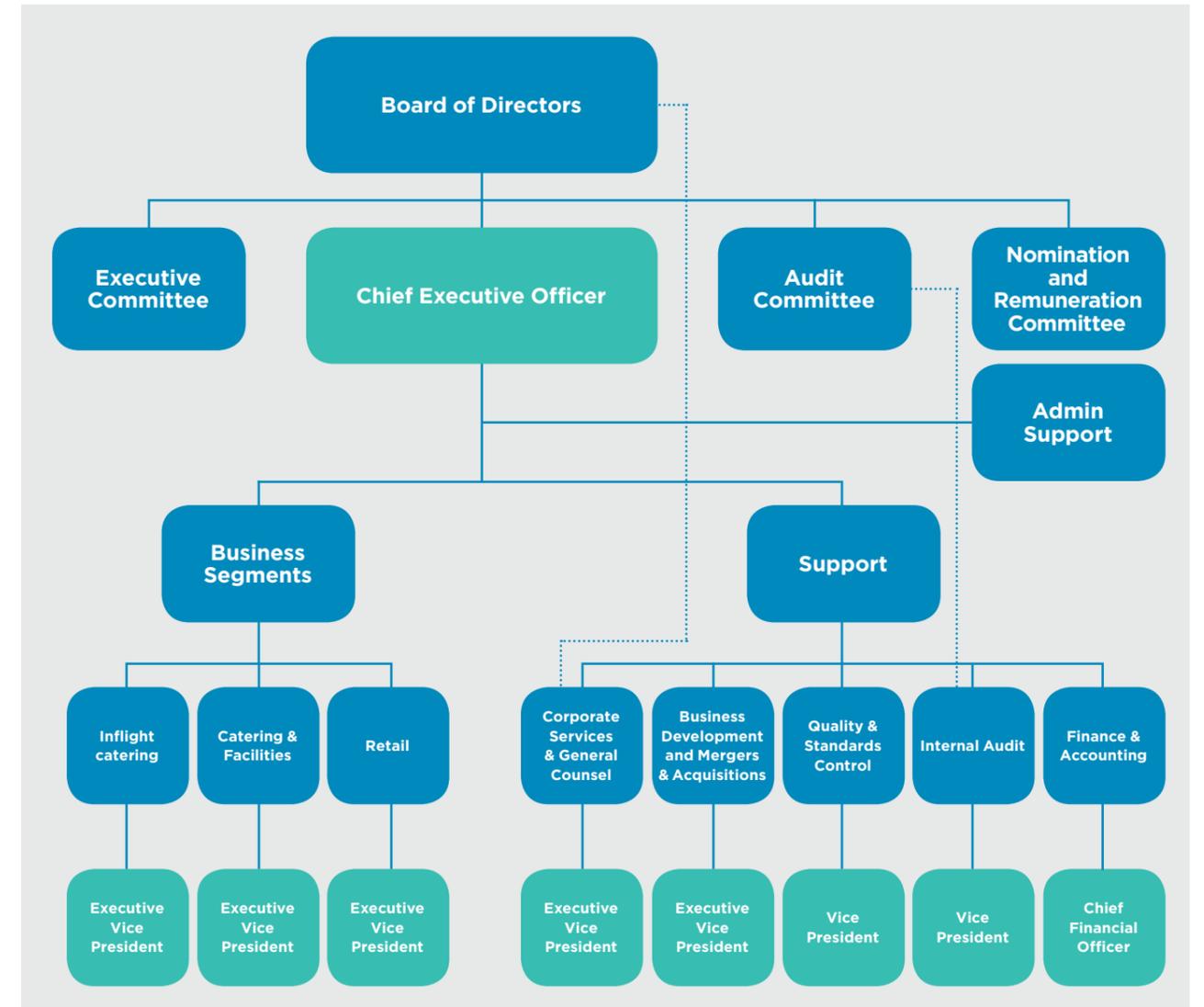
17. Due payments SAR

Year	2015	2016	2017	2018	2019
Employee payments	30,378,918	38,012,927	32,321,739	40,203,728	30,736,110
Expenses and other liabilities	106,123,165	204,690,235	142,703,795	175,064,403	139,895,360
Restructuring allowance	-	-	-	-	-
Zakat and income tax	35,106,943	27,100,352	31,190,091	30,310,014	34,182,178
Total	171,612,026	269,803,514	206,215,625	245,578,145	204,813,648

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:



Corporate Governance (continued)

19. Internal audit and annual audit results of internal control systems

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Saudi Airlines Catering Company.

The internal audit vision is to act as a catalyst in improving the internal control environment through raising awareness and providing assurance, in addition to developing creative audit approaches in response to change.

On the other hand, the mission of the internal audit activity is to assist in the protection and enhancement of the Company's values and support the Company's mission and objectives by providing independent objective assurance and consulting services to the Board of Directors and Audit Committee. The scope also includes the examination and evaluation of the validity and effectiveness of the governance systems, risk management and internal procedures of the Company in addition to checking the quality of performance of responsibilities assigned to managers in order to achieve the Company's goals.

The internal audit activity is established by the Board of Directors and Audit Committee. The internal audit activity's responsibilities are defined by the Board and Audit Committee. The internal audit activity is governing itself by adherence to 'The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). The internal audit activity is also adhering to relevant SACC policies and procedures.

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of SACC's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity is also having free and unrestricted access to the Board and Audit Committee.

The Chief Audit Executive is reporting functionally to the Audit Committee and administratively to the Chief Executive Officer.

The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or reporting content to permit maintenance of a necessary independent and objective mental attitude.

The Chief Audit Executive confirms to the Board, at least annually, the organizational independence of the internal audit activity. The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.

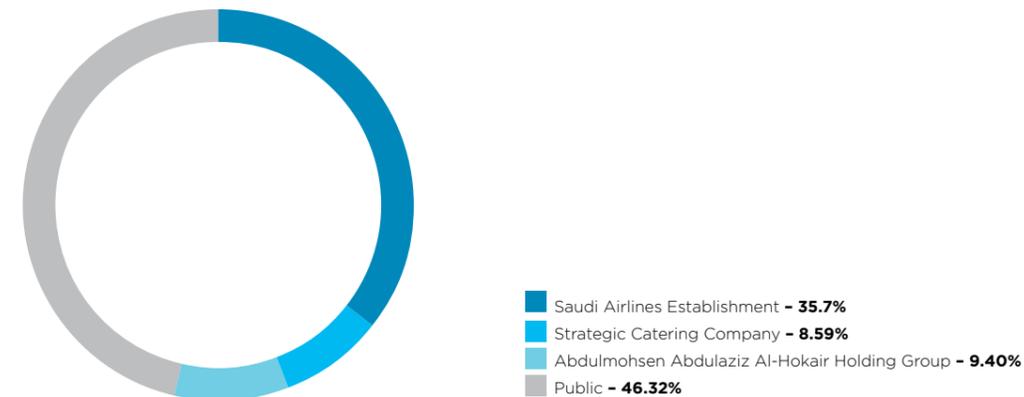
On an annual basis, the Chief Audit Executive submits to the Board and Audit Committee the internal audit plan for review and approval. The internal audit plan is developed based on a prioritization of the audit universe using a risk-based methodology, including input of Senior Management and the Board. A written report will be prepared and issued by the Chief Audit Executive following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Board. This report may include management action plan to clear any reported findings. The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations.

During 2019, the Chief Audit Executive confirmed to the Audit Committee that SACC management did not impose any scope limitation on the internal audit scope. In addition, the Audit Committee confirmed that there were no substantial findings related to the annual internal control effectiveness review or any material departure to the Company's policies and internal regulations. In addition, the Audit Committee did not discover any irregularities or any obvious weaknesses in the internal control system of the Company or in any of its various operations in 2019.

20. Shareholders' capital shares ratio

The shareholder	The capital as in 01/01/2019	Percentage	Number of Shares	The capital as in 31/12/2019	Number of Shares	Percentage	Percentage Changes
Saudi Airlines Establishment	292,740,000	35.70	29,274,000	292,740,000	29,274,000	35.70	00.00
Strategic Catering Company	76,413,790	9.31	7,641,379	70,413,790	7,041,379	8.59	-8%
Abdulmohsen Abdulaziz Al Hokair Group	71,112,560	8.67	7,111,256	77,112,560	7,711,256	9.40	8%
The public	379,733,650	46.32	37,973,365	379,733,650	37,973,365	46.32	00.00
Total	820,000,000	100	82,000,000	820,000,000	82,000,000	100	00.00

21. Structure of distribution of capital and shares on Shareholders



22. Dividend Policy

22-1. Dividend Policy

- 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.
- Dividends are distributed based on the following:

- 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.
- 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.
- 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 establishments for the benefit of employees or to assist such existing establishments.
- Dividends are then distributed to shareholders with a minimum amount that is equal to 5% of the paid-up capital.
- 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 114.8 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):

Distribution date	30/06/2019	12/09/2019	11/12/2019	Total
Percentage	13%	13.5%	15%	41.5%
Amount	106,600,000	110,700,000	123,000,000	340,300,000

23. General Assembly

23-1. General Assembly meetings

Two successful meetings of SACC 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 Tadawul 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, in the second General Assembly the Company facilitated for shareholders to vote electronically through the means provided by Tadawul. 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.

Corporate Governance (continued)

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 results were as the following:

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 Mudaiheem (Independent).
- Mr. Hasan Shakib Al Jabri (Independent)
- Dr. Mohammed Ali Hassan Ikhwan (Independent – External member)

B. The second General Assembly meeting

The Company has also convened another General Assembly meeting during year of 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 For 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 2019 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. 55.5 per share which represents 55.5% 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' members for the year ended on 31/12/2018 that amounted to SR 3,098,000.
- Approval on the transactions and contracts concluded with Newrest Holding Group, within which SACC's Board Of Directors member Mr. Jonathan Stent-Torriani holds indirect interest as he is the Co-CEO of Newrest Holding Group and due to his board membership in Strategic Catering Co. one the of Company's major shareholders, the nature of those transactions evolve around the performance of consultancy and administrative services by Newrest 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 Newrest Holding Group, within which SACC's Board Of Directors member Mr. Abdulkarim Al Soulamy (Board of Directors appointed for the current session, which took effect from 26/01/2019) holds indirect interest due to his ownership in Newrest Holding Group, the nature of those transactions evolve around the performance of consultancy and administrative services by Newrest 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 Abdulmohsin 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. Abdulmohsin 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 owns controlling shares in, for the nature of those transactions evolve around the performance of supplying raw materials and consumable goods to the company, with a total amount of SR 7,925,799 for the year 2018, without any preferential conditions compared to the local market.
- Approval on the transactions and contracts concluded with Emaar The Economic City, within which SACC's Board of Director member Mr. Fahd Abdulmohsin 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 lease agreements 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 Emaar The Economic City, within which SACC's Board of Directors member Eng. Abdullah Taibah (in which his membership ended on 25/01/2019 due to end of the previous Board term) holds indirect interest as he is a Board of Directors member, for the nature of those transactions evolve around the performance of lease agreements 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 National Commercial Bank within which SACC's Board of Directors previous member Mr. Ayman Tarek Al Tayyar (in which his membership ended on 25/01/2019 due to end of the previous board's session) holds indirect interest as he is a Deputy Chief Executive Officer & Banking Head of, for the nature of those transactions evolve around the performance of banking services to the Company with a total amount of SR 900,097.59 for the year 2018, without any preferential conditions compared to the local market.
- 16. Approval on the participation of the Board of Directors member Mr. Jonathan Stent-Torriani in a business that competes with the Company's activities as he is the Co-CEO of Newrest 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. Abdulkarim Al-Sulami in a business that competes with the Company's activities due to his ownership in Newrest 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

Name	Membership	Type of membership	General Assembly		Total meetings
			27 January 2019	24 April 2019	
Mohammed Al Sarhan	Chairman of the Board Directors, Member of the Nomination and Remuneration Committee	Independent	✓	X	1
Sami Al-Hokair	Vice Chairman of the Board of Directors, Member of the Executive Committee	Non-Executive	X	✓	1
Jonathan Torriani	Member of Board of Directors, the Executive Committee, and the Nomination and Remuneration Committee	Non-Executive	X	X	0
Fahd Al Rasheed	Member of Board of Directors and the previous Executive Committee and Chairman of the Nomination and Remuneration Committee	Non-Executive	X	X	0
Raed Al Mudaiheem	Member of Board of Directors, Audit Committee, and the Executive Committee	Independent	✓	✓	2
Hasan Al Jabri	Member of Board of Directors, Chairman of the Audit Committee	Independent	X	✓	1
Khaled Al Hukail	Member of Board of Directors and Remuneration Committee	Independent	✓	✓	2
Yousef Al Yousefi	Member of Board of Directors	Independent	✓	✓	2
Abdulkarim Essolami	Member of Board of Directors	Non-Executive	X	X	0
Yahya Al Yahya	Ex-Chairman of Board of Directors and Ex-Chairman of Executive Committee	Independent	X	X	0
Shawgi Mushtag	Member of Board of Directors and member of the Nomination and Remuneration Committee	Independent	X	X	0
Abdullah Taibah	Member of Board of Directors, member of the Nomination and Remuneration committee	Non-Executive	X	X	0
Ayman Al Tayyar	Member of Board of Directors, member of the Audit Committee	Independent	X	X	0
Abdulmohsen Al Yahya	Member of Board of Directors, member of the Executive Committee	Non-Executive	X	X	0
Wajdy Al Ghabban	Chief Executive Officer and member of the Executive Committee	Executive	✓	✓	2
Sultan Al-Booq	Executive Vice President of Corporate Services and General Counsel	Executive	✓	✓	2

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:

- Board of Director members.
- 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 93/B 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 dialogs with the investor community and advise the Company's Senior Management about market perceptions. Our dialogs 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

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

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 0122339400 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 key 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 consumers 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 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

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.

Corporate Governance (continued)

31. Risks (continued)

Operational risks factors

Hazard risks

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.

Risks management policy

Purpose

- The Risk Management Policy is considered an integral part of the Company's internal controls and governance.
- The policy clarifies the definition the Company holds for risks, describes the purpose of risk management, explains the Company's mechanism to manage risks, documents the roles and responsibilities of the main stakeholders, describes the role of the Risk Management procedure in the internal control system as a whole, determines the main report procedures, and explains the procedure the Board should undertake to evaluate the internal control procedures.

Definitions and purposes of Risk Management

- Risk can be defined as anything that may hinder the Company or prevent it from achieving any of its goals.
- The purpose of this policy is to determine risks as much as possible that may face the Company. This is to enable the Company to take the proper procedures to avoid and mitigate their affect towards the Company's results and achieve its goals and strategy in the required manner.

Role of the Board of Directors in Risk Management

The Board of Directors has the responsibility of overseeing the Risk Management practice in the Company as a whole, and their role is mainly as follows:

- Determine main risks that the Company may face.
- Determine the required procedure to prevent facing that risk, or mitigate its effect on the Company.
- The Board has the right to delegate risk related decisions to any of the Company's divisions, for example delegating the Finance Department for financial risks, the Legal Department for legal risks, and that delegation shall not relieve the Board from their responsibility.
- The Board has other roles that were determined in its chapter in the Corporate Governance Manual of the Company.

Role of the Audit Committee in Risk Management

- Analyse and review Risk Management systems of the Company.

Role of the Executive Management in Risk Management

- Implement the Risk Management and Internal Control Policies that were approved by the Board.
- Ensure that minor risks are under control and managed efficiently; and provide sufficient information in the appropriate time frame to the Board and Audit Committee regarding the status of that risk and the level of control over it.
- Provide data and updates to the Board that relate to risks and their management that were determined by the Board.
- Provide data and updates regarding risks that face the Company, which were not determined previously.

Risk Management procedures

- The Chief Executive Officer upon his knowledge (if the need requires it, based on the followed policies) informs the Board to review the matter based on the followed policies. If the followed policies did not require informing the Board, the Chief Executive Officer should take the necessary actions regarding those risks and inform the Board in its following meeting.
- The procedures of Risk Management should be followed in accordance with the Risk Management procedures of the related responsible authority in the Company such as the Board, committees, divisions, and departments based on the size and type of that risk.
- The Board and Audit Committee are responsible for reviewing the effectiveness of the policy and procedure of the Company's Risk Management based on the information provided by the Executive Management, relevant divisions, and external auditor.

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

Penalties, sanctions, prudential measures	Reasons of violation	Date of violation	The Authority issuing the violation	How to solve and avoid it
Fine with value of twenty thousand Saudi Riyals (SAR 20,000)	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.	07/02/2019	The Capital Market CMA	The company has paid the fine imposed on it and set some policies and procedures not to repeat this
Fine with value of fifty thousand Saudi Riyals (SAR 50,000)	No separate sections for female employees in line with the rules set by the Ministry of Labor and Social Development	29/05/2019	Ministry of Labor and Social Development	An objection was raised to cancel the violation, and the Ministry's decision was revoked and the violation was canceled

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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Independent Auditors' Report To the Shareholders of Saudi Airlines Catering Company

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

Refer to note 4 for the accounting policy and note 23 for the related disclosure.

Key audit matter	How the matter was addressed in our audit
As at December 31, 2019, the Company recognized total revenue of SR 2,156 million (2018: SR 2,036 million).	We performed the following procedures in relation to revenue recognition:
There continues to be pressure on the Company to meet expectations and targets, which may result in a misstatement of revenue.	<ul style="list-style-type: none"> 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.
Revenue recognition is considered a key audit matter as there is a risk that management may override controls to misstate revenue transactions.	

Impairment of Trade Receivables

Refer to notes 3 and 4 for the accounting policy and note 13 for the related disclosure.

Key audit matter	How the matter was addressed in our audit
As at December 31, 2019, the Trade Receivables balance was SAR 868 million (2018: SAR 950 million).	We performed the following procedures in relation to the impairment allowance of trade receivables:
The Company assesses at each reporting date whether the financial assets carried at amortized cost are credit impaired, and consequently measures impairment allowances based on the Expected Credit Loss (ECL) model as envisaged in IFRS 9.	<ul style="list-style-type: none"> 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.
The ECL model involves the use of various assumptions, covering both future macro-economic factors and the study of historical trends.	

We considered this as a key audit matter due to the judgements and estimates involved in the application of the expected credit loss model.

First time adoption of IFRS 16 "Leases"

Refer to notes 3 and 4 for the accounting policy and note 9 for the related disclosure.

Key audit matter	How the matter was addressed in our audit
The Company adopted IFRS 16 "Leases" with effect from 1 January 2019 which superseded the requirements of IAS 17.	We performed the following procedures in relation to the implementation of IFRS 16:
IFRS 16 introduces a new lease accounting model, where lessees are required to recognise a right of use (ROU) asset and a lease liability arising from a lease, in the Statement of Financial Position.	<ul style="list-style-type: none"> 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.
The Company has applied IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 is recognised as an adjustment to the opening Retained Earnings at 1 January 2019, with no restatement of comparative information.	
As a result, as at 1 January 2019, the Company has recorded Right of Use (ROU) assets of SR 611.6 million, lease liabilities of SR 587.4 million, and a decrease in retained earnings of SR 17.6 million.	
Significant judgement is required in the assumptions and estimates made in order to determine the ROU asset and lease liability. The assumptions and estimates include identifying contracts that meet the lease definition, assessment of the lease term, and the determination of appropriate discount rates. The adjustments arising from applying IFRS 16 are material to the Company and as a result the adoption of IFRS 16 has been identified as a key audit matter.	

Independent Auditors' Report To the Shareholders of Saudi Airlines Catering Company continued

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 or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 Baeshen
License No: 382

Jeddah, Rajab 1, 1441H
Corresponding to February 25, 2020

Statement of Financial Position As at December 31, 2019 (Expressed in Saudi Arabian Riyals)

	Note	December 31, 2019	December 31, 2018
Assets			
Property, plant and equipment	6	560,160,540	586,708,910
Right-of-use assets	9A	529,745,770	-
Subleased assets	9C	12,858,734	-
Intangible assets	7	1,846,190	258,269
Investment property	8	36,388,484	38,337,434
Equity accounted investee	10	11,588,345	15,125,813
Financial assets at amortized costs	11	19,754,026	29,991,692
Non-current assets		1,172,342,089	670,422,118
Subleased assets	9C	12,526,423	-
Inventories	12	153,791,958	125,027,878
Trade and other receivables	13	868,141,260	950,225,547
Prepayments and other assets	14	108,559,751	192,857,373
Cash and cash equivalents	15	188,903,543	147,252,743
Current assets		1,331,922,935	1,415,363,541
Total assets		2,504,265,024	2,085,785,659
Equity			
Share capital	16	820,000,000	820,000,000
Statutory reserve	17	353,835,879	353,835,879
Retained earnings		131,816,062	127,619,578
Total equity		1,305,651,941	1,301,455,457
Liabilities			
Lease liabilities	9B	416,501,275	-
Employees' benefits	19	176,750,314	167,423,832
Non-current liabilities		593,251,589	167,423,832
Lease liabilities	9B	117,364,903	-
Zakat and income tax liabilities	20	34,182,178	30,310,014
Trade and other payables	21	453,814,413	586,596,356
Current liabilities		605,361,494	616,906,370
Total liabilities		1,198,613,083	784,330,202
Total equity and liabilities		2,504,265,024	2,085,785,659

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 Profit or Loss and Other Comprehensive Income For the year ended December 31, 2019 (Expressed in Saudi Arabian Riyals)

	Note	2019	2018
Revenue	23	2,156,266,255	2,035,757,930
Cost of sales	24	(1,369,334,227)	(1,339,278,458)
Gross profit		786,932,028	696,479,472
(Allowance for)/reversal of expected credit losses	13	(7,112,344)	12,818,781
General and administrative expenses	26	(245,538,680)	(214,449,367)
Other expenses	27	(3,851,112)	(1,624,719)
Other income	25	8,951,631	12,355,651
Operating profit		539,381,523	505,579,818
Finance income	28	1,337,128	1,478,314
Finance costs	29	(34,296,036)	(5,256,820)
Net finance costs		(32,958,908)	(3,778,506)
Share in loss of equity accounted investee	10	(3,355,121)	(5,406,251)
Profit before zakat and income tax		503,067,494	496,395,061
Zakat and income tax expense	20	(39,134,091)	(37,114,177)
Profit for the year		463,933,403	459,280,884
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability	19	(3,749,353)	4,690,707
Share of other comprehensive loss of associate	10	(182,347)	(110,010)
Other comprehensive (loss)/gain for the year		(3,931,700)	4,580,697
Total comprehensive income for the year		460,001,703	463,861,581
Earnings per share			
Basic earnings per share	30	5.66	5.60
Diluted earnings per share	30	5.66	5.60

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)

	Note	Share capital	Statutory reserve	Retained earnings	Total
Balance at January 1, 2018		820,000,000	353,835,879	109,109,072	1,282,944,951
Total comprehensive income					
Profit for the year		-	-	459,280,884	459,280,884
Other comprehensive income		-	-	4,580,697	4,580,697
Total comprehensive income		-	-	463,861,581	463,861,581
Transactions with owners of the Company					
Contributions and distributions					
Dividends declared	18	-	-	(445,351,075)	(445,351,075)
Balance at December 31, 2018		820,000,000	353,835,879	127,619,578	1,301,455,457
Balance at January 1, 2019		820,000,000	353,835,879	127,619,578	1,301,455,457
Impact of adoption of IFRS 16	4	-	-	(17,583,849)	(17,583,849)
Total comprehensive income					
Profit for the year		-	-	463,933,403	463,933,403
Other comprehensive loss		-	-	(3,931,700)	(3,931,700)
Total comprehensive income		-	-	460,001,703	460,001,703
Transactions with owners of the Company					
Contributions and distributions					
Dividends declared	18	-	-	(438,221,370)	(438,221,370)
Balance at December 31, 2019		820,000,000	353,835,879	131,816,062	1,305,651,941

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)

	Note	2019	2018
Cash flows from operating activities			
Profit for the year		463,933,403	459,280,884
<i>Adjustments for:</i>			
Zakat and tax		39,134,091	37,114,177
Depreciation on property, plant and equipment and investment in property	6 & 8	76,917,741	62,387,898
Depreciation on right-of-use assets	9A	81,854,770	-
Amortization	7	297,170	1,023,915
Bad debt write off		296,621	-
Provision of slow-moving inventory, net	12	8,595,571	9,246,193
Allowance/(reversal) of expected credit losses, net	13	7,112,344	(12,818,781)
Finance income	28	(1,337,128)	(1,478,314)
Finance cost	29	34,296,036	5,256,820
Share of loss in equity accounted investees	10	3,355,121	5,406,251
Loss on sale of property, plant and equipment	27	506,880	105,341
Employees' benefits service cost	19	17,890,880	14,860,779
Provision for accrued bonus - long term	19	1,810,092	2,400,000
		734,663,592	582,785,163
<i>Changes in:</i>			
Trade and other receivables		64,989,223	(82,480,609)
Inventories		(37,359,651)	(24,293,155)
Prepayments and other assets		64,823,466	(63,068,048)
Trade and other payables		(27,015,284)	66,658,533
Cash generated from operating activities		800,101,346	479,601,884
Payment of accrued bonus - long term		(178,890)	-
Employees' benefits paid	19	(20,598,118)	(19,401,260)
Zakat & income tax paid	20	(35,261,927)	(37,994,250)
Net cash from operating activities		744,062,411	422,206,374
Cash flows from investing activities			
Interest income received		-	1,531,319
Payments received for sublease		4,251,844	-
Proceeds from sale of investment	10	-	40,000,000
Proceeds from disposal of property, plant and equipment		5,980	-
Additions to property, plant and equipment	6	(63,496,018)	(92,791,185)
Additions to intangibles assets	7	(1,885,091)	-
Net cash used in investing activities		(61,123,285)	(51,259,866)
Cash flow from financing activities			
Payments of lease liabilities		(81,259,734)	-
Dividends paid	18	(560,028,592)	(325,241,423)
Net cash used in financing activities		(641,288,326)	(325,241,423)
Net increase in cash and cash equivalents		41,650,800	45,705,085
Cash and cash equivalents at beginning of the year		147,252,743	101,547,658
Cash and cash equivalents at end of the year	15	188,903,543	147,252,743

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 Muharram 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:

Branch location	C.R.	Date
Rabigh	4602006306	Rajab 16, 1436H (May 5, 2015)
Medina	4650055980	Jumada Al-Thani 1, 1433H (April 23, 2012)
Dammam	2050082998	Jumada Al-Thani 1, 1433H (April 23, 2012)
Makkah	4031084114	Jumada Al-Atwal 23, 1435H (March 25, 2014)
Jeddah	4030227251	Jumada Al-Thani 1, 1433H (April 23, 2012)
Jeddah	4030285290	Muharram 2, 1437H (October 16, 2015)
Riyadh	1010336558	Jumada Al-Thani 1, 1433H (April 23, 2012)

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, Almohammadya 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 amounts realised in future periods and the amounts expected will be recognized in the statement of profit or loss.

Defined Benefit Obligation

The present value of Company's obligation under defined benefit plans is determined using actuarial valuation. This involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employees' turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed annually (refer note 19).

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.

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 management 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 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 leases a number of item operations building, staff accommodation building, laundry plant land, office building and vehicles. These leases were classified as finance lease under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

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 asset, 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 Dammam 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:

	1 January 2019
Right-of-use assets presented	611,600,540
Property and equipment owned	(14,562,737)
Subleased assets	28,299,872
Lease liabilities	(587,483,042)
Receivable adjustment for subleased assets	(9,686,099)
Receivables	(29,711,821)
Accruals	1,759,438
Impairment of Rights of use assets	(17,800,000)
Impact on Retained earnings	(17,583,849)
	1 January 2019
Operating lease commitment at 31 December 2018 as disclosed under IAS 17 in the Company's financial statements	1,178,088,996
Discounted using the incremental borrowing rate at 1 January 2019	587,483,042
Lease liabilities recognised at 1 January 2019	587,483,042

v. Impact for 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 27.6 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:

Lease liabilities

Lease liability as at 1 January 2019	587,483,042
Increase in Lease Liability due to finance cost	27,642,870
Lease payment made during the year	(81,259,734)
Lease liability as at 31 December 2019	533,866,178
Less: Current portion of lease liability	(117,364,903)
Non-current portion of lease liability	416,501,275

Notes to the Financial Statements continued

For the year ended December 31, 2019

(Expressed in Saudi Arabian Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES continued

a. Leases continued

v. Impact for the period continued

Subleased assets

Net subleased assets as at 1 January 2019	28,299,873
Increase due to finance income	1,337,128
Lease receipts during the period	(4,251,844)
Net subleased assets as at 31 December 2019	25,385,157
Less: Current portion of net subleased assets	(12,526,423)
Non-current portion of net subleased assets	12,858,734

vi. Leases policy

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.

Policy applicable from 1 January 2019

At inception of a contract, the management assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the management uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, or after 1 January 2019.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the management determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Company as a lessee

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 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 reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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.

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.

Gross investment in finance lease include the total of the future lease payments on finance leases (lease receivables), plus estimated residual amounts receivable. The difference between the lease receivables and the cost of the leased asset is recorded as unearned lease finance income and for presentation purposes, is deducted from the gross in the finance leases. Any unguaranteed residual value of the assets is reviewed periodically and any decrease in residual value is recorded immediately.

Initial direct cost incurred by the lessors in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the lease income.

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 the results of operations of the associate. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax.

The financial statements of the associate are prepared for the same reporting period as the Company.

Notes to the Financial Statements continued

For the year ended December 31, 2019

(Expressed in Saudi Arabian Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES continued

b. Investment in Associates continued

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 enforceable right to payment for performance completed to date;
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

For performance obligations where none of the above conditions are met, revenue is recognized at the point in time at which the performance obligation is satisfied.

Catering revenue

Revenue from catering and other services is recognized when the services are rendered to the customer.

Airline equipment

Revenue is recognized when the control over the equipment is transferred to the customer.

Business lounges

Revenue from business lounges is recognized upon rendering the service to the passengers.

Sales of goods – Retail

Revenue from the sale of goods is recognized when the Company satisfies the performance obligation by transferring the promised goods (asset) to the customer. An asset is transferred when the customer obtains control of that asset.

Hotel – revenue

The management recognizes revenue from room sales and from other ancillary guest services on a daily basis, as the rooms are occupied and the services are rendered.

Revenue is recorded net of returns, trade discounts and volume rebates.

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. Deferred tax assets are generally recognized for all deductible 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 arises 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.

Notes to the Financial Statements continued

For the year ended December 31, 2019

(Expressed in Saudi Arabian Riyals)

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. These 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:

Reportable segments	Operations
Inflight	Inflight catering, airline equipment and business lounge
Retail	Onboard and ground
Catering and Facilities	Remote & Camp management, Business & Industries catering, Security services, Laundry services, Hajj and Umrah & Baggage handling services

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 recognised using the effective interest method. Dividend income is recognised 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 terms 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.

The management classifies all other assets as non-current.

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.

The management classifies all other liabilities as non-current.

p. Property, plant and equipment

i. 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 the 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 item 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 expense, 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 (including any non-cash assets transferred or liabilities assumed) 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
1 January 2020	Amendments to References to Conceptual Framework in IFRS Standards
	Definition of a Business (Amendments to IFRS 3)
	Definition of Material (Amendments to IAS 1 and IAS 8)
1 January 2021	IFRS 17 Insurance Contracts
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

2019	Land	Building & leasehold improvements	Equipment	Motor vehicles	Under construction	Total
Cost:						
Balance at January 1, 2019	33,786,058	257,549,100	181,582,096	93,733,541	170,726,195	737,376,990
Additions	-	2,875,366	9,277,845	319,134	51,023,673	63,496,018
Disposals	-	(856,925)	(9,518,218)	(1,685,059)	-	(12,060,202)
Adjustment for subleased assets (note 6d)	-	(17,651,803)	-	-	-	(17,651,803)
Transfer from capital work under construction	-	65,941,688	32,727,629	30,267,753	(128,937,070)	-
Balance at December 31, 2019	33,786,058	307,857,426	214,069,352	122,635,369	92,812,798	771,161,003
Accumulated depreciation:						
Balance at January 1, 2019	-	24,418,526	97,279,850	28,969,704	-	150,668,080
Charge for the year	-	34,597,669	28,718,892	13,417,410	-	76,733,971
Disposals	-	(848,906)	(9,013,376)	(1,685,060)	-	(11,547,342)
Adjustment for subleased assets (note 6d)	-	(4,854,246)	-	-	-	(4,854,246)
Balance at December 31, 2019	-	53,313,043	116,985,366	40,702,054	-	211,000,463
Carrying amounts:						
At December 31, 2019	33,786,058	254,544,383	97,083,986	81,933,315	92,812,798	560,160,540

2018	Land	Building & leasehold improvements	Equipment	Motor vehicles	Under construction	Total
Cost:						
Balance at January 1, 2018	33,786,058	298,617,972	170,921,526	104,211,437	101,670,266	709,207,259
Additions	-	1,046,358	5,970,337	1,204,216	84,570,274	92,791,185
Disposals	-	(45,913,928)	(3,781,947)	(14,925,579)	-	(64,621,454)
Transfer from capital work under construction	-	3,798,698	8,472,180	3,243,467	(15,514,345)	-
Balance at December 31, 2018	33,786,058	257,549,100	181,582,096	93,733,541	170,726,195	737,376,990
Accumulated depreciation:						
Balance at January 1, 2018	-	46,527,816	75,406,829	32,810,599	-	154,745,244
Charge for the year	-	23,804,638	25,563,428	11,070,883	-	60,438,949
Disposals	-	(45,913,928)	(3,690,407)	(14,911,778)	-	(64,516,113)
Balance at December 31, 2018	-	24,418,526	97,279,850	28,969,704	-	150,668,080
Carrying amounts:						
At December 31, 2018	33,786,058	233,130,574	84,302,246	64,763,837	170,726,195	586,708,910

B. Capital work in progress 2019

Capital work under construction represents construction works at Saudia City Motel 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:

	2019	2018
Cost of sales	66,753,458	51,913,346
General and administrative expenses	8,215,333	8,525,603
	74,968,791	60,438,949

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:

	December 31, 2019
Cost of the asset sub-leased	17,651,803
Accumulated depreciation as at January 1, 2019	(3,089,066)
Depreciation reversed for the year ended December 31, 2019	(1,765,180)
Total Right of use assets	12,797,557

7. INTANGIBLE ASSET

Reconciliation and carrying amount

	December 31, 2019	December 31, 2018
Cost		
Balance at January 1	3,820,824	3,820,824
Addition	1,885,091	-
Balance at December 31	5,705,915	3,820,824
Accumulated amortization		
Balance at January 1	3,562,555	2,538,640
Amortisation	297,170	1,023,915
Balance at December 31	3,859,725	3,562,555
Carrying amounts	1,846,190	258,269

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 Dammam.

B. Reconciliation and carrying amount

	December 31, 2019	December 31, 2018
Cost		
Balance at January 1	42,876,890	42,876,890
Balance at December 31	42,876,890	42,876,890
Accumulated depreciation		
Balance at January 1	4,539,456	2,590,507
Charge for the year	1,948,950	1,948,949
Balance at December 31	6,488,406	4,539,456
Carrying amounts	36,388,484	38,337,434

C. Depreciation amount

The depreciation is included in general and administrative expenses.

Notes to the Financial Statements continued

For the year ended December 31, 2019

(Expressed in Saudi Arabian Riyals)

9. LEASES

A. Right-of-use assets

The reconciliation and carrying amount of the right-of-use assets is as follows:

	Commercial Building Lease	Land Lease	Residential Lease	Vehicles Lease	Total
Cost:					
January 1, 2019	400,178,454	59,814,366	136,844,270	14,763,450	611,600,540
December 31, 2019	400,178,454	59,814,366	136,844,270	14,763,450	611,600,540
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	335,025,079	57,056,530	126,594,103	11,070,058	529,745,770

Depreciation for the year has been allocated as follows:

	Note	2019
Cost of sales	24	70,233,696
General and administrative expenses	26	11,621,074
		81,854,770

B. Lease Liabilities

Lease liabilities as at December 31 are as follows:

	Future Minimum Lease Payment	Interest	Present Value of Minimum Lease Payment
December 31, 2019			
Commercial Building Lease	419,039,611	67,045,396	351,994,215
Land Lease	92,137,202	38,494,314	53,642,888
Residential Lease	189,923,806	69,298,880	120,624,926
Car Lease	8,081,542	477,393	7,604,149
As at December 31, 2019	709,182,161	175,315,983	533,866,178
	Future Minimum Lease Payment	Interest	Present Value of Minimum Lease Payment
January 1, 2019			
Commercial Building Lease	466,394,940	85,057,514	381,337,426
Land Lease	101,037,161	41,222,795	59,814,366
Residential Lease	207,233,572	75,665,772	131,567,800
Car Lease	15,776,221	1,012,771	14,763,450
As at January 1, 2019	790,441,894	202,958,852	587,483,042

At December 31, the lease liabilities are presented in the statement of financial position as follows:

	2019	2018
Current portion	117,364,903	-
Non-current portion	416,501,275	-
	533,866,178	-

C. Subleased assets

	December 31, 2019
Less than one year	12,105,955
One to five years	15,377,950
More than five years	-
Total undiscounted lease receivables	27,483,905
Unearned finance income	2,098,748
Net investment in the lease	25,385,157

It is presented in the statement of financial position as follows:

	December 31, 2019
Non-current portion	12,858,734
Current portion	12,526,423
	25,385,157

Lease receivables as at December 31, 2019 are as follows:

	Future Minimum Lease Payment	Interest	Present Value of Minimum Lease Payment
2019			
Commercial Building Lease	27,117,280	1,732,123	25,385,157
As at December 31, 2019	27,117,280	1,732,123	25,385,157
	Future Minimum Lease Payment	Interest	Present Value of Minimum Lease Payment
2018			
Commercial Building Lease	31,369,124	3,069,251	28,299,872
As at December 31, 2018	31,369,124	3,069,251	28,299,872

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.

	2019 - Operating Lease under IFRS 16
Less than one year	18,956,821
One to five years	94,784,105
More than five years	75,827,284
	189,568,210
2018 - Operating Lease under IAS 17	
Less than one year	134,545,692
One to five years	663,587,920
More than five years	379,955,384
	1,178,088,996

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

iii. Amount recognized in profit or loss

2019 – Lease under IFRS 16

Interest on lease liabilities	27,642,871
Income from sub-leasing right of use assets	1,337,128
Rent expense relating to short term lease	56,897,540
Rent relating to lease of low value assets	-

2018 – Operating Leases under IAS 17

Lease expense	160,208,020
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10. EQUITY ACCOUNTED INVESTEE

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 is as follows:

Name	Country of incorporation	Effective ownership interest (%)		Carrying value	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Saudi French Company for Duty Free Operations and Management (Limited Liability Company)	Kingdom of Saudi Arabia	40%	40%	11,588,345	15,125,813

C. The movement in the investment in associate during the year was as follows:

	December 31, 2019	December 31, 2018
Opening balance	15,125,813	20,642,074
Share in net loss	(3,355,121)	(5,406,251)
Share in other comprehensive loss	(182,347)	(110,010)
Closing balance	11,588,345	15,125,813

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 internal management draft financial statements.

Share in net assets

	December 31, 2019	December 31, 2018
Non current assets	158,408,508	31,405,421
Current assets	78,753,777	79,893,590
Total assets	237,162,285	111,299,011
Non current liabilities	109,334,455	819,847
Current liabilities	98,856,968	72,664,632
Total liabilities	208,191,423	73,484,479
Net assets	28,970,862	37,814,532
Company's share in net assets (40%)	11,588,345	15,125,813

Share in loss

	Year ended December 31, 2019	Year ended December 31, 2018
Revenue	290,271,279	242,844,499
Net loss for the year	(2,919,708)	(13,515,627)
Other adjustment	(5,468,095)	-
Revised net loss for the year	(8,387,803)	(13,515,627)
Other comprehensive loss	(455,867)	(275,025)
Company's share of loss for the year (40%)	(3,355,121)	(5,406,251)
Company's share of other comprehensive loss (40%)	(182,347)	(110,010)

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.

	2019	2018
Discount rate	7%	7%
Terminal value growth rate	3%	0%
Growth rate (average of next five years)	18%	(2%)

Management of the Company has assessed in detail the carrying value of Saudi French Company for Duty Free Operations and Management as at December 31 on the basis of above assumptions and concluded that the associate is not impaired.

11. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2019	December 31, 2018
Letters of guarantee	19,754,026	29,991,692
	19,754,026	29,991,692

12. INVENTORIES

A. Inventories comprise the following:

	December 31, 2019	December 31, 2018
Retail items	106,838,242	96,582,463
Catering items	44,068,578	32,195,629
Spare parts	7,854,963	6,803,367
Packing and other materials	6,118,042	2,842,744
	164,879,825	138,424,203
Provision for slow-moving and obsolete inventories	(11,087,867)	(13,396,325)
	153,791,958	125,027,878

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:

	December 31, 2019	December 31, 2018
Balance at beginning of the year	13,396,325	4,339,108
Charge for the year	10,827,783	9,667,440
Reversal during the year	(2,232,212)	(421,247)
Write-off during the year	(10,904,029)	(188,976)
Balance at end of the year	11,087,867	13,396,325

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:

	Note	December 31, 2019	December 31, 2018
Trade receivables due from related parties (net of purser provision)	22-C	652,808,496	722,310,992
Trade receivables – third parties		263,063,165	268,417,405
		915,871,661	990,728,397
Less: Allowance for expected credit losses	13-C	(47,730,401)	(40,502,850)
		868,141,260	950,225,547

- 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%)

B. The ageing analysis of trade receivable is as follows:

	Up to three months	Above three and up to six months	Above six months	Total
December 31, 2019	519,897,497	81,603,427	314,370,737	915,871,661
December 31, 2018	562,221,239	124,244,582	304,262,576	990,728,397

C. Movements summary in expected credit losses for receivables for the year ended December 31 is as follows:

	December 31, 2019	December 31, 2018
Balance at beginning of the year	40,502,850	53,427,618
Charged for the year	7,242,993	-
Write-off during the year	(15,442)	(538,781)
Reversal during the year	-	(12,385,987)
Balance at end of the year	47,730,401	40,502,850

D. Movements summary in allowance for related parties balance (purser provision) for the year ended December 31 are as follows:

	December 31, 2019	December 31, 2018
Balance at beginning of the year	4,026,001	4,476,079
Charged for the year	243,876	388,045
Write-off during the year	-	(17,284)
Reversal during the year	(374,525)	(820,839)
Balance at end of the year	3,895,352	4,026,001

14. PREPAYMENTS AND OTHER ASSETS

Prepayments and other assets at December 31 comprise the following:

	December 31, 2019	December 31, 2018
Prepayments	69,632,981	108,903,942
Unbilled receivables	21,279,521	18,677,239
VAT Input tax	6,391,692	46,914,574
Margin deposits with banks	6,075,999	4,010,586
Advances to suppliers	3,601,382	12,462,620
Advances to employees	1,578,176	1,888,412
	108,559,751	192,857,373

- 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:

	December 31, 2019	December 31, 2018
Cash at bank – current accounts	188,174,435	145,997,345
Cash in hand	729,108	1,255,398
	188,903,543	147,252,743

16. SHARE CAPITAL

A. Share capital

	December 31, 2019	December 31, 2018
In issue at beginning of the year (number of shares)	82,000,000	82,000,000
Issued for cash	-	-
In issue at end of the year – fully paid (number of shares)	82,000,000	82,000,000
Issued – par value SAR 10	820,000,000	820,000,000

B. At December 31 the shareholders and their percentage interests in the share capital of the Company are as follows:

2019

Shareholder	No. of shares	Value in SR	%
Saudi Arabian Airlines Corporation	29,274,000	292,740,000	35.7
Strategic Catering Company Limited	7,041,379	70,413,790	8.6
Abdulmohsen Alhokair Group for Tourism and Development	7,711,256	77,112,560	9.4
General public	37,973,365	379,733,650	46.3
	82,000,000	820,000,000	100

2018

Shareholder	No. of shares	Value in SR	%
Saudi Arabian Airlines Corporation	29,274,000	292,740,000	35.7
Strategic Catering Company Limited	7,641,379	76,413,790	9.3
Abdulmohsen Alhokair Group for Tourism and Development	7,111,256	71,112,560	8.7
General public	37,973,365	379,733,650	46.3
	82,000,000	820,000,000	100

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.

Notes to the Financial Statements continued

For the year ended December 31, 2019

(Expressed in Saudi Arabian Riyals)

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.

	2019
February 27, 2019: SR 1.30 per ordinary share (Income tax adjusted)	105,141,497
May 09, 2019: SR 1.30 per ordinary share (Income tax adjusted)	104,278,586
August 06, 2019: SR 1.35 per ordinary share (Income tax adjusted)	108,311,685
November 05, 2019: SR 1.50 per ordinary share (Income tax adjusted)	120,489,602
	438,221,370
	2018
March 27, 2018: SR 1.30 per ordinary share (Income tax adjusted)	104,673,521
May 05, 2018: SR 1.35 per ordinary share (Income tax adjusted)	108,541,626
August 02, 2018: SR 1.40 per ordinary share (Income tax adjusted)	111,932,975
November 06, 2018: SR 1.50 per ordinary share (Income tax adjusted)	120,202,953
	445,351,075

B. The movement in the dividends payable for the year ended December 31 is as follows:

	December 31, 2019	December 31, 2018
Balance at beginning of the year	123,229,981	3,120,329
Declared during the year	438,221,370	445,351,075
Paid during the year	(560,028,592)	(325,241,423)
Balance at end of the year	1,422,759	123,229,981

19. EMPLOYEE BENEFITS

	Notes	December 31, 2019	December 31, 2018
Employees' end-of-service benefits	19 A	172,719,112	165,023,832
Accrued bonus - long term	19 B	4,031,202	2,400,000
		176,750,314	167,423,832

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.

	December 31, 2019	December 31, 2018
Balance at January 1	165,023,832	168,998,200
Current service cost included in profit or loss		
Service cost	17,890,880	14,860,779
Finance cost	6,653,165	5,256,820
	24,544,045	20,117,599
Included in OCI		
Actuarial loss/(gain) arising from:	3,749,353	(4,690,707)
- Demographic assumptions	-	1,489,821
- Financial assumptions	(3,239,941)	9,855,947
- Experience adjustment	6,989,294	(16,036,475)
Remeasurement loss/(gain):	3,749,353	(4,690,707)
Other		
Benefits paid	(20,598,118)	(19,401,260)
Employees' end of service benefits.	172,719,112	165,023,832

ii) Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	December 31, 2019	December 31, 2018
Discount rate	2.25%	4.30%
Future salary growth	2.25%	4.30%
Voluntary turnover rate	6.6%	6.6%
In-voluntary turnover rate	10.45%	10.45%
Retirement age	60 years	60 years

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.

	December 31, 2019		December 31, 2018	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	164,300,183	182,061,852	157,239,801	173,646,972
Future salary growth (1% movement)	182,869,970	163,402,198	174,390,781	156,412,913

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:

	December 31, 2019	December 31, 2018
Balance at January 1	2,400,000	-
Provision for the year	1,810,092	2,400,000
Benefits paid	(178,890)	-
	4,031,202	2,400,000

Notes to the Financial Statements continued

For the year ended December 31, 2019

(Expressed in Saudi Arabian Riyals)

20. ZAKAT AND INCOME TAX LIABILITIES

The following is the breakdown of the Zakat and income tax liability as at December 31:

	December 31, 2019	December 31, 2018
Zakat payable	29,696,293	28,259,464
Income tax payable	4,485,885	2,050,550
Zakat and income tax liabilities as at December 31	34,182,178	30,310,014

A. Zakat and income tax provision

i) The movement summary in Zakat provision is as follows:

	December 31, 2019	December 31, 2018
Balance at beginning of the year	28,259,464	29,522,917
Charge for the year	29,696,293	28,259,464
Adjustment related to prior years	176,917	(426,233)
Payments during the year	(28,436,381)	(29,096,684)
Balance at end of the year	29,696,293	28,259,464

ii) The movement in income tax provision is as follows:

	December 31, 2019	December 31, 2018
Balance at beginning of the year	2,050,550	1,667,170
Charge for the year	9,085,638	9,024,271
Adjustment related to prior year	175,243	256,675
Payments during the year	(6,825,546)	(8,897,566)
Balance at end of the year	4,485,885	2,050,550

iii) Charge of the year ended December 31 is as follows:

	2019	2018
Zakat charge for the year	29,696,293	28,259,464
Zakat prior year adjustment	176,917	(426,233)
	29,873,210	27,833,231
Income tax charge of the year	9,085,638	9,024,271
Income tax prior year adjustment	175,243	256,675
	9,260,881	9,280,946
Total Zakat and income tax of the year	39,134,091	37,114,177

B. Zakat components

	December 31, 2019	December 31, 2018
Non-current assets	1,172,342,089	670,422,118
Non-current liabilities	593,251,589	167,423,832
Total equity	1,305,651,941	1,301,455,457
Profit before Zakat and income tax	503,067,494	496,395,061

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:

	Note	December 31, 2019	December 31, 2018
Trade payables - third parties		253,728,178	212,663,835
Trade payables - related parties	22-C	28,032,006	35,434,408
Accrued expenses		169,225,261	186,889,388
Dividend payable		1,422,759	123,229,981
VAT Output Tax		1,406,209	28,378,744
		453,814,413	586,596,356

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:

	2019	2018
Short term employee benefits	7,081,174	6,536,196
Post-employment benefits	243,776	145,800
Termination benefits	776,632	332,292
	8,101,582	7,014,288

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)

	Relationship	Transaction values for the year		Balances	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Saudi Arabian Airlines Corporation*	Shareholder/ fellow subsidiaries	1,456,963,495	1,409,449,802	598,827,070	663,009,364
Alhokair Company Joint Stock Company	Shareholder	257,775	98,168	17,448	(159,913)
Saudi Airlines Cargo Company	Fellow subsidiary	13,804,912	14,718,896	11,197,020	14,176,765
Saudi Ground Services Company	Fellow subsidiary	45,245,311	45,144,079	33,004,466	32,527,902
Saudi French Company for Duty Free Operations and Management	Associate	5,498,078	9,855,414	8,958,552	12,338,822
Saudi Airlines Real Estate Development Company	Fellow subsidiary	413,261	-	803,940	418,052
Total				652,808,496	722,310,992

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)

	Relationship	Transaction values for the year		Balances	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Saudi Airlines Real Estate Development Company	Fellow subsidiary	5,308,280	13,397,623	16,133,360	21,150,466
Saudi Ground Services Company	Fellow subsidiary	5,422,554	1,207,643	6,504,477	1,422,838
Newrest Company Holding S.L.	Shareholder	9,821,076	11,390,614	2,778,232	(29,850)
Gulfwest Company Limited	Common shareholder	4,401,978	7,925,799	1,245,670	829,168
Saudi Arabian Airlines Corporation*	Shareholder/fellow subsidiaries	4,616,779	4,050,650	986,213	4,606,589
Saudi Airlines Cargo Company	Fellow subsidiary	275,530	-	279,668	7,455,197
Alhokair Company Joint Stock Company	Shareholder	104,386	27,213	104,386	-
Total				28,032,006	35,434,408

* Transactions with Saudi Arabian Airlines Corporation includes transaction with the entities which are wholly owned by Saudi Arabian Airlines. The entities includes Saudia Airlines Corporation, Saudi Private Aviation, Saudi Royal Vip, Saudia Royal Fleet, Saudia Aerospace Engineering, Saudia Medical Service, Prince Sultan Aviation and Flyadeal.

23. REVENUE

	2019	2018
In-flight catering	1,524,966,840	1,460,605,418
Non-airlines	231,532,777	189,958,393
Business lounge	182,814,245	170,831,566
Retail revenue	176,688,018	177,717,238
Other operating revenues		
Camp facilities sales (staff feeding & accommodation)	22,600,193	26,580,696
Exclusivity purchase income & services to suppliers	17,664,182	10,064,619
	2,156,266,255	2,035,757,930

24. COST OF SALES

	Note	2019	2018
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	6C	66,753,458	51,913,346
Depreciation on right-of-use assets	9A	70,233,696	-
Rent and maintenance of production units		65,774,166	151,697,845
Other operating costs			
Manpower and transportation cost		74,108,158	72,411,142
Supplies and expandable items		34,982,638	35,611,666
Communication and utilities		24,005,244	30,389,765
Other operational costs		60,763,969	55,965,468
		1,369,334,227	1,339,278,458

25. OTHER INCOME

	2019	2018
Management fee income	4,474,487	3,442,000
Medical ex - gratia income	2,391,616	2,334,400
Commission income	80,887	790,500
Others	2,004,641	5,788,751
	8,951,631	12,355,651

26. GENERAL AND ADMINISTRATIVE EXPENSES

	Notes	2019	2018
Personnel costs		140,507,382	116,594,906
Depreciation	6,8,9	21,785,357	10,474,553
Management fee		12,021,546	8,310,558
Professional and technical fee		11,143,936	3,985,034
Service agreement fee		10,859,439	10,547,099
Travelling		7,980,117	9,172,082
Utilities		7,363,177	6,905,430
Rent		6,253,978	24,034,737
Marketing and promotional		6,163,198	7,004,925
Insurance		3,904,834	4,217,009
Board of Directors' fee		3,166,213	3,442,171
Stationary and printing		936,903	414,027
Repairs and maintenance		731,212	271,342
Amortization	7	297,170	1,023,915
Other		12,424,218	8,051,579
		245,538,680	214,449,367

27. OTHER EXPENSES

	2019	2018
Bank commissions	2,193,687	1,519,378
Foreign currency exchange loss	1,150,545	-
Loss on sale of property, plant and equipment	506,880	105,341
	3,851,112	1,624,719

28. FINANCE INCOME

	2019	2018
Interest income on sublease assets	1,337,128	-
Interest income on financial asset classified as amortised cost	-	1,478,314
Finance income	1,337,128	1,478,314
Finance income recognised in profit or loss	1,337,128	1,478,314

29. FINANCE COST

	2019	2018
Interest from lease liabilities	27,642,871	-
Interest on employees' end-of-service benefits	6,653,165	5,256,820
	34,296,036	5,256,820

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)

	2019	2018
Profit for the year	463,933,403	459,280,884

ii. Weighted-average number of ordinary shares (basic)

	2019	2018
Weighted-average number of ordinary shares during the year	82,000,000	82,000,000

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

	2019	2018
Earnings per share	5.66	5.60

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

December 31, 2019

	Inflight	Retail	Catering and facilities	Total reportable segments	All other segments	Head office	Total
External revenue	1,707,122,865	176,688,018	197,278,132	2,081,089,015	75,177,240	-	2,156,266,255
Inter-segment revenue	59,378,164	-	6,300,459	65,678,623	309,484,117	-	375,162,740
Segment revenue	1,766,501,029	176,688,018	203,578,591	2,146,767,638	384,661,357	-	2,531,428,995
Segment profit/(loss) before zakat and tax	883,636,366	2,417,136	2,034,621	888,088,123	(385,020,629)	-	503,067,494
Depreciation and amortization	100,844,835	3,867,056	11,038,566	115,750,457	43,319,223	-	159,069,680
Assets:							
Segment assets	1,193,205,347	162,322,774	156,002,167	1,511,530,288	346,891,052	-	1,858,421,340
Other assets	-	-	-	-	645,843,684	-	645,843,684
Total	1,193,205,347	162,322,774	156,002,167	1,511,530,288	346,891,052	645,843,684	2,504,265,024
Liabilities:							
Segment liabilities	444,995,950	70,369,381	33,712,813	549,078,144	210,081,921	-	759,160,065
Other liabilities	-	-	-	-	-	439,453,018	439,453,018
Total	444,995,950	70,369,381	33,712,813	549,078,144	210,081,921	439,453,018	1,198,613,083

December 31, 2018

	Inflight	Retail	Catering and facilities	Total reportable segments	All other segments	Head office	Total
External revenue	1,627,855,878	177,748,465	156,360,923	1,961,965,266	73,792,664	-	2,035,757,930
Inter-segment revenue	51,961,185	-	5,637,198	57,598,383	307,652,069	-	365,250,452
Segment revenue	1,679,817,063	177,748,465	161,998,121	2,019,563,649	381,444,733	-	2,401,008,382
Segment profit/(loss) before zakat and tax	865,413,923	4,521,120	1,288,147	871,223,190	(374,828,129)	-	496,395,061
Depreciation and amortization	29,789,112	3,093,594	6,708,308	39,591,014	23,820,799	-	63,411,813
Assets:							
Segment assets	993,812,786	135,197,557	129,933,166	1,258,943,509	288,923,247	-	1,547,866,756
Other assets	-	-	-	-	-	537,918,903	537,918,903
Total	993,812,786	135,197,557	129,933,166	1,258,943,509	288,923,247	537,918,903	2,085,785,659
Liabilities:							
Segment liabilities	291,189,683	46,047,245	22,060,478	359,297,406	137,470,212	-	496,767,618
Other liabilities	-	-	-	-	-	287,562,584	287,562,584
Total	291,189,683	46,047,245	22,060,478	359,297,406	137,470,212	287,562,584	784,330,202

B. Reconciliations of information on reportable segments to IFRS measures

I. Revenue

	December 31, 2019	December 31, 2018
Total revenue for reportable segments	2,146,767,638	2,019,563,649
Revenue for other segments	384,661,357	381,444,733
Elimination of intersegment revenue	(375,162,740)	(365,250,452)
Total revenue	2,156,266,255	2,035,757,930

II. Profit

	December 31, 2019	December 31, 2018
Total profit for reportable segments	888,088,123	871,223,190
Profit for other segments	(385,020,629)	(374,828,129)
Total profit	503,067,494	496,395,061

III. Assets

	December 31, 2019	December 31, 2018
Total assets for reportable segments	1,511,530,288	1,258,943,509
Assets for other segments	346,891,052	288,923,247
Head office	645,843,684	537,918,903
Total assets	2,504,265,024	2,085,785,659

Other unallocated amounts principally related to cash and cash equivalents, investment securities and prepayment and other current assets.

IV. Liabilities

	December 31, 2019	December 31, 2018
Total liabilities for reportable segments	549,078,144	359,297,406
Liabilities for other segments	210,081,921	137,470,212
Head office	439,453,018	287,562,584
Total liabilities	1,198,613,083	784,330,202

Head office amounts principally related to trade and other payables, current zakat and tax liabilities and employee benefits.

V. Geographical information

	December 31, 2019	December 31, 2018
- Revenue		
Kingdom of Saudi Arabia	2,093,009,467	1,959,119,018
All foreign countries		
Egypt - Cairo	63,256,788	76,638,912
Total revenue	2,156,266,255	2,035,757,930

C. Major customer

Revenue from one customer of the Company's Airline segment represented approximately 60% of the Company's total revenue.

Notes to the Financial Statements continued

For the year ended December 31, 2019

(Expressed in Saudi Arabian Riyals)

32. CAPITAL MANAGEMENT

The Company's objective when 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 loan 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 loan term loans. The Company monitors capital using a debt equity ratio.

	December 31, 2019	December 31, 2018
Total liabilities	1,198,613,083	784,330,202
Less: cash and cash equivalents	(188,903,543)	(147,252,743)
Net debt	1,009,709,540	637,077,459
Total equity	1,305,651,941	1,301,455,457
Net debt to total equity ratio	77%	49%

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 Company's overall financial risk management focuses on the unpredictability of financial markets and the clients' payment behavior and seeks to minimize potential adverse effects on the Company's financial performance.

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.

Cash flow and interest rate risk

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

Currency risk

Currency is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates for its transactions principally in Saudi Riyal, US Dollar, Egyptian Pound, Euro, British Pound and Swiss Franc. The Company has foreign suppliers and also operates in Cairo and therefore exposed to foreign exchange risk. The Company's management monitors such fluctuations and manages its effect on the financial statements accordingly.

Following is the exposure classified into separate foreign currencies:

	2019	2018
Trade Payable:		
US Dollar	4,750,195	6,631,481
Egyptian Pound	8,441,729	8,699,375
Euro	2,172,879	2,359,475
British Pound	137,574	231,926
UAE Dirhams	66,077	-
Swiss Franc	-	8,310

Following is the exposure classified into separate foreign currencies:

	Average Rate		Spot Rate	
	2019	2018	2019	2018
Foreign currency per Saudi Riyal				
US Dollar	3.750	3.751	3.749	3.747
Egyptian Pound	0.228	0.208	0.233	0.209
Euro	4.168	4.130	4.198	4.285
British Pound	4.889	4.881	4.917	4.755
Swiss Franc	-	3.628	3.861	3.805
UAE Dirhams	1.015	-	1.021	-

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:

	December 31, 2019	December 31, 2018
Financial assets		
Due from related parties	656,703,848	726,336,993
Trade receivables	263,063,165	268,417,405
Balances with banks	188,174,435	145,997,345
Other receivables	27,355,520	22,687,824
Investment in sub-lease	25,385,157	-
Financial asset at amortized cost	19,754,026	29,991,692
	1,180,436,151	1,193,431,259

Credit risk on receivable and bank balances is limited as:

- Cash balances are held with banks with sound credit ratings ranging from A3 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

Carrying value:	December 31, 2019	December 31, 2018
Due from related parties	652,808,496	722,310,992
Trade and other receivables	215,332,764	227,914,555
Balances with banks	188,174,435	145,997,345
Other receivables	27,335,520	22,687,824
Investment in sub-lease	25,385,157	-
Financial asset at amortized cost	19,754,026	29,991,692
	1,128,790,398	1,148,902,408

Financial liabilities as at amortised cost

Carrying amount:	December 31, 2019	December 31, 2018
Trade and other payables	451,870,275	558,217,612
Lease liabilities	533,866,178	-

All the financials 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.

December 31, 2019	Carrying amount	Total	Less than one year	More than one year
Liabilities				
Trade and other payables	451,870,275	451,870,275	451,870,275	-
Lease liabilities	533,866,178	533,866,178	117,364,903	416,501,275
December 31, 2018	Carrying amount	Total	Less than one year	More than one year
Liabilities				
Trade and other payables	558,217,612	558,217,612	558,217,612	-

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:

	December 31, 2019	December 31, 2018
Capital commitments	114,492,477	81,609,125
Letter of guarantees	48,827,369	39,590,143

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. 22,997,344.

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

Notes

SAUDI AIRLINES
CATERING



الخطوط السعودية
للتمة بين

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