

SAUDI AIRLINES  
CATERING



الخطوط السعودية  
للتجهين

# Our business is in your journey

Annual Report 2018



## At a glance

### Operational Divisions

All our operational divisions performed well in 2018, validating our continued diversification strategy and contributing to impressive financial results. The year was distinguished by significant advances in many areas, notably railways, retail, automation and female employment, as well as consolidation of the company's leadership in catering for religious pilgrims.



#### In-Flight Catering

With over 90% market share, our in-flight catering business serves over 100,000 meals to passengers of over 50 domestic and international airline and railway clients each day throughout Saudi Arabia.



#### Retail

Our retail business focused on innovation and diversification in 2018, and investing in our ecommerce capabilities through enhanced web and mobile sales platforms along with associated human capital and infrastructure.



#### Catering and Facilities

Our catering and facilities business expanded its service footprint through 19 new contracts in 2018, covering thirteen new remote sites and six new business and industry sites across the Kingdom.



#### Hospitality

Our hospitality business continued to expand and diversify with growing operations across modern airport and railway lounges and other venues throughout Saudi Arabia.



#### Hajj and Umrah

Our market-leading Hajj and Umrah business provided a record 640,000 frozen ready meals to more than 60,000 pilgrims in the holy cities of Makkah and Madinah in just five days over the 2018 Hajj season.



### Mission

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

### Values

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

Meals Served

**40m**

Business Lounges

**22**

Total Staff

**4,490**

Lounge Guests

**2.59m**

Flights Catered

**220k**

Retail Outlets

**55**

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 national and international clients.

In-Flight Catering

Retail

Catering and Facilities

Hospitality

Hajj and Umrah

## Financial and operational highlights

**New Domestic Al Fursan Lounge** was opened at King Abdulaziz International Airport. The lounge serves Saudia passengers at the new Airport Terminal.

**Al Haramain high-speed train catering** contract was awarded to SACC, which ensures a number one position in KSA railway catering.

**SACC corporate functions were strengthened** during the year, especially within Business Development and Strategy.

**SACC maintained Platinum level** for Saudisation. The number of Saudi female employees increased by almost 20% during the year.

[Read more on page 20](#)

Revenue (SAR)

**2.04bn**

Net profit after Zakat and income tax (SAR)

**459.3m**

Net Profit Margin

**22.56%**

Earnings Per Share (SAR)

**5.60**

Payout ratio

**99.10%**

[To download our annual report go to \[www.saudiacatering.com\]\(http://www.saudiacatering.com\)](#)



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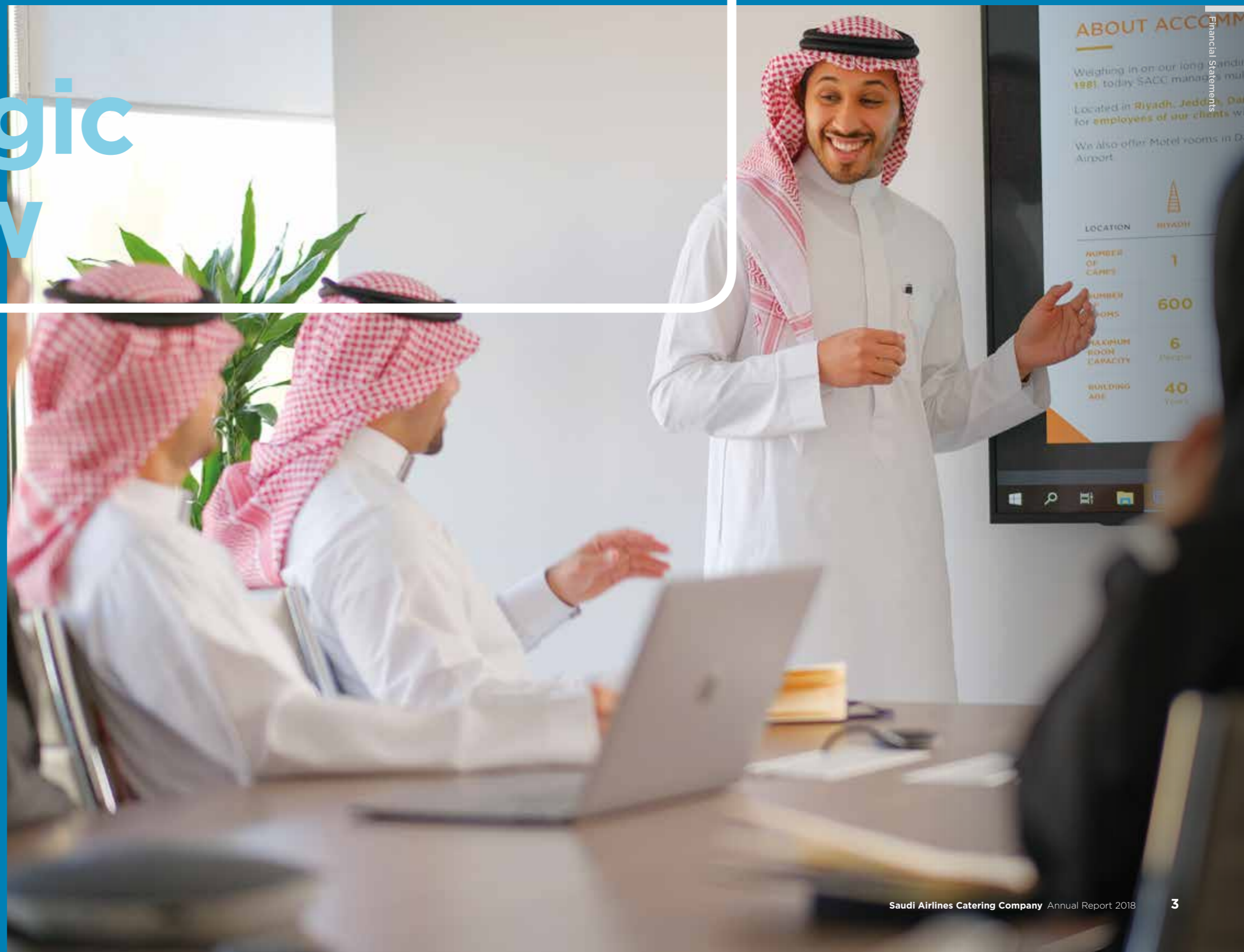
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# Our business is in your journey



On behalf of the Board of Directors, it gives me great pleasure to present the 2018 Annual Report of Saudi Airlines Catering Company.

The past year has not been without its challenges, including those posed by the turbulent economic climate, the effects of which have been accentuated by depressed oil prices. These conditions have led to further cost-cutting in the aviation industry and increasing customer price sensitivity, resulting in a slowdown in in-flight retail growth. Despite these negative headwinds, however, SACC continues to deliver strong performance.

The Company generated a net profit of SAR 459.3 million in 2018, representing a decrease of 4.7% over the previous year and equating to earnings per share of SAR 5.60. Nevertheless, since 2011, SACC has shown continued overall growth, demonstrating our consistent ability to generate increasing value for our shareholders.

#### Offering greater value and service to our clients

Our strategy remains to develop as a dynamic multi-service business, diversifying our activities whilst maintaining the quality and efficiency of our core In-Flight Catering services

that continue to account for over 60% of our business.

By building complementary businesses based on our expanding capabilities in the rail, hospitality, laundry, retail, security and Hajj/Umrah sectors, we will continue to provide our clients increasing value and variety in our service offering.

Powered by a declining bottom line, increased working capital and positive cash flow during 2018, our strategic diversification was complemented by our focus on efficiency, quality and cost control, all supported by an expanding suite of new automated systems to achieve paperless operations across SACC.

#### Building strength and capabilities across our organisation

We also continued to strengthen our risk and governance functions to ensure the long-term sustainability of the organisation.

Across our expanding activities, we continue to take inspiration from Saudi Vision 2030, and to play our part

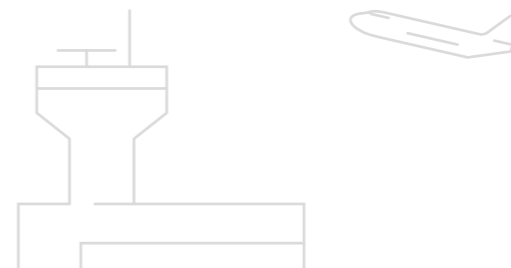
in national efforts to achieve Saudisation. More than 33% of our employees in 2018 were Saudi nationals, placing us well over the threshold required to retain our Platinum Class Saudisation rating. We also continued to enhance the diversity of our workforce in 2018 and welcomed new female members to our executive management team.

I wish to express my sincere thanks to all our valued partners and stakeholders, as well as to my fellow members of the Board, our management and employees throughout the Company for their hard work. With their dedication and support, we will deliver increasing value to our customers, as we continue to diversify and expand our business in the coming year.

**Dr. Yahya Al-Yahya**  
Chairman



*Our strategy remains to develop as a dynamic multi-service business, diversifying our activities whilst maintaining the quality and efficiency of our core In-Flight Catering services*



Net Profit (SAR)

**459.3m**

Earnings Per Share (SAR)

**5.60**

## Board of Directors



	<b>Yahya Al-Yahya</b> Chairman	<b>Raed Al-Mudaiheem</b> Vice Chairman	<b>Ayman Al-Tayyar</b> Board Member	<b>Jonathan Stent-Torriani</b> Board Member	<b>Abdullah Taibah</b> Board Member	<b>Shawgi Mushtag</b> Board Member	<b>Abdulmohsen Al-Yahya</b> Board Member	<b>Sami Al-Hokair</b> Board Member	<b>Fahd Al-Rasheed</b> Board Member
<b>Current positions</b>	Board Member, Gulf International Bank, Bahrain (Ltd.)	CEO of Masdar Building Materials, KSA (JCC) Board Member, United Mining Industries, KSA (JCC) Board Member, Northern Region Cement Co., KSA (Listed) Board Member, Bawan Company, KSA (Listed) Board Member, Northern Region Cement Co Jordan, Jordan (JST) Board Member, Al Badia Cement Syria, Syria (JST) Board Member, SUEZ Cement Co, Egypt (JST) Board Member, Al Yamamah Steel, KSA (Listed) Board Member, Al Muhaidib Group, KSA (Ltd.)	Executive Vice President Head, NCB Private Banking, KSA (Listed) Board Member, Program of Advisory – Dar Al Hekma University, KSA (Ltd.)	Founding Partner and Co-CEO, Newrest Group Holding S.L., France (S.L.) Majority owner, Director Ritz Carlton Montreal, Board Member, Strategic Catering Co., KSA	Board Member, EMAAR Economic City, KSA (Listed) Board Member, Alessa Industries Co., KSA (Ltd.) Board Member, Qudra Energy Co, KSA (Ltd.)	Retired	Board Member, West Gulf Co., KSA (Ltd.) Board Member, Awal Al Qoutouf Co., SA (Ltd.) Board Member, Alkhaleej Training and Education Co., KSA (Listed)	Managing Director, Abdulmohsen Abdulaziz Al-Hokair Holding Group, KSA (Listed). Board Member, Abdulmohsen Al-Hokair Abdulaziz Holding Group, KSA (Listed). Vice Chairman, Sahara Kingdom Properties, KSA (Ltd.). Chairman of the Board of Directors of Tanami Holding Company. Member of the Board of Directors of Real Estate and Tourism Development Company. Member of the Board of Directors of the European Company for Tourism and Hotel Investment, Jordan	Board Member, Emaar The Economic City., KSA (Listed). Board Member, Petromin Co., KSA (Ltd.) Board Member, Ports Development Co., KSA (Ltd.)
<b>Previous positions</b>	Chairman, Gulf International Bank, (Ltd.) Chairman of the Emerging Markets Advisory Council of the Institute of International Finance (IIF), Washington DC, USA. Chief Executive Officer, Gulf International Bank B.S.C., Bahrain (Ltd.) Board Director, GIB Capital, KSA (Ltd.) Member of the Group of Twenty (G20) High Level Panel on Infrastructure Investment (HLP II), KSA (Ltd.) Board Director, The National Commercial Bank, KSA (Listed) Executive Director for Saudi Arabia, The World Bank, Washington DC, USA. Director General, The Institute of Banking, SAMA, Riyadh, KSA	Board Member, Arabian Pipes Co., KSA (Listed)	Executive Vice President Head Lease Finance, National Commercial Bank, KSA (Listed) Executive Vice President Head Branch Banking, National Commercial Bank, KSA (Listed)	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	CEO at Qudra Company, KSA (Ltd.)	DG, Privatization Advisor Saudi Arabian Airlines, KSA EVP Privatization, Saudi Arabian Airlines, KSA VP Catering, Saudi Arabian Airlines, KSA G.M. Skysales, Saudi Arabian Airlines, KSA G.M. Marketing Training, Saudi Arabian Airlines, KSA	Board Member for Saudi Association for Hearing, KSA (Association). CEO and owner, Kudu Restaurants, KSA (Ltd.)	Board Member, Catering & Strategic Co., KSA (Ltd.) Member of the Tourism Committee of the Eastern Province, Kingdom of Saudi Arabia. Vice President of the Tourism Committee at the Chamber of Commerce and Industry in the Eastern Province, Saudi Arabia	CEO, and Managing Director of Emaar The Economic City., KSA (Listed) Deputy Governor and Head of Economic Cities Agency at Saudi Arabian General Investment Authority (SAGIA), KSA. Chief Financial Officer (CFO) at the Saudi Arabian General Investment Authority (SAGIA), KSA (Government Authority) Financial Analyst at Saudi Aramco, KSA
<b>Qualifications</b>	Fellow, Eisenhower Exchange Fellowship PhD, Industrial & Operations Engineering, The University of Michigan. MSE, Industrial & Operations Engineering, The University of Michigan. BSE, Systems Engineering, King Fahad University of Petroleum and Minerals	Bachelor of Electrical Engineering, King Saud University Masters' Degree in Electrical Engineering, King Saud University	Bachelor of Business Administration, Marketing; University of Montana	US Diploma, Choate Rosemary Hall BA in Economics and History, McGill University Ecole Hoteleiere de Lausanne Diploma (eq.BSc)	B.S. in Electrical Engineering, King Fahad University of Petroleum and Minerals	B.S. Marketing and Management, Davis and Elkins College	Bachelor of Civil Engineering, King Saud University	Bachelors of Administrative Science, King Saud University	Bachelor's in Business Administration, Washington University MBA, The Stanford Business School
<b>Experience</b>	More than 40 years of experience in academia, government, and private sectors	More than 28 years of diversified engineering & managerial experiences in public and private sectors	More than 22 years of experience in management roles in the banking sector	More than 28 years of strategic management experience in Airline Catering, Industrial Catering and Hotel Services	More than 28 years of experience in strategic and operational management in the region	More than 30 years of operational and management experience in the airline and catering industries	More than 35 years of operational and management experience	More than 27 years of professional experience in hotel hospitality management in Saudi Arabia	More than 10 years' experience in business development, investment and general management

■ Audit Committee

■ Executive Committee

■ Nomination and Remuneration Committee

# Journey of strategic diversification



2018 has been a successful and significant year in the evolution of our business into the multi-service partner of choice in the Kingdom, despite ongoing market challenges.

As Saudi Arabia continues to go through a transformation to become a global economic powerhouse, driven by the ambitious Vision 2030, companies are adapting by becoming more strategically efficient to create sustainable and competitive value propositions. These realities were reflected on our day-to-day business through our customers' demands for more cost-efficient goods and services. We responded by applying strategic efficiency measures that meet our customers' requirements while maintaining the highest standards of quality and delivering strong bottom line results for our investors.

Our In-Flight division performed well in 2018 recording a total revenue of SAR 1.627 billion, which reflects an increase of 7.9% versus last year. This strong performance was driven by the growth of the Kingdom's aviation sector. Our human and capital investments in this sector will continue over the years to maintain our position as the market leader and the partner of choice to our national and international partners.

In addition to our traditional in-flight catering services, our core complementary hospitality services of the travellers' journey recorded strong performance through our airport lounge operations. We continue to have a positive outlook for this segment, as the Kingdom actively pursues the development of the tourism sector by promoting domestic tourism and attracting international tourists. This will have a direct positive impact on the aviation industry and our core operations.

Affected by global and domestic declines in traditional and on-board retail, our Retail operations faced serious challenges over the year. To mitigate these challenges, strategic plans have been actioned to reassess our overall

retail strategy. A core element of these plans is the enforcement of a solid profit and loss assessment model that focuses on revenue and profit margins. This model will act as the core factor for future expansions and has been applied on each of our current outlets to assess their individual performances and the feasibility of their existence. Moreover, a significant investment has been made in our online platforms to capitalise on the strong brand equity and heritage of our Skysales brand and the shopping preferences of the millennial generation.

Our newly established Hajj & Umrah division continued its outstanding performance as it delivered more than 600,000 meals for more than 60,000 pilgrims over a five-day period during the Hajj season. Aggressive expansion plans have been put into action to capitalise on the annual forecasted increase in religious tourism in Makkah and Madinah driven by the Kingdom's Vision 2030 and associated initiatives, with a stated goal of attracting 30 million religious tourists by 2030.

As the market of catering and facilities services continues to mature through the specific and individual requirements of the clients, our Catering & Facilities division was able to grow its geographic footprint while providing customers with unique bundles of services. This ensures the continuation of our market position as a one-stop-shop and partner of choice for support services that improve the working environments of our clients' human assets.

Driven by our core value of transparency, we tried through this year's annual report to give the reader a deep look into our operational and financial performance over the year, in addition to a clear outlook to the future of our organisation.

We will continue to evolve as an organisation in 2019, keeping the focus on developing our people and creating a performance-driven culture, while applying the best international standards and practices of governance.

**Wajdy Al-Ghabban**  
Chief Executive Officer



## Executive Management



**Wajdy Al-Ghabban**  
Chief Executive Officer



**Matti Kivekas**  
Chief Financial Officer



**Jacob Roest**  
Chief Operating Officer, In-Flight Catering



**Abdulwahab Saati**  
Chief Operating Officer, Retail



**Sultan Al-Booq**  
General Counsel & Vice President, Corporate Affairs



**Dr. Fahad Khayat**  
Vice President, Quality & Support Services



**Sylvain Benoit**  
Chief Operating Officer, Catering & Facilities



**Talal Al-Toaimi**  
Vice President, Hospitality



**Tarek Tharwat**  
Chief Audit Executive



**Dr. Ibrahim Alsini**  
Vice President, Hajj and Umrah



## Business Model

### Mission

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



## Our 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.

How will we achieve this?	What did we do in 2018?	What's next?	How will we measure success?
Expand existing operations	<ul style="list-style-type: none"> <li>• Good organic growth in 2018, especially in In-Flight Catering.</li> <li>• Created new job functions and roles.</li> <li>• Expanded coffee shops at train stations and on-board catering.</li> <li>• Growth in online retail.</li> <li>• Successful year catering for Hajj and Umrah with a refocus from B2C to B2B.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to grow and expand in train catering.</li> <li>• Ensure staff training is at the highest level.</li> <li>• Continue to improve quality across the business.</li> <li>• Continue to gain market share in Hajj and Umrah.</li> <li>• Keep the core business (In-Flight Catering) profitable.</li> </ul>	Revenue (SAR) <hr/> <b>2.04bn</b>
Diversify and enter markets naturally connected to our core expertise	<ul style="list-style-type: none"> <li>• Explore regional expansion across selected business lines.</li> <li>• 70% revenue from In-flight Catering and 30% from the other divisions.</li> <li>• By the end of 2018, In-flight Catering had 92 clients and served over 39.9 million meals on 220,129 flights.</li> </ul>	<ul style="list-style-type: none"> <li>• Study new catering market segments.</li> <li>• Move closer to target of 50% revenue from In-flight Catering and 50% from the other divisions.</li> </ul>	Net Profit Margin <hr/> <b>22.56%</b>

## Risk Management

**SACC takes a strategic approach to identifying and mitigating risks across its various divisions and operations to protect our shareholders' interests and minimise potential threats to our business.**

As with any business, SACC is exposed to a range of potential risks through the normal course of its operations. No organisation can operate without accepting a certain level of risk, and any expected gains from business activities are to be assessed against the associated risks.

### Our Principal Risks & Mitigation

#### Strategic Risks

Strategic risk assessment is part of the strategic planning process within the Group. At SACC, a risk is defined as a strategic risk if it has the potential for long-term adverse impact on the business. SACC defines the following areas to belong to strategic risks:

##### 1. Business environment risks

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 our business could be impacted by adverse changes in economic conditions and employment levels.

Our diversification strategy provides us a certain level of stability in cyclical markets.

##### 2. Market and customer risks

SACC's business relies on securing and retaining a diverse range of clients in

The purpose of risk management at SACC is to ensure that the Group can effectively execute its strategies and reach its targets, in the short term as well as over the long run. The key is to identify any risks that have the potential to restrain SACC from reaching its goals, and thereafter to determine whether those risks are at an acceptable level.

Actions must be taken to avoid, mitigate, transfer, or monitor identified risks. SACC's management processes offer a set of reactive, proactive, protective and preventive tools that are used not

only to protect it against threats, but also to turn some of the risks into opportunities, where possible.

Risks can only be managed if they are identified and understood in advance, if risk treatment and mitigation plans are made to manage them, and if a process of continuous follow-up is in place for the related controls. Therefore, risk management is an essential part of SACC's strategic and operational management.

##### 3. Global political risk

The airlines 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 airlines 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.

##### 4. Competition

SACC's businesses operate in various sectors, some of which are highly competitive. The level of competition varies by sector – some markets are relatively concentrated with one to three key players while others are fragmented, offering opportunities for consolidation. Aggressive pricing by our competitors has the potential to cause a reduction in our revenues and margins.

We aim to minimise this by continuing to promote our differentiated propositions and by focusing on our points of strength, such as flexibility in our cost base, quality and value of service and innovation.

#### People Risks

##### 1. Recruitment

Failure to attract and recruit people with the right skills at all levels could limit the success of SACC. The Group faces resourcing challenges in some of its businesses due to a lack of industry experience and appropriately qualified people among candidates, as well as the seasonal nature of some of our businesses.

We aim to mitigate this risk by efficient, time-critical resource management, mobilisation of existing, experienced employees within the organisation, and by delivering effective training and development programmes.

##### 2. Retention and motivation

Retaining and motivating the best people with the right skills, at all levels of the organisation, is key to the long-term success of the Group. We have established training, development, performance management and reward programmes to retain, develop and motivate our people. We continually develop communication channels that help us to more effectively and efficiently monitor, understand and respond to our employees' needs.

#### Operational Risks

##### 1. Hazard risks

SACC operates at five airports in industrial-size catering units, two laundry plants and numerous other smaller premises (catering outlets, retail shops, lounges, industrial sites, on-shore oil rigs and so forth). Most of these sites are leased by SACC. While operating, SACC is exposed to risks in areas such as occupational health, employee safety, environment, fire, natural events and site security.

We manage these risks through established management procedures

and loss prevention programmes. Occupational health and safety systems, travel safety instructions, and crises management guidelines are designed to protect SACC employees.

Any risks that we are unable to influence through our own efforts are transferred, when possible, to insurance companies. We use appropriate insurance policies to cover indemnity risks related to personnel, assets, and business interruptions, as well as third-party and product liability. All our insurance policies are subject to terms and conditions.

##### 2. Service delivery and contractual compliance

SACC has a large number of contracts with many clients. Failure to comply with contractual terms and conditions could lead to loss of business.

We have processes in place to ensure that we meet the standards that we set, and that we comply with all contractual terms and conditions.

#### Financial Risks

SACC's diverse activities expose the Group to a variety of financial risks, such as 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 Group. SACC's overall financial risk management focuses on the unpredictability of financial markets and clients' payment behaviour, and seeks to minimise potential adverse effects on the Group's financial performance. Financial risk management is carried out by HQ finance and Group controlling, which identify, evaluate and take actions on financial risks, where appropriate.

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.

##### 1. Cash flow and interest rate risk

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

##### 2. 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 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.

We monitor our third- and related-party trade receivables continuously, and have a policy in place to manage and collect overdue receivables. To mitigate the

negative impact from possible credit losses from these receivables, we have in place a provision for bad debts. This policy is in line with the requirements of IFRS 9, Financial Instruments. We use Estimated Credit Loss (ECL) model to calculate the provision for bad debts.

##### 3. Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate number of committed credit facilities.

We maintain flexibility in funding by maintaining sufficient availability of cash and cash equivalent instruments. We don't have any credit facilities in place. We 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.

#### IT & Cybersecurity Risks

Information technology and cybersecurity risks related to SACC's internal operations are identified and frequently updated, and mitigation activities are continuously executed in network security, endpoint protection, access risk management and vulnerability management.

The Group's IT department monitors internal threat exposure levels with vulnerability scanning capabilities, and provides a coordinated response to identified cybersecurity incidents. Furthermore, development of SACC's information security capabilities is closely monitored by the Group's executive management.

We rely on a variety of IT systems in order to manage and deliver services and communicate with our clients, consumers, suppliers and employees. We are focused on the need to maximise the effectiveness of our information systems and technology as a business enabler and to reduce both cost and exposure as a result.

Cybersecurity strategy development and implementation will continue to be strengthened over the coming years.

## Key Performance Indicators

Number of flights served

# 220,129



**Why it is important**

Our main business is In-Flight Catering. One of the main factors to follow is the number of flights.

**How we performed**

The number of flights increased from 2017 by 10.1%.

Number of lounge guests

# 2.59m



**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 2017 by 1%.

Payout ratio

# 99.1%



**Why it is important**

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

**How we performed**

In 2018 our payout ratio was 4.6 percentage points higher than 2017.

Number of in-flight meals

# 40.0m



**Why it is important**

Besides number of flights, it is important to follow the number of meals. Together these KPIs give a picture on how the business is developing.

**How we performed**

Number of meals increased from 2017 by 10%.

Earnings per share (SAR)

# 5.60



**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 decreased from 2017 by 4.6%.

Revenue

# 2.04bn



**Why it is important**

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

**How we performed**

Our revenue increased by 4.3% from 2017.

Average meal price, including handling fee (SAR)

# 35.7



**Why it is important**

In-Flight Catering service has two components: the meal itself and handling i.e. delivering the meals to airplane and collecting the waste after landing. This is the third important KPI when evaluating In-Flight Catering.

**How we performed**

Meal prices were on the same level as 2017.

Net profit after Zakat and income tax

# 459.3m



**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 4.7% lower than 2017.

Dependency on revenues from Saudi Arabian Airlines

# 62.5%\*



**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 reduced by 2 percentage points from 2017.

\* 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 on a gross basis in order to give a clear picture on our dependency.



# In-Flight Catering

Daily in-flight meals

109,000

In-Flight Catering employees

2,500

Saudi nationals

30%



**SACC is the leading airline catering and ancillary services provider in Saudi Arabia, providing food and services to over 92 domestic and international airlines through our In-Flight Catering (IFC) division.**

SACC supplies over 100,000 meals for 400 departures each day through its specialised units in Dammam, Madinah, Riyadh, Jeddah and Cairo. Our major customers are Saudia, Flynas and Flyadeal, Saudia's new low-cost carrier.

The IFC division also produces a further 50,000 frozen meals each day at our factory in Riyadh and supplies food to other SACC divisions, including Hospitality, Catering and Facilities, and Hajj and Umrah. We employ around 2,500 staff across our operations, approximately 30% of whom are Saudi nationals.

In addition to our food production and supply activities, we manage the entire procurement, supply chain and global inventory of inflight equipment for Saudia, Flyadeal, Flynas and Saudi Gulf Airlines. This includes everything from plates, bowls, glasses and cutlery to toiletries, headsets, blankets, amenity kits and hundreds of other items required onboard. Approximately 80% of our revenue is generated from food supplied to airlines and the remaining 20% from these other products.

As a core foundation of our business, the In-Flight Catering division is highly integrated with other SACC units; while IFC supplies food and beverages to the Hospitality and Catering and Facilities divisions, it also purchases staff services from Catering and Facilities, and laundry services from the Saudi Laundry Services unit.

## Strategic Review

### Business Review – In-Flight Catering



**Jacob Roest**  
Chief Operating Officer,  
In-Flight Catering



**Khalid Al-Redian**  
Central and Eastern  
Regions General Manager,  
In-Flight Catering



**Salah Al-Umar**  
Western and Southern  
Regions General Manager,  
In-Flight Catering

#### A renewed commitment to quality

The focus of our IFC division during 2018 was on improving the quality and consistency of our services, with a view to fulfilling Saudia's ambition to achieve a 5-star airline quality rating from Skytrax by 2020. We began rolling out our new inflight equipment and food from April 2018 on routes to North America, Europe and other select destinations. We also began to upgrade inflight services, implementing new concepts and products onboard – including a new butler service – whilst maximising customer interaction and making improvements to our lounges. The customer response to these initial upgrades has been highly encouraging, and we achieved reductions both in customer complaints and aircraft delays during 2018.

We received equally complimentary feedback from our VVIP flight clients in 2018, having seen an unprecedented number of flights provided by the service during the year, and inaugurated a small facility at NEOM catering to VVIP flights.

The Division continued to pursue service refinement through its dedicated Operational Excellence department, established in 2017, which successfully improved processes and associated IT system infrastructure to support more efficient operations planning and management in 2018. These improvements included the purchase and implementation of Quintiq supply chain management software to achieve better transport and logistics fleet planning and visibility.

Our broader cost reduction measures, implemented throughout the year to increase efficiency, reduce waste, and improve production and labour planning based on more thorough data collection, resulted in savings of SAR 31 million during 2018.

We also continued to develop the capabilities of our staff by offering training to more than 450 individuals on the basics of LEAN and problem solving and selected 24 promising candidates from among our staff to begin our one-year "Bulletproof Leader" development programme, which is designed to nurture and empower the next generation of SACC leaders.

The In-Flight Catering division generated SAR 1.6 billion in revenue in 2018, accounting for around 60% of overall SACC revenue for the year. Of the total revenue achieved by IFC in 2018, SAR 300 million was generated by our Equipment Management activities.

The IFC Central Production Unit (CPU) in Riyadh, which produces frozen meals for Saudia Economy Class as well as other customers around the Kingdom, produced 15,571,130 frozen in-flight meals and 908,270 hot-wrap sandwich in-flight meals in 2018, as well as 585,576 frozen meals for the SACC Hajj and Umrah division.

Our unit in King Khaled International Airport (RUH) in Riyadh recorded the highest number of flights served on November 22, 2018, when 273 flights were handled by IFC through the airport, and provided the highest number of meals on August 16, 2018 – serving 84,784 individual meals in a single day, including 57,814 in-flight meals. The RUH unit also scored highly in audits conducted by British Airways (Green status), Air France (98% score) and Middle East Airlines (Assured status).

Reflecting our focus on innovative menu development and quality during 2018, our ZADI date dressings won the savoury category of the 37th annual Mercuries awards – the world's most prestigious travel catering awards – while our ZADI date desserts and special Sports Meals were also selected as finalists.



#### Number of meals 2018\*

# 39,976

2018	32,838
2017	31,048

2018	7,138
2017	5,297

■ Saudia  
■ Other Airlines

\* figures in 1,000 Units



#### Total cost savings in 2018

# SAR 31m

Most meals served from one production unit in a single day

# 84,784

Employees trained

# 450

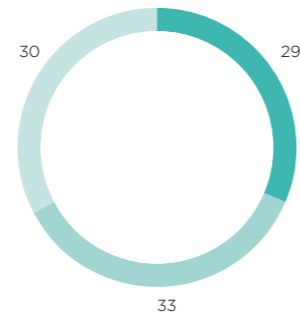
# Strategic Review

## Business Review - In-Flight Catering continued



Total number of clients 2018

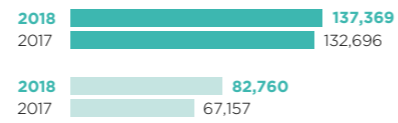
92



- Regular Airline clients
- Non-regular Airline clients
- Private aviation clients

Number of flights catered 2018

220,129



- Saudia
- Other Airlines



### Delivering increasing quality and consistency in 2019

IFC will continue to pursue organic growth in 2019 in partnership with our aviation customers, building upon our market-leading position by improving our IT provision, staff engagement and leadership, whilst also remaining highly committed to increasing the quality and consistency of our products and services.

Our Procurement and Strategic Sourcing department - which purchased SAR 1.4 billion in storage and handling, goods and construction services in 2018 - will continue to move toward fully-automated procurement during 2019.

Service and product quality improvements will continue to represent our primary strategic focus in 2019 - supporting Saudia in its strategic goal to achieve a Five-star Skytrax airline quality rating by 2020 - alongside the standardisation of food production and operational processes to reduce costs. We look forward to the renewal of our keystone contract with Saudia at favourable terms in 2019, continuing a long strategic relationship that is integral to our combined success.



# Retail

SkySales retail outlets

55



**Our retail operations began in 1984 with SkySales – the prestigious in-flight retail service of Saudia, the national airline of the Kingdom of Saudi Arabia. In the years since, our retail activities have grown considerably to encompass both food and non-food operations in the air and on the ground, serving multiple carriers and managing our own brands in a range of locations throughout Saudi Arabia.**

Today, SACC retail manages in-flight shopping services for five customers, covering every level of retail delivery from exclusive high-end, first class sales to the specialized requirements of budget airlines. As well as Saudia's SkySales, we manage high-end in-flight sales for Saudia Private Aviation and the Blackline Collection for Saudia AlBayraq, as well as millennial-focused budget ranges of Flynas Mall for Flynas and Eat and Shop for Flyadeal.

Since launching our ground sales operations in 2015, SACC has rapidly expanded its network of strategically placed retail outlets to cover major air and rail transport hubs, trains and education and hospitality venues.

Our Retail strategy is to maintain constant innovation and improvement in our product mix, whilst providing best-in-class service to our customers onboard and on the ground. The extensive range of products we offer is carefully curated to suit every age, pocket, taste and occasion, and includes the world's most famous designer brands combined with a unique touch of local taste and tradition, all at a price point 20% below the retail market.



## Strategic Review

### Business Review – Retail



**Abdulwahab Saati**  
Chief Operating Officer,  
Retail

Today we manage 49 SkySales retail outlets including 9 La Boutiques located in 5-star hotels and university campuses, offering products otherwise not available in the local market to guests, thereby continuing and complementing the in-flight experience by providing further exclusive products on the ground. We also manage a chain of 6 RetailTrax stores located in railway stations complemented by aisle-distributed trolley services onboard trains.

In addition, we manage our own online SkySales retail operations at skysalesonline.com, offering our full range of products and merchandise for delivery to homes and offices throughout the entire Kingdom.

#### Driving innovation to achieve growth and serve customers

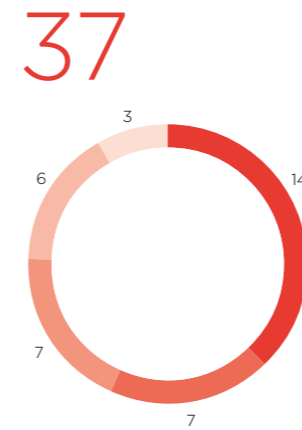
In response to a challenging retail environment, we continue to deliver a range of innovative campaigns to achieve growth, whilst also diversifying the scope of our activities. We not only remained the undisputed market leader in aviation- and rail-based product provision in the Kingdom in 2018, but also retained our contemporary focus on increasing our sales and growing our revenue streams.

SACC inaugurated two SkySales branches in the new King Abdulaziz International Airport expansion, situated in the domestic terminal and in the Al Fursan Lounge, in May 2018. The same month, in Riyadh Airport, we held our Jaguar Car Campaign prize draw, and in June conducted a raffle draw in the KAIA South Terminal to mark the successful culmination of our World Cup campaign, co-sponsored by Saudia Airlines and SkySales. Also in June, SACC launched a specialized SkySales cart service onboard Hajj and Umrah flights to serve the needs of passengers traveling for pilgrimage.

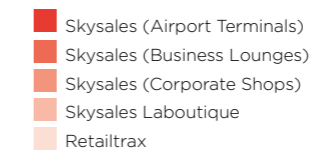
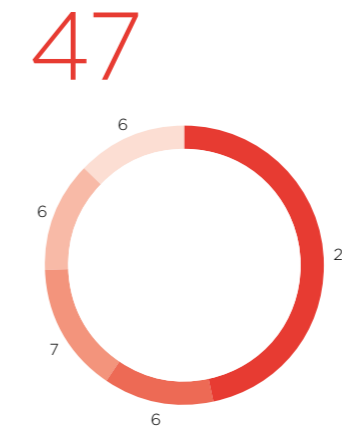
With the widespread migration of the retail industry from the physical to the virtual space, SACC is further diversifying into the online marketplace, by building our presence through web- and mobile-based (app) sales platforms, which have major growth potential.

To support this scaling-up of our digital services, we also continue to develop our online service team, branding and national warehousing infrastructure, whilst also working with major national and international brands to develop our offering.

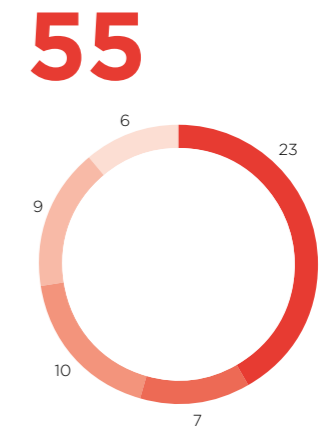
#### Number of retail outlets 2016



#### Number of retail outlets 2017



#### Number of retail outlets 2018



#### Our focus in 2019

In 2019 we will continue to streamline our onboard retail operations. We will also simultaneously continue to optimize the product offering and pricing strategy of our on-ground stores, working with international brands to develop new concepts.

SACC will open new retail outlets at key ground locations this year, including in the new King Abdulaziz International Airport in Jeddah. We will also seek to expand our presence in regional airports, launching coffee shops in more locations and strengthening our working relationships with regional partners. Our further engagement with the

Haramain High-Speed Railway network will also be developed during 2019, following the successful agreement concluded in 2018 with the network covering services for the third line.

In the coming years we anticipate that airlines will increasingly look to transition toward an onboard food sales model. Consequently, we are seeking to work with air crews to transform them into brand ambassadors through a combination of training and incentives designed to increase their brand awareness and promotion skills.

#### Number of airlines (On-board sales)

5



Years established of Retail business

34



SkySales outlets

49

SkySales La Boutiques

9

Retail Trax stores

6

# Catering & Facilities

Catering & Facilities employees

700

Consumer satisfaction rate

97%



**Our Catering and Facilities division was established in 2008 to diversify the revenue of the company while leveraging its strong food management expertise. Today, the division provides a broad range of services to clients in four key sectors – business and industry (B&I – both public and private), remote sites (mostly in the energy and mining sectors), education and healthcare.**

We offer a comprehensive and customisable service mix to suit the individual needs and circumstances of our clients. These services include catering, accommodation management and maintenance, housekeeping and laundry, pantry and vending machines services, landscaping and recreation and transportation.

We believe that by providing bespoke, high quality services to our clients and consumers we can contribute to increasing the engagement of patients, employees or students, thereby ensuring the sustainability and performance of organisations. We also mitigate legal risks by ensuring full compliance with relevant regulations, applying best-in-class quality, health, safety and environmental (QHSE) standards and undertaking highly transparent management through the use of quarterly activity monthly reviews and KPIs, all whilst offering an excellent quality ratio by providing services at competitive prices.



# Strategic Review

## Business Review – Catering & Facilities



**Sylvain Benoit**  
Chief Operating Officer,  
Catering & Facilities

The Saudi Laundry Services unit, established in 2012 to add further diversity to the division, serves the internal customers of SACC in our other units, camps and division operations in Riyadh and Jeddah, as well as a variety of healthcare providers, airlines, restaurants and hotels.

Meanwhile, our recently established Trace and Track Logistics (TTL) unit provides lost luggage solutions to our major partner, Saudia, handling all lost baggage from around the world and operating the central luggage warehouse for the national carrier.

This broad multi-sector service offering is backed by our commitments to consistency, innovation and rigorous quality standards in serving our consumers, applied across the entire range of our operations.

### Expanding our national footprint

The past year has seen the SACC Catering and Facilities division expand in our remote sites by 65% year-on-year and deliver a 35% increase in our B&I footprint.

We also continued to expand and reinforce our infrastructure in Dammam, creating a new office and warehouse dedicated to supporting our remote site activities that was inaugurated in October 2018.

SACC maintains a strong market presence in all the cities in which we operate, and we remain the leading player in our segment in the Kingdom, with the Catering and Facilities division employing a growing workforce of 1,200 people across our national operations.

We also continue to enjoy a strong client retention record – a testimony to the quality, consistency, reliability and competitiveness of our services – and achieved an overall consumer satisfaction rate of 97% in 2018.

### Saudi Laundry Services

Our emerging Saudi Laundry Services unit operates from two locations; a 4,000 m<sup>2</sup> plant in King Fahad Medical City (KFMC), which has a washing capacity of 25,000 kg per day and a finishing and ironing capacity of up to 21,000 kg per day; and a 10,000 m<sup>2</sup> built

plant in King Abdullah Economic City (KAEC) with a current but expanding capacity of 40,000 kg and 24,000 kg, respectively. This second plant mostly serves the hotel industry in Jeddah and Makkah, as well as airlines, industry and restaurants.

Having previously been independent, during 2018 the operational and commercial senior management of both plants were centralised in order to focus on common goals through our dedicated middle management teams under a new 10-year business plan.

SLS recorded a significant increase in the top line of both plants, resulting in overall increase of 74% over 2017. In 2018 we also closed major contracts in Riyadh (Dr. Sulaiman Al Habib Hospitals – 5 locations), Makkah (Swiss Makkah Hotel and Swiss Almaqam Hotel) and Jeddah (Centro Salamah Hotel by Rotana), and were selected as the laundry service provider for Tantora (Al Ula) camp.

Volumes in both plants increased significantly during 2018, more than doubling that achieved in 2017. The biggest increase was realised in our KAEC laundry in Jeddah, which reached a high during Hajj with its 100% on-time delivery of 23,900 kg in one day, compared to 9,000 kg/day in the preceding year.



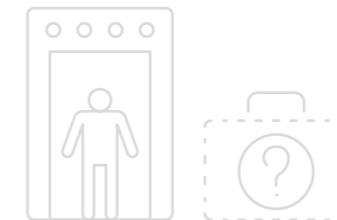
Total customers  
– All regions

40



Total number of locations  
– All regions

79



Laundry plants 2018  
volume growth

2x

Contracts awarded in 2018

19

## Strategic Review

### Business Review – Catering & Facilities continued

After several rounds of auditing, our plant in Riyadh received an extension of its certifications from the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI) and Joint Commission International (JCI).

#### Trace and Track Logistics

Launched in 2018, the Trace and Track Logistics (TTL) unit was established to take over lost luggage handling services from Saudia. The department began handling baggage on January 16 and improved the baggage recovery rate by 30%.

The state-of-the-art, 2,000 square-metre TTL warehouse in Jeddah is operated by our world-class partner, Hellmann Worldwide Logistics, and employs an innovative Warehouse Management System with the capacity to handle more than 12,000 items of baggage at any one time.

We also deliver baggage to passengers in major cities and remote areas across the Kingdom.

#### Our service proposition in 2019

In 2019 we will continue to target double-digit market growth as we launch our business and industry offerings in the Kingdom's Western Region.

We also aim to grow our accommodation business by opening our existing compounds to external companies and will undertake the assessment and further development of our engagement in the healthcare sector.

More generally, we aim to increase our competitiveness in 2019 by developing our operational marketing capabilities to be more customer- and client-centric, raising the value and efficiency of the services delivered by each part of the division. We will also challenge our current goods management models to identify cost reduction opportunities, while further leveraging on our overall purchasing power.

This is in keeping with the strategic targets of our three-year expansion plan, launched in 2016. It focuses our activities on our key business strengths whilst also achieving more competitive cost structures and integrated value chains, and a more proactive, client-centric service provision that showcases our expertise.

Our focus, therefore, remains on our core business. We have targeted further investment in B&I, having identified further opportunities for growth in these sectors. We will also continue to pursue organic growth and expansion in our remote sites business, based both on our strong existing relationships with clients as well as new customers in this segment.

Our future development will also comprise an expansion of our activities in the healthcare sector, which we view as a strategic growth area. These will include services to hospitals, capitalising on government privatisation initiatives.

In 2019, our Saudi Laundry Services unit is targeting horizontal growth, expanding its B2B capacities by building and/or acquiring a new plant in Riyadh, undertaking acquisitions and branching into linen rentals, while also pursuing service expansion for individual retail customers including through the expansion of our burgeoning dry-cleaning function. We also aim to further increase the capacity of our KAEC plant.

The Trace and Track Logistics unit aims to broaden its offering to provide a 360-degree solution for lost and found baggage services in 2019, introducing additional functions to serve passengers and their personal cargo. These additional functions will include baggage delivery and collection as well as specialised First and Business Class passenger pick-up and delivery services. This will provide a springboard for our plans to expand our services to serve other airlines operating in the Kingdom, beginning with two new carriers in 2019.

Trace and Track warehouse

**2,000** sqm

Warehouse baggage capacity

**12,000**

Trace and Track baggage recovery improvement rate

**30%**

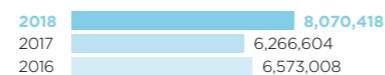
Total people served  
– All regions

**3,214,265**



Total meals served  
– All regions

**8,070,418**



Trace and Track launched

**2018**



# Hospitality\*

Hospitality employees

800



The SACC Hospitality Management and Services division builds, operates and manages a variety of airline and non-airline lounges, motels, and food and beverage outlets in the Kingdom, working in close collaboration with our other business units and with Saudia. The division also offers event management, facility and aviation detailing, buffet and fine dining, and services for corporate functions.

Founded in 2006 to manage the Alfursan lounges that primarily serve passengers travelling with Saudia, the business today employs around 800 staff, working across its operations in the areas of lodging, ground services, events, retail, hospitality, buildings and general facilities management.

Our build-operate-manage (BOM) business model encompasses every aspect of the hospitality cycle, from creating and running hotels to offering food and beverage retail services in multiple locations including airport terminals, railway stations and onboard trains.

Our Railway Services include onboard and lounge hospitality for rail services, such as food and beverage provision, facility detailing and other customised service solutions.

\* Hospitality is financially reported as part of the In-Flight division.



## Strategic Review

### Business Review – Hospitality



**Talal Al-Toaimi**  
Vice President,  
Hospitality

Our lounges continue to be central to our operations today, accounting for around 70% of our overall hospitality revenue. We provide lodging services at our Alfursan lounges in Jeddah, Riyadh, Dammam, Madinah and Cairo, including the recently opened Alfursan Lounge in the new domestic terminal at King Abdulaziz International Airport, and at our Wellcome lounges in Riyadh and Madinah. We also provide Motel Lodging accommodation for Saudia's affiliates, including Saudia Cargo and Saudia Medical. As of 2018, we have also begun to operate hotel accommodation for transit passengers.

Meanwhile, our other ground services include the provision of Delayed Passenger services, including catering for passengers whose flights have been delayed or cancelled. We also provide support for events, including equipment and accessory preparation, and catering for internal and external clients.

#### Our expanding service provision in 2018

Despite highly challenging market conditions in 2018, the past year has been pivotal for SACC's Hospitality Management and Services division, particularly in the area of Railway Services, which is today an important high-growth area for the company.

We were awarded the contract for on-board train services by the Haramain High-Speed Railway – the first and only high-speed railway service in the Kingdom – having been entrusted with the honour of providing the service on board the Haramain VVIP trip. The new high-speed line, which opened in October 2018, serves the two Holy Mosques at Makkah and Madinah and is staffed by a 100% Saudi crew providing a full onboard service of the same quality as our air services.

SACC was also selected by the Saudi Railways Company (SAR) to provide hospitality onboard its new Sleeper Train Service, also the only one of its kind in

the country, including the onboard sleeping cabin hotel service. This is in addition to our existing contract for the provision of luxury meal and trolley service on board the SAR North railway line, which is comparable in quality to our in-flight Business Class services. It also complements our operations for the Saudi Railways Organization (SRO) East railway line between Riyadh and Dammam, for which we provide and operate onboard and station services, retail outlets, cafés and business class lounges.

In May 2018, we opened our latest and biggest ever Alfursan Lounge at the new domestic terminal at King Abdulaziz International Airport in Jeddah. This brings the number of Saudia lounges we manage to nine, spread across five different locations in Saudi Arabia and Egypt. Meanwhile, we also continue to own and operate three Wellcome Lounges (in Riyadh and Madinah).

The past year was also a major success for our hotels segment, with the launch of two new properties – the DarZan Suites in Cairo and Jeddah. On Saudia City in Jeddah, we conducted a successful soft opening of the renovated Darzan Suites, whilst the Darzan Suites Transit Hotel also had its soft opening in October 2018 at Cairo International Airport.



#### Number of lounge guests 2018

# 2,591,102

2018	50%	9%	2%	6%	33%	2,591,102
2017	47%	7%	0.5%	11%	34.5%	2,569,870
2016	73%	1%	26%			1,691,398

- Alfursan Lounge
- Wellcome Lounge
- Train Lounges
- Other Lounges (Transit & North)
- Delayed Flight

#### Business Lounges

# 22

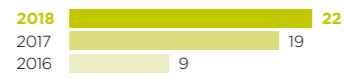


## Strategic Review

### Business Review – Hospitality continued

#### Number of lounges

22



#### Lounge locations

Riyadh	10
Jeddah	5
Dammam	4
Madinah	2
Cairo	1



#### Our focus in 2019

In the coming year, we will continue to develop our Hospitality Management and Services business in an innovative and forward-looking way, ensuring qualitative excellence for our customers in all segments and sectors, including our guests, passengers and other corporate clients.

The coming year will see the grand opening of the Darzan suites on Saudia City in Jeddah, and the Darzan Suites Transit Hotel at Cairo International Airport, and the expansion of our services on the Al Haramain High-Speed Railway as the line is extended throughout 2019.

Furthermore, during 2019 we aim to expand our existing map of multi-sector engagement by entering the entertainment space and by bidding for a host of new business opportunities.

We will also focus on training provision and familiarisation facilities for our staff across our activities, and will build our emphasis during the year on risk assessment.

Above all, we will continue to deliver world class services across all our Hospitality-focused activities whilst optimising and expanding our offering in innovative ways and new directions.



Revenue for division from lounges

70%

Saudia lounges managed

9

Saudi nationals staff on high speed train

100%



# Hajj & Umrah\*

Meals served in five days  
during Hajj

**640,000**

Pilgrims served in five days  
during Hajj

**60,000**

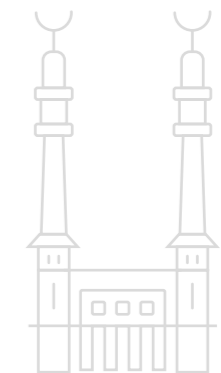


**SACC specializes in creating and distributing safe, high quality meals for the Hajj and Umrah pilgrimage market in the holy cities Makkah and Madinah. Our Hajj and Umrah services were launched in 2013 and were brought under the remit of an independent division in 2018.**

This reflects the considerable strategic growth opportunities of a rapidly expanding Hajj and Umrah market, capitalizing on the commitment of the General Authority of Civil Aviation (GACA) to increase air travel capacity to meet the needs of 30 million Umrah pilgrims by 2030 – one of the primary goals outlined in the Kingdom's Vision 2030.

The SACC Hajj and Umrah division aims to provide food supply solutions for this market through both its business-to-business (B2B) and business-to-consumer (B2C) activities. We provide safe and nutritious frozen meals to our B2B customers in Makkah, mainly comprising food catering companies, while our B2C stream includes the provision of full catering services to pilgrims, delivered via official establishments, Hajj missions and government entities.

\* Hajj & Umrah is financially reported as part of the Catering & Facilities division.





## Strategic Review

### Business Review – Hajj & Umrah



**Dr. Ibrahim Alsini**  
Vice President, Hajj & Umrah

Our frozen meals are produced by the SACC Central Production Unit and marketed and distributed by the Hajj and Umrah division. They include both individual personal meals and bulk meals for buffet-style catering. These bulk meals are provided through ten partner companies, to which we have provided training and support specific to meeting the needs of pilgrims.

#### **An independent leader in Hajj and Umrah food provision**

The market-leading Hajj and Umrah frozen ready meal provider in the holy cities of Makkah and Madinah, the division had a very strong 2018. It provided a record 640,000 meals to more than 60,000 pilgrims in just five days over the Hajj season, up from 152,000 meals in 2017. Such was the increase we achieved between 2017 and 2018, SACC was identified as a success story by the Ministry of Hajj and Umrah for the quality and capacity of its services.

In 2018, we accounted for 12% of Hajj Ready Meals Market and 1% of the overall Hajj and Umrah Market and achieved a 68% overall satisfaction rating among frozen meals customers, according to the statistics of the Ministry of Hajj and Umrah.

#### **Our focus in 2019**

In 2019 the SACC Hajj and Umrah division aims to develop and deliver a new range of products specifically designed for the requirements of the Hajj and Umrah market. We will also roll out a new brand for our Hajj and Umrah ready meals, working closely with our In-Flight Catering division and benefitting from their long experience in developing similar products. This reflects our strategy to build our brand equity and safeguard the loyalty of our existing customers, while also considerably expanding our client base in the future under a trusted and attractive new identity.

We intend to increase our capacity further to capture an even greater market share this coming year. We have identified significant potential to grow our services, revenue and profits, with around 9.2 million visitors to Makkah and Madinah in 2018, including 2.2 million pilgrims during Hajj.

The Ministry of Hajj and Umrah is implementing a transition of its food supplies toward long-shelf-life, frozen ready-made meals, beginning with a 15% target in 2018, rising to 30% in 2019 and

45% by 2020. This provides a prime opportunity for the SACC Hajj and Umrah division to maximize our market share and capitalize on our existing position as the pre-eminent supplier of frozen ready-made meals.

We will achieve this by providing the highest levels of quality in our products and services in the holy cities in order to ensure universally exceptional levels of customer satisfaction, and by becoming the preferred partner for corporate and government B2B clients, which we envisage will account for 85% of our business.

Also during 2019, we will build upon our valuable strategic alliances and relationships with our suppliers of raw materials and equipment in order to safeguard the expansion of our service provision.

We are committed to achieving this in an environmentally and socially responsible way by adopting eco-friendly solutions as we pursue further quality and capacity as a newly independent SACC division.



2018 visitors to Makkah and Madinah

# 9.2m



Hajj ready meals market share

# 12%



## Strategic Review

### Business Review – Operations

#### IT Applications

The SACC IT Applications department focuses on introducing automation to eliminate manual work and human error. The department had a highly successful 2018, with installed systems increasing from 30 to 37 during the course of the year. These include new systems for AirVision reconciliation; VAT calculation; both Catering and Internal Meal Ordering (IMO); staff lockers; General Assembly meeting administration and scheduling; Airfi in-flight sales; MS Dynamics NAV and LS NAV retail systems; maintenance management; technical store and technical purchasing at all stations; and foreign airline equipment store at JED.

Also in 2018, the department launched a new mobile app to automate the Catering Delivery Note system, making it paperless; and provided additional e-security and e-survey systems.

In 2019, we will continue to pursue our strategic corporate objective of achieving paperless operations wherever possible across SACC. We will also develop more systems, including for CRM, equipment and planning, hotel management, raw material forecasting, Hi-loader traffic planning, and staff camp accommodation, and will work toward delivering a new SACC portal.

#### Legal Affairs and Compliance

Our Legal Affairs and Compliance division comprises a well-developed team of eight legal advisors, as well as three paralegal and legal specialists. The division's Legal Plus platform is employed to manage all SACC legal transactions and to effectively coordinate the provision of timely legal advice for clients throughout SACC.

In 2018, we invested in our legal team to further develop their knowledge and skills. This process will continue in 2019.

#### Quality

Quality comprises the following sections:

- **Food Safety Management:** responsible for food safety and related regulatory matters as well as ISO 22000:2005, HACCP and HALAL certifications and their maintenance.
- **Central laboratory:** assesses and validates food quality, as well as other bacteriological and analytical issues related to food and raw materials.
- **Quality Management:** responsible for oversight of our quality management systems, ISO 9001:2015 certification for the complete business – including food and non-food – as well as all company procedures and policy manuals on our intranet portal (saccportal.saudiacatering.com).
- **Safety Management:** responsible for occupational safety and related regulatory matters, and is also responsible for OHSAS 18000 certification, GACA R 151 certification related to our airside safety management system, and for conducting safety evacuation drills.
- **Quality, Health, Safety & Environment for Catering and Facilities (QHSE for C&F):** responsible for QHSE matters related to C&F sites including remote site catering, catering outlets, cafeterias and institutional catering.

During 2018 our major Quality activities included the introduction of sous vide cooking as part of our "TOP 5" project; the development of a quality manual in accordance with GACA R151 requirements; and the development of a manual for Saudi Laundry Services and our hospitality services.

#### Security services

Our Security Services section provides airside aviation security services at airports as well as facilities security for SACC assets. These include our airside buildings, where all visitors and incoming food items are screened in accordance with state and airline requirements. Launched in 2014 under our security brand SAFEGATE, we also provide aviation security (AVSEC) at the Kingdom's four major airports.

The Security Services also cover our Jeddah HQ; our Al-Fursan Operations building, Saudia Cargo and the Singles Community in King Khaled International Airport in Riyadh (RUH); the KAEC Laundry in Jeddah; SACC strategic units; and compounds and camp accommodation sites located around the Kingdom. These services are fully compliant with the requirements of the General Authority for Civil Aviation (GACA) in the areas of safety, equipment and training.



In 2018 we established our GACA-compliant CCTV Operations Control Centre (OCC) in RUH, and obtained GACA approval for our new SACC Security Manual.

In 2019 we aim to expand our Security Services coverage to include more facilities, including remote sites managed by our Catering and Facilities division. We will also mobilise our Security Services team to offer security at Saudia Cargo in Jeddah, and will continue toward our goal of becoming the sole provider of AVSEC and FS Services to all companies under the Saudia umbrella.

Systems installed in 2018

# 37

SAFEGATE launched

# 2014



# A journey of continued improvement



Marked by continued low oil prices and global political volatility, 2018 has been another challenging year for a retail sector that has showed ongoing decline despite a variety of corrective actions.

While our net sales reached SAR 2 billion in 2018, representing a 4.3% rise over 2017, our net profit after tax was SAR 459 million (down from SAR 482m in 2017) or 22.6% of net sales, which is 4.7% less than in 2017. Much of this decline was a result of the drop in revenue and respective profit generated by our Retail Division, as well as rising personnel costs. However, our In-Flight Catering continued to achieve highly encouraging performance in 2018.

Despite its various challenges, 2018 has also seen multiple success stories for SACC. One of our major achievements during the year was the finalisation of our contract with the Haramain High-Speed Railway, which serves as a prime example of our ability to adapt our service capabilities to meet the requirements of new clients. We were also awarded the contract by Saudia to build and operate the Al Fursan Domestic Lounge at the new King Abdulaziz International Airport in Jeddah. Our Catering and Facilities Division also secured a number of new contracts in 2018 and delivered many that had been agreed during the previous year, providing an excellent base for further success in 2019.

We also adopted two new International Financial Reporting Standards in 2018 - IFRS 15 (Revenue from contracts with

customers) and IFRS 9 (Financial Instruments), following extensive preparations, and continued work to build our finance, planning and operational systems to help meet the additional compliance and disclosure obligations associated with IFRS regulation.

In 2019, our aim is to combine key financial, HR and operational data under one analytical platform. This will enable us to develop a robust performance management system for various aspects of the business that will counteract the pressure on profit margins in some business lines and ensure continuous value creation for all our stakeholders.

Our core in-flight business generated 72% of our net sales in 2018 and remains the cornerstone of our strength and a key enabler of our diversification. However, under our current strategy we have also broadened our business foundations by entering new areas such as security, laundry and baggage handling. As growth in the airline catering business slows, contributions from new areas such as these will become important pillars in our future success.

With Vision 2030 will come countless opportunities as the country prepares to

welcome more pilgrims and tourists to its shores. Our service portfolio spans many of the areas that will benefit directly from this development - from traditional in-flight catering to food and hospitality services for pilgrims and tourists. Therefore, SACC is exceptionally well positioned to support Saudi Arabia's new economy as we pursue the Kingdom's economic and development goals together over the coming decade.

**Matti Kivekas**  
Chief Financial Officer



Net sales (SAR)

**2bn**

Net Profit after tax (SAR)

**459m**

## Our People

Female employees

**250**

Employees with special needs

**40**

Saudi nationals

**1,567**

Our Human Resources division is responsible for the well-being and productivity of our people across SACC, including 4,490 full-time employees.

It comprises three key departments: HR Operations, comprising officers distributed throughout our various business units; HR Strategy, a department created in 2017 to implement our bespoke People Strategy; and our Organisational Effectiveness department, which consists of planned programmes undertaken to improve employee knowledge, skills, attitude, and behaviour so that the performance continually and considerably improves.

Our People Strategy is built around five key priorities: HR service delivery; performance culture; employee experience; leadership development; and capability building. Through these focal points, the People Strategy seeks to improve HR service delivery, processes and digitisation whilst also achieving cost optimisation, and to establish a performance culture that ensures SACC is able to maximise employee performance and potential to leverage its overall performance.

It also aims to enhance the overall employee experience by improving morale and assessing staff satisfaction through feedback mechanisms, and to build their capacity to ensure they have the required skills and competencies to meet current and future strategic needs.

Finally, the SACC People Strategy aims to develop a robust pipeline of highly capable leaders to fill critical roles and ensure the future strength of the company.

### Looking after our own in 2018

SACC maintained a staff of 4,490 employees at year-end 2018, representing a rise of 243 over 2017 and comprising 250 women (5.6% of the workforce), 40 employees with special needs (1%) and 1,567 Saudi citizens (32%). Our Saudisation efforts in 2018 resulted in a 1% increase over 2017, which places us well over the threshold to retain our Platinum Class Saudisation rating.

We also continued to increase the diversity of our workforce, including by welcoming women into some areas of the business that have had no previous female representation, and inducted new female members within our executive management in 2018. We also received a Gold Mowammah certificate from the Ministry of Labor for our inclusive policies and workplace facilities designed to actively support people with disabilities in the workforce.

During 2018 we enhanced our communication with our employees by conducting a number of 'town hall' meetings covering a variety of SACC projects in order to gather feedback and maximise employee engagement in our various business activities. We also sought to communicate more effectively with our people through a new digital monthly newsletter, providing news and information regarding the activities of our various divisions and our public engagements. The newsletter, three editions of which were produced in 2018, also provides useful information and announcements for employees.

### Total staff

**4,490**

2018	1,567	2,923	<b>4,490</b>
2017	1,406	2,841	4,247

■ Saudi  
■ Expat

### Saudisation

**32.30%**

2018	<b>32.30%</b>
2017	31.80%



## Our People continued

### HR strategy activation

Having launched our new HR Strategy function in 2018, we immediately sought to achieve initial alignment with over 80 department heads and segment managers to improve communication between HR Strategy and our various different operational departments. This allowed us to collect substantial levels of initial feedback and insight into aspects across the full spectrum of the business.

We implemented a preliminary action plan to assess requirements in key areas such as recruitment, retention, retirement, benefits and HR policies.

In the recruitment sphere we undertook a review of our talent acquisition policy and workflow, whilst also implementing the centralisation of our recruitment under the newly-established HR Strategy function.

We also reviewed our employee and retirement benefits systems, including provisions such as medical insurance and other non-financial benefits like lounge access, flight discounts, free meals and benefits for dependents. This included extending employee benefits to cover retired employees and the families of deceased employees.

Meanwhile, our Young Reward Programme was launched in 2018 to recognise and reward academic excellence among employees' students. The programme aims to have a positive impact on employees' families and to strengthen the links between their professional and personal lives.

Furthermore, our Organisational Effectiveness department sought to align the internal structures and processes of all HR Strategy organs and review all existing processes for updates. The department also took measures to centralise our recruitment activities in order to achieve greater efficiency and effectiveness.

### Developing our people at every level

We seek to enhance the skills of our staff through their ongoing professional development. SACC conducted 178 training programmes across our locations in 2018 and delivered training to 1,534 employees in both soft and technical skills to enhance operational efficiency.

Fifty employees received training on serving customers with downs syndrome and autism, and a further 70 were trained in dealing with disabled clients in general.

Building capabilities is a SACC strategic imperative, and is reflected in its Leadership Training Programme, through which HR identifies and cultivates the company's future leaders, equipping them with the required competencies through its Bullet Proof Workshops, where future leaders grow their skills, exchange ideas and share best practices.

### 2018 Employee Engagement Survey

As a service provider, our employees lie at the very heart of our value proposition; their engagement and commitment are central to our success. In Q4 2018 we implemented an organisation-wide Employee Engagement Survey, the main purpose of which was to ensure

### People Training 2018

# 1,534

2018 1,534  
2017 395

### Training programmes in 2018

# 178

### Full-time employees and their families cared for under SACC Medical Services

# 9,000

continuous open dialogue with our employees and to maintain their engagement throughout the various different phases of their employment life-cycle, thereby enhancing employee satisfaction and overall performance.

We achieved a highly encouraging response to our survey in 2018, with 82% of employees providing their feedback, indicating the high level of trust, support and commitment of our people to the future of our company. The results of the Employee Engagement Survey are still being analysed, and we aim to receive them in early 2019. Once processed, these baseline data will form the foundations of our ongoing employee engagement and satisfaction programmes.

### Medical Services

Our internal Medical Services unit is responsible for staff medical coverage, providing basic preventative and curative care for over 9,000 people, including full-time employees and their dependents. SACC Medical Services also ensure food safety by monitoring food handlers using check-ups two times per year and post-vacation examinations.

During 2018 we expanded our health insurance coverage to include treatment for obesity, maternity complications, neonatal care, heart valve treatment, artificial limbs, vitamin deficiencies, organ transplants, and emergency and elective treatment outside the Kingdom.



We also hired two new Saudi doctors for our clinics in Jeddah and Riyadh; established a physiotherapy centre in Riyadh; launched our email complaint box for employees' medical or health insurance problems; and delivered health awareness products such as lectures, courses, workshops, brochures and posters.

### An enduring commitment to our people in 2019

We will continue to review our HR policies as part of our ongoing HR Strategy implementation and to study our benefits and rewards programmes to identify areas for improvement. Other

objectives in 2019 include the automation of our SACC recruitment function.

Following receipt of the final results and metrics revealed by the 2018 Employee Engagement Survey, we will proceed to develop an action plan based on the associated data in order to achieve any necessary improvements.

We also aim to develop a performance management system and to review and revise our current job descriptions, whilst continuing to automate our HR services.



# Corporate Governance

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## Corporate Governance



**Sultan Al-Booq**  
General Counsel & Vice President  
Corporate Affairs



**Muhammed Alharbi**  
Legal Affairs and  
Contracts Manager

### 1. General Counsel & Vice President Corporate Affairs Overview

Utilizing our Company's resources in creating a responsible working environment, established on clarity and transparency, by building a compliance driven culture, would be an optimal investment. Saudi Airlines Catering Company's governance and compliance practices are manifested through the fulfilment of its stakeholder rights by adapting the best transparency practices, adhering to the disclosure principles and having active roles for its Board of Directors and Executive Management team.

In line with its Board of Directors and CEO's directions, the Company's commitment to building a compliance driven culture is proven by the creation and application of many inter-company policies and updating authority matrixes, which act as a solid base for an effective operating model.

The changes in the Company's organizational structure mandated excessive efforts from the corporate governance department to work on updating its practices. Our corporate governance team believe that the improvement journey is ongoing and driven by updates in international practices.

I would like to take this opportunity to extend my sincerest gratitude to the corporate governance team for their recognizable efforts in adapting the best international practices. I am fully confident that the team will continue being recognized by winning prestigious awards as they have done in the past two years.

**Sultan Al-Booq**  
General Counsel & Vice President  
Corporate Affairs

### 2. 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:

#### Article 5/(9):

All rights related to shares shall be guaranteed to the shareholder, and particularly the following:  
9) to record his/her name in the Company's shareholders register;

#### Reason:

The shareholders register their shares in the register of the company's shareholders through the Saudi Stock Change Company Tadawul.

#### Article 39:

The Company shall pay adequate attention to the training and preparation of the Board members and the Executive Management, and shall develop the necessary programs required for the same, taking the following into account:

- 1) preparing programs for the recently-appointed Board members and Executive Management to familiarise them with the progress of the Company's business and activities, particularly the following:
  - a. the strategy and objectives of the Company;
  - b. the financial and operational aspects of the Company's activities;
  - c. the obligations of the Board members and their duties, responsibilities and rights;
  - d. the duties and competencies of the committees of the Board.

- 2) developing the necessary mechanisms for Board members and the Executive Management to continuously enroll in training programs and courses in order to develop their skills and knowledge in the fields related to the activities of the Company.

#### Reason:

This article is optional. However, in the normal course of business the Company continuously informs the Board of Directors and the Executive Management of its strategy, objectives, financial and operational aspects. The duties of the Board and its committees are included in the Corporate Governance Manual. In addition, the Company invites the Board of Directors and the Executive Management to contribute and attend workshops, seminars and training sessions in related fields. The Board Chairman and the Committees' Chairmen and the Board Secretary inform the Board and its subcommittees and the Executive Management with all updates that assist them in performing their duties.

## Corporate Governance (continued)

### 2. Compliance with Laws And Regulations (continued)

#### Article 41:

- a) The Board shall develop, based on the proposal of the nomination committee, the necessary mechanisms to annually assess the performance of the Board, its members and committees and the Executive Management using key performance indicators linked to the extent to which the strategic objectives of the Company have been achieved, the quality of the risk management and the efficiency of the internal control systems, among others, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company.
- b) The procedures of performance assessment shall be in writing and clearly stated and disclosed to the Board members and parties concerned with the assessment.
- c) The performance assessment shall entail an assessment of the skills and experiences of the Board, identification of the weaknesses and strengths of the Board and shall attempt to resolve such weaknesses using the available methods, such as nominating competent professional staff able to improve the performance of the Board. The performance assessment shall also entail the assessment of the mechanisms of the Board's activities in general.
- d) The individual assessment of the Board members shall take into account the extent of effective participation of the member and his/her commitment to performing his/her duties and responsibilities, including attending the Board and its committee meetings and dedicating adequate time thereto.
- e) The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three years.
- f) Non-Executive Directors shall carry out a periodic assessment of the performance of the Chairman of the Board after getting the opinions of the Executive Directors, without the presence of the Chairman of the Board in the discussion on this matter, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company.

#### Reason:

The evaluation policies are included in the Corporate Governance Manual of the Company. However, an internal evaluation has been performed during 2018 by the Board's Nomination and The Remuneration Committee.

#### Article 45:

A person who desires to nominate himself/herself for membership of the Board shall disclose to the Board or the General Assembly any cases of conflicts of interest, including:

- having direct or indirect interest in the contracts and businesses entered into for the benefit of the Company in which he/she desires to be nominated to the Board;
- engaging in business that may compete with the Company or any of its activities.

#### Reason:

This obligation does not lie with the Company but with the candidate.

#### 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 chapter is optional.

#### Article 82:

The external auditor shall:

- owe the duties of loyalty and care to the Company;
- notify the Authority if the Board fails to take appropriate actions in respect of suspicious issues it raises; and
- request the Board to call for a General Assembly meeting if the Board has not facilitated its mission; and shall be liable to compensate the Company, the shareholders or third parties for the damages resulted from errors it commits in the course of its engagement. If an error is attributable to more than one external auditor, they shall be jointly responsible therefor.

#### Reason:

This obligation is on the external Auditor not the Company.

#### Article 85:

The Company shall establish programs for developing and encouraging the participation and performance of the Company's employees. The programs shall particularly include the following:

- forming committees or holding specialised workshops to hear the opinions of the Company's employees and discuss the issues and topics that are subject to important decisions;
- establishing a scheme for granting Company shares or a percentage of the Company profits and pension programs for employees, and setting up an independent fund for such program; and
- establishing social organisations for the benefit of the Company's employees.

#### Reason:

This commitment is optional. However, the Company has programs to motivate the performance of its employees such as annual bonuses as well as other benefits. Moreover, the Company in 2018 conducted an engagement survey for its employees to collect employee opinions on various matters covering their relationship with the Company.

#### 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.

#### 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.



## Corporate Governance (continued)

### 2. Compliance with Laws And Regulations (continued)

#### Article 93:

Provide the necessary details regarding bonuses and compensation paid for each of the following:

- Board of Director members.
- Top Five Executive Managers including Chief Executive Officer and Chief Financial Officer.

#### Reason:

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.

#### Article 95:

If the Board forms a corporate governance committee, it shall assign to it the competencies 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.

#### Reason:

This is an optional article.

### 3. Main activities of the Company

- In-Flight Catering
- Retail
- Catering and Facilities

	Revenue in SAR*	Percentage
In-Flight Catering	1,679,817,063	69.96%
Retail	177,748,465	7.40%
Catering and Facilities	161,998,121	6.75%
Total reportable segments	2,019,563,649	84.11%
Other segments	381,444,733	15.89%
<b>Total</b>	<b>2,401,008,382</b>	<b>100%</b>

\* Revenue includes internal income

### 4. Affiliates Activities

- Operating and managing duty free shops

	Revenue in SAR	Percentage
Operating and managing duty free shops	242,844,499	100%
<b>Total</b>	<b>242,844,499</b>	<b>100%</b>

### 5. Company plans and main decisions and future expectations

#### Main decisions:

Date	Decision
01/01/2018	Saudi Airlines Catering Company Announces the Relocation of its Headquarters
28/03/2018	Saudi Airlines Catering Co. announces the annual financial results for the period ending on 31-12-2017
28/03/2018	Saudi Airlines Catering Co. announces the annual financial results for the period ending on 31-12-2017
30/04/2018	Saudi Airlines Catering Co. invites its shareholders to attend the Extraordinary General Assembly Meeting (first meeting)
05/02/2018	Saudi Airlines Catering Co. announces the interim financial results for the period ending on 31-03-2018 (three months)
06/05/2018	Saudi Airlines Catering Co. announces the distribution of dividend for period first quarter 2018
15/05/2018	Saudi Airlines Catering Company (SACC) announces to its Shareholders the Starting of the Electronic Voting on the Extraordinary General Assembly Meeting Agenda (first meeting)
22/05/2018	Saudi Airlines Catering Co. announces the results of the Extraordinary General Assembly Meeting (first meeting)
05/08/2018	Saudi Airlines Catering Co. announces the interim financial results for the period ending on 30-06-2018 (six months)
05/08/2018	Saudi Airlines Catering Co. announces the distribution of dividend for period second quarter 2018
11/10/2018	Saudi Airlines Catering Co. announces the Board members elections

Date	Decision
07/11/2018	Saudi Airlines Catering Co. announces its interim financial results for the period ending on 30-09-2018 (nine months)
07/11/2018	Saudi Airlines Catering Co. announces the distribution of cash dividend for third quarter 2018
07/11/2018	Correction announcement from Saudi Airlines Catering Co. in regards to Saudi Airlines Catering Co. announces its interim financial results for the period ending on 30-09-2018 (nine months)
15/11/2018	Saudi Airlines Catering Co. announces to invite its shareholders to attend the Extraordinary General Meeting (first meeting)
13/12/2018	Saudi Airlines Catering Company (SACC) announces to its shareholders the starting of the Electronic Voting on the Extraordinary General Assembly Meeting agenda (first meeting)
18/12/2018	Saudi Airlines Catering Co. announces the results of the Extraordinary General Meeting (first meeting)
30/12/2018	Saudi Airlines Catering Co. announces to invite its shareholders to attend the Ordinary General Meeting (first meeting)

The information of the company's plans and its future expectations are mentioned in pages from 1 to 53 from this report.

### 6. The Company's business results, assets and liabilities

In Saudi Arabian Riyals ("SAR")

Net Profit		Total Assets		Total Liabilities	
<b>2018</b>	<b>459,280,884</b>	<b>2018</b>	<b>2,085,785,659</b>	<b>2018</b>	<b>784,330,202</b>
2017	481,737,979	2017	1,882,961,406	2017	600,016,458
2016	519,105,487	2016	1,881,785,352	2016	621,195,805
2015	698,500,954	2015	1,848,220,612	2015	530,060,246
2014	653,932,832	2014	1,809,313,494	2014	583,606,574

### 7. Assets and liabilities comparison (5 years)

SAR

	2014	2015	2016	2017	2018
Current Assets	1,567,648,992	1,335,359,487	1,235,756,877	1,192,668,183	1,415,363,541
Non-current Assets	241,664,502	512,861,125	646,028,475	690,293,226	670,422,118
<b>Total Assets</b>	<b>1,809,313,494</b>	<b>1,848,220,612</b>	<b>1,881,785,352</b>	<b>1,882,961,409</b>	<b>2,085,785,659</b>
Current Liabilities	459,830,358	384,426,935	457,923,163	431,018,258	616,906,370
Non-current Liabilities	123,776,216	145,633,311	163,272,642	168,998,200	167,423,832
<b>Total Liabilities</b>	<b>583,606,574</b>	<b>530,060,246</b>	<b>621,195,805</b>	<b>600,016,458</b>	<b>784,330,202</b>

## Corporate Governance (continued)

### 8. Business Comparison (5 years)

	2014	2015	2016	2017	2018
Revenue	2,135,940,070	2,260,800,463	2,256,650,268	1,952,564,940	2,035,757,930
Cost of Revenue	1,361,365,704	1,436,259,260	1,490,899,501	1,229,772,985	1,339,278,458
Zakat and Income Tax	46,201,746	41,840,694	33,505,845	41,669,319	37,114,177
Gross Profit	774,574,366	824,541,201	765,750,767	722,791,955	696,479,472
Net Profit	653,932,832	698,500,954	519,105,487	481,737,979	459,280,884

### 9. Geographic analysis of revenue

2018	Geographic analysis for total income of the Company		
	Saudi Arabia	Egypt	Total
	1,959,119,018	76,638,912	2,035,757,930

### 10. Affiliate's geographic analysis of revenue

2018	Geographic Analysis of total income of the Company	
	Saudi Arabia	Egypt
Saudi French Company for Operating and Managing Duty Free Shops	242,844,499	242,844,499

### 11. Significant differences in operational results, compared to previous expectations

	2017 SAR	2018 SAR	Change (+) or (-) SAR	Percentage of change
Revenue/sales	1,952,564,940	2,035,757,930	83,192,990	4.26%
Cost of revenue	1,229,772,985	1,339,278,458	109,505,473	8.90%
Gross profit	722,791,955	696,479,472	(26,312,483)	(3.64%)
Other operating income	7,046,674	12,355,651	5,308,977	75.34%
Other operating expenses	(2,845,620)	(1,624,719)	1,220,901	42.90%
Operating income (loss)	535,401,882	505,579,818	(29,822,064)	(5.57%)

### 12. 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

### 13. Board of Directors

#### A. Members of the Board of Directors

Based on the Company's bylaws, the Board of Directors of Saudi Airlines Catering Company is formed of nine members for a term of three Gregorian years commencing on January 26th, 2016 and ending on January 25th, 2019. These members were appointed through elections by the Extraordinary General Assembly during the meeting held on January 12th, 2016.

Yahya Al Yahya was appointed as the Chairman of the Board by the members of the Board of Directors during the meeting held on January 28th, 2016 and Raed Al Mudaiheem 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 during the Board meeting dated May 3rd, 2017. The committees emanating from the Board were also formed, which are the Audit Committee and Nomination and Remuneration Committee, while the Executive Committee was formed on December 6th, 2016.

At the end of the second Board term, the Company has opened nominations for the third term that commences on January 26th, 2019 and ends on January 25th, 2022. The members of the third term of Board of Directors were elected during the Extraordinary General Assembly meeting dated on December 17th, 2018.

#### Members of the Board of Directors as of December 31st, 2018

##### Yahya Abdullah Al Yahya

Independent member, Chairman of the Board of Directors, 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 (HLP II), 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.

## Corporate Governance (continued)

### 13. Board of Directors (continued)

#### A. Members of the Board of Directors (continued)

##### Raed Ibrahim Al Mudaiheem

Independent Board member, Vice-Chairman of the Board, Chairman of Audit committee, member of the Executive Committee

##### Current positions

- CEO of Masdar Building Materials, KSA (JCC)
- Board Member, United Mining Industries, KSA (JCC)
- Board Member, Northern Region Cement Co., KSA (Listed)
- Board Member, Bawan Company, KSA (Listed)
- Board Member, Northern Region Cement Co Jordan, Jordan (JST)
- Board Member, Al Badia Cement Syria, Syria (JST)
- Board Member, SUEZ Cement Co, Egypt (JST)
- Board Member, Al Yamamah Steel, KSA (Listed)
- Board Member, Al Muhaidib Group, KSA (Ltd.)

##### Previous positions

- 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 28 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.

##### Fahad Abdulmohsen Al Rasheed

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

##### Current positions

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

##### Previous positions

- CEO and Managing Director of Emaar The Economic City, KSA (Listed)
- Deputy Governor and Head of Economic Cities Agency at Saudi Arabian General Investment Authority (SAGIA), KSA (Government Authority)
- Chief Financial Officer (CFO) at the Saudi Arabian General Investment Authority (SAGIA), KSA (Government Authority)
- Financial Analyst at Saudi Aramco, KSA (Government Authority)

##### Academic qualifications

- Bachelor's in Business Administration, Washington University
- MBA, The Stanford Business School

##### Professional experience

Fahad 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.

##### Sami Abdulmohsen Al-Hokair

Non-Executive Board member

##### Current positions

- Managing Director, Abdulmohsen Abdulaziz Al-Hokair Holding Group, KSA (Listed)
- Board Member, Abdulmohsen Al-Hokair Abdulaziz Holding Group, KSA (Listed)
- Vice Chairman, Sahara Kingdom Properties, KSA (Ltd.)
- Chairman of the Board of Directors of Tanami Holding Company
- Member of the Board of Directors of Real Estate and Tourism Development Company
- Member of the Board of Directors of the European Company for Tourism and Hotel Investment, Jordan
- General Manager of Half Moon Beach Resort Company, Saudi Arabia
- General Manager, Sparkys Land Entertainment, UAE
- General Manager of Sparkys Digital Land Entertainment, UAE
- General Manager of Sparkys Oceanica Entertainment, UAE
- General Manager of Digital Land Entertainment, Ras Al Khaimah, United Arab Emirates
- Member of the Board of Entertainment and Tourism, Egypt
- Member of the Tourism Development Board in the Eastern Province, Saudi Arabia

##### Previous positions

- Board Member, Catering & Strategic Co., KSA (Ltd.)
- Member of the Tourism Committee of the Eastern Province, Kingdom of Saudi Arabia
- Vice President of the Tourism Committee at the Chamber of Commerce and Industry in the Eastern Province, Saudi Arabia

##### Academic qualifications

- Bachelor's of Administrative Science, King Saud University

##### Professional experience

Sami has over 27 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 sits on the board 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 Sahara Kingdom Properties.

##### Abdullah Djameel Taibah

Non-Executive Board member, member of Nomination and Remuneration Committee

##### Current positions

- Board Member, EMAAR Economic City, KSA (Listed)
- Board Member, Alessa 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 28 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.

## Corporate Governance (continued)

### 13. Board of Directors (continued)

#### A. Members of the Board of Directors (continued)

##### Shawgi Mohammed Mushtag

Independent Board member, 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 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.)
- Staff Manager Gulf and Far East Region, 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.

##### Jonathan Stent-Torriani

Non-Executive Board member, 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
- Certified Assessor

##### 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.

##### Abdulmohsen Abdulaziz Al Yahya

Non-Executive Board member, 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

Non-Executive Board member, 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)

### 13. Board of Directors (continued)

#### B. Board of Directors' meetings

Name	Number of Meetings (6)						Total
	02/19/2018	03/19/2018	05/21/2018	08/02/2018	11/06/2018	12/17/2018	
Yahya Al Yahya	✓	✓	✓	✓	✓	✓	06
Raed Al Mudaiheem	✓	✓	✓	✓	✓	✓	06
Fahad AL Rasheed	✓	×	✓	✓	×	✓	04
Sami Al-Hokair	×	✓	✓	✓	×	×	03
Abdullah Taibah	✓	✓	×	✓	✓	✓	05
Shawgi Mushtag	✓	✓	✓	✓	✓	✓	06
Jonathan Torriani	✓	✓	✓	✓	✓	×	05
Abdulmohsen Al Yahya	✓	✓	×	✓	×	×	03
Ayman Al Tayyar	×	×	✓	✓	✓	×	03

\* The last Extraordinary General Assembly meeting was held on December 18th, 2018; another General Assembly meeting was held on May 21st, 2018.

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

##### 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 (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.)

##### Raed Ibrahim Al Mudaiheem

###### Current Board and Management memberships

- CEO of Masdar Building Materials, KSA (JCC)
- Board Member, United Mining Industries, KSA (JCC)
- Board Member, Northern Region Cement Co., KSA (Listed)
- Board Member, Bawan Company, KSA (Listed)
- Board Member, Northern Region Cement Co Jordan, Jordan (JST)
- Board Member, Al Badia cement Syria, Syria (JST)
- Board Member, SUEZ Cement Co, Egypt (JST)
- Board Member, Al Yamamah Steel, KSA (Listed)
- Board Member, Al Muhaidib Group, KSA (Ltd.)

###### Previous Board and Management memberships

- Board Member, Arabian Pipes Co., KSA (Listed)

##### Fahad Abdulmohsen Al Rasheed

###### Current Board and Management memberships

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

###### Previous Board and Management memberships

- CEO, and Managing Director of Emaar The Economic City, KSA (Listed)
- Deputy Governor and Head of Economic Cities Agency at Saudi Arabian General Investment Authority (SAGIA), KSA (Government Authority)
- Chief Financial Officer (CFO) at the Saudi Arabian General Investment Authority (SAGIA), KSA (Government Authority)
- Financial Analyst at Saudi Aramco, KSA (Government Authority)

##### 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)
- Vice Chairman, Sahara Kingdom Properties, KSA (Ltd.)
- Chairman of the Board of Directors of Tanami Holding Company
- Board Member of Real Estate and Tourism Development Company
- Board Member of the European Company for Tourism and Hotel Investment, Jordan
- General Manager of Half Moon Beach Resort Company, Saudi Arabia
- General Manager, Sparkys Land Entertainment, UAE
- General Manager of Sparkys Digital Land Entertainment, UAE
- General Manager of Sparkys Oceanica Entertainment, UAE
- General Manager of Digital Land Entertainment, Ras Al Khaimah, United Arab Emirates
- Board Member of Legends of Entertainment and Tourism, Egypt
- Member of the Tourism Development Board in the Eastern Province, Saudi Arabia

###### 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.
- Vice President of the Tourism Committee at the Chamber of Commerce and Industry in the Eastern Province, Saudi Arabia

## Corporate Governance (continued)

### 13. Board of Directors (continued)

#### C. Current and previous memberships of Boards of Directors and/or their membership of Executive Management in other companies (local or international) (continued)

##### 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.)

##### 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 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.)
- Staff Manager Gulf and Far East Region, Saudi Arabian Airlines, KSA (Government Est.) Staff Manager Personnel records, Saudi Arabian Airlines, KSA (Government Est.)

##### 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

##### 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)

### D. Directors' Benefits

#### Board Members' and their relatives' benefits

Description of any interest, contractual securities or rights issue of the Board members, and their relatives in shares of the company

	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares		Number of shares				
Yahya Al Yahya	100		100		0	0	0
Raed Al Mudaiheem	1,000		1,000		0	0	0
Fahad AL Rasheed	1,000		1,000		0	0	0
Sami Al- Hokair	1,000		1,000		0	0	0
Abdullah Taibah	1,000		1,000		0	0	0
Shawgi Mushtag	1,000		1,000		0	0	0
Jonathan Torriani	1,000		1,000		0	0	0
Abdulmohsen Al Yahya	36,022		21,022		15,000	-42%	0
Ayman Al Tayyar	1,160		1,160		0	0	0

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

	Beginning of year		End of year		Net change		Percentage change		Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools	Number of shares	Debt tools	Number of shares	Debt tools	
Yahya Al Yahya	0	0	0	0	0	0	0	0	0
Raed Al Mudaiheem	0	0	0	0	0	0	0	0	0
Fahad AL Rasheed	0	0	0	0	0	0	0	0	0
Sami Al- Hokair	0	0	0	0	0	0	0	0	0
Abdullah Taibah	0	0	0	0	0	0	0	0	0
Shawgi Mushtag	0	0	0	0	0	0	0	0	0
Jonathan Torriani	0	0	0	0	0	0	0	0	0
Abdulmohsen Al Yahya	0	0	0	0	0	0	0	0	0
Ayman Al Tayyar	0	0	0	0	0	0	0	0	0

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

	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools			
Yahya Al Yahya	0	0	0	0	0	0	0
Raed Al Mudaiheem	0	0	0	0	0	0	0
Fahad AL Rasheed	0	0	0	0	0	0	0
Sami Al- Hokair	0	0	0	0	0	0	0
Abdullah Taibah	0	0	0	0	0	0	0

## Corporate Governance (continued)

### 13. Board of Directors (continued) F. Remuneration of Board Members (continued)

	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools			
Shawgi Mushtag	0	0	0	0	0	0	0
Jonathan Torriani	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

Description of benefits, contractual based securities, and subscription entitlements for Board Members or their relatives on debt instruments of the affiliate company (Saudi French Company for Operating and Managing Duty Free Shops)

	Beginning of year		End of year		Net change		Percentage change		Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools	Number of shares	Debt tools	Number of shares	Debt tools	
Yahya Al Yahya	0	0	0	0	0	0	0	0	0
Raed Al Mudaiheem	0	0	0	0	0	0	0	0	0
Fahad AL Rasheed	0	0	0	0	0	0	0	0	0
Sami Al- Hokair	0	0	0	0	0	0	0	0	0
Abdullah Taibah	0	0	0	0	0	0	0	0	0
Shawgi Mushtag	0	0	0	0	0	0	0	0	0
Jonathan Torriani	0	0	0	0	0	0	0	0	0
Abdulmohsen Al Yahya	0	0	0	0	0	0	0	0	0
Ayman Al Tayyar	0	0	0	0	0	0	0	0	0

**E. Membership Type**

Member of Board of Directors	Type of membership
Yahya Al Yahya	Independent member
Raed Al Mudaiheem	Independent member
Fahad AL Rasheed	Non-Executive member
Sami Al- Hokair	Non-Executive member
Abdullah Taibah	Non-Executive member
Shawgi Mushtag	Independent member
Jonathan Torriani	Non-Executive member
Abdulmohsen Al Yahya	Non-Executive member
Ayman Al Tayyar	Non-Executive member

**F. 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.

	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools			
Yahya Al Yahya	0	0	0	0	0	0	0
Raed Al Mudaiheem	0	0	0	0	0	0	0
Fahad AL Rasheed	0	0	0	0	0	0	0
Sami Al- Hokair	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
Jonathan Torriani	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
<b>Total</b>	<b>1,900,000.00</b>	<b>-</b>	<b>1,900,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>

	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools			
Yahya Al Yahya	0	0	0	0	0	0	0
Raed Al Mudaiheem	0	0	0	0	0	0	0
Fahad AL Rasheed	0	0	0	0	0	0	0
Sami Al- Hokair	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
Jonathan Torriani	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
<b>Total</b>	<b>1,900,000.00</b>	<b>-</b>	<b>1,900,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>

	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools			
Yahya Al Yahya	0	0	0	0	0	0	0
Raed Al Mudaiheem	0	0	0	0	0	0	0
Fahad AL Rasheed	0	0	0	0	0	0	0
Sami Al- Hokair	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
Jonathan Torriani	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
<b>Total</b>	<b>1,900,000.00</b>	<b>-</b>	<b>1,900,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>

	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools			
Yahya Al Yahya	0	0	0	0	0	0	0
Raed Al Mudaiheem	0	0	0	0	0	0	0
Fahad AL Rasheed	0	0	0	0	0	0	0
Sami Al- Hokair	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
Jonathan Torriani	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
<b>Total</b>	<b>1,900,000.00</b>	<b>-</b>	<b>1,900,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>

	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools			
Yahya Al Yahya	0	0	0	0	0	0	0
Raed Al Mudaiheem	0	0	0	0	0	0	0
Fahad AL Rasheed	0	0	0	0	0	0	0
Sami Al- Hokair	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
Jonathan Torriani	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
<b>Total</b>	<b>1,900,000.00</b>	<b>-</b>	<b>1,900,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>

	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools			
Yahya Al Yahya	0	0	0	0	0	0	0
Raed Al Mudaiheem	0	0	0	0	0	0	0
Fahad AL Rasheed	0	0	0	0	0	0	0
Sami Al- Hokair	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
Jonathan Torriani	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
<b>Total</b>	<b>1,900,000.00</b>	<b>-</b>	<b>1,900,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>

	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools			
Yahya Al Yahya	0	0	0	0	0	0	0
Raed Al Mudaiheem	0	0	0	0	0	0	0
Fahad AL Rasheed	0	0	0	0	0	0	0
Sami Al- Hokair	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
Jonathan Torriani	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
<b>Total</b>	<b>1,900,000.00</b>	<b>-</b>	<b>1,900,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>

	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools			
Yahya Al Yahya	0	0	0	0	0	0	0
Raed Al Mudaiheem	0	0	0	0	0	0	0
Fahad AL Rasheed	0	0	0	0	0	0	0
Sami Al- Hokair	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
Jonathan Torriani	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
<b>Total</b>	<b>1,900,000.00</b>	<b>-</b>	<b>1,900,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>

	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools			
Yahya Al Yahya	0	0	0	0	0	0	0
Raed Al Mudaiheem	0	0	0	0	0	0	0
Fahad AL Rasheed	0	0	0	0	0	0	0
Sami Al- Hokair	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
Jonathan Torriani	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
<b>Total</b>	<b>1,900,000.00</b>	<b>-</b>	<b>1,900,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>

	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools			
Yahya Al Yahya	0	0	0	0	0	0	0
Raed Al Mudaiheem	0	0	0	0	0	0	0
Fahad AL Rasheed	0	0	0	0	0	0	0
Sami Al- Hokair	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
Jonathan Torriani	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
<b>Total</b>	<b>1,900,000.00</b>	<b>-</b>	<b>1,900,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>

	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools			
Yahya Al Yahya	0	0	0	0	0	0	0
Raed Al Mudaiheem	0	0	0	0	0	0	0
Fahad AL Rasheed	0	0	0	0	0	0	0
Sami Al- Hokair	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
Jonathan Torriani	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
<b>Total</b>	<b>1,900,000.00</b>	<b>-</b>	<b>1,900,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>

	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools			
Yahya Al Yahya	0	0	0	0	0	0	0
Raed Al Mudaiheem	0	0	0	0	0	0	0
Fahad AL Rasheed	0	0	0	0	0	0	0
Sami Al- Hokair	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
Jonathan Torriani	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
<b>Total</b>	<b>1,900,000.00</b>	<b>-</b>	<b>1,900,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	

## Corporate Governance (continued)

### 13. Board of Directors (continued)

#### F. Remuneration of Board Members (continued)

##### 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.

### 14. 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.

#### A. 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 2018, 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 April 17, 2017.

### Members of the Audit Committee

#### Raed Ibrahim Al Mudaiheem

Chairman

##### Current positions

- CEO of Masdar Building Materials, KSA (JCC)
- Board Member, United Mining Industries, KSA (JCC)
- Board Member, Northern Region Cement Co., KSA (Listed)
- Board Member, Bawan Company, KSA (Listed)
- Board Member, Northern Region Cement Co Jordan, Jordan (JST)
- Board Member, Al Badia cement Syria, Syria (JST)
- Board Member, SUEZ Cement Co, Egypt (JST)
- Board Member, Al Yamamah Steel, KSA (Listed)
- Board Member, Al Muhaidib Group, KSA (Ltd.)

##### Previous positions

- 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 28 years in both public and private sectors. In the beginning of his career Raed worked in diversified engineering activities within the 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.

#### Ayman Tarik Al-Tayyar

##### 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

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 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 major 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.

In line with the Company's by-laws, SACC's Board is formed of nine Board members who were appointed by the AGM for the current term starting from January 26, 2016, which will end on January 25, 2019.

On January 28, 2016, Yahya Al-Yahya was unanimously appointed by the Board as Chairman. In addition, Raed Al-Mudaiheem was appointed as the Vice Chairman by the Board for the current Board term under the power of authority granted to them in accordance with Article 23 of the Company's by-laws during their meeting which was held on May 3, 2017.



## Corporate Governance (continued)

### 14. Board of Directors' Committees (continued)

#### A. Audit Committee (continued)

##### Khaled Ali Otain

##### Current positions

- CEO and Managing Partner of International Accountants
- 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

##### Previous positions

- Independent Auditor Ernst and Young
- Independent Auditor TAG
- Audit Committee member, Mohammed Abdulaziz AlRajhi Group

##### Academic qualifications

- BSc in Accounting, King Saud University
- Certified Public Accountant (SOCPA)
- Certified Management Accountant (CMA)
- Certified Fraud Examiner (CFE)
- Certified Financial Consultant (KSA)
- Certified Administrative Consultant (KSA)

##### 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.

#### Table of Audit Committee meetings

Name	Nature of Membership	Number of Meetings (6)						Total
		19/06/2018	15/03/2018*	30/04/2018	26/07/2018*	30/10/2018	27/12/2018*	
Raed Al-Mudaiheem	Chairman	✓	✓	✓	✓	✓	✓	6
Ayman Al Tayyar	Member	✓	✓	✓	✓	✓	✓	6
Khaled Otain	Member	✓	✓	✓	✓	X	✓	5

\* The Audit Committee conducted its meetings held on 15/03/2018, 26/07/2018 and on 27/12/2018 via conference call.

#### Remuneration of the Audit Committee members

SAR

Name	Fixed Remuneration	Allowance for attending the meeting	Total
Raed Al-Mudaiheem	100,000	18,000	118,000
Ayman Al Tayyar	100,000	9,000	109,000
Khaled Otain	100,000	6,000	106,000
Total	300,000	33,000	333,000

#### B. Nomination and Remuneration Committee

The Committee is composed of four non-executive members of the Board of Directors, one of which is 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.

#### Members of the Nomination and Remuneration Committee

##### Fahad Abdulmohsen Al-Rasheed

Chairman

##### Current positions

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

##### Previous positions

- CEO and Managing Director of Emaar The Economic City, KSA (Listed)
- Deputy Governor and Head of Economic Cities Agency at Saudi Arabian General Investment Authority (SAGIA), KSA (Government Authority)
- Chief Financial Officer (CFO) at the Saudi Arabian General Investment Authority (SAGIA), KSA (Government Authority)
- Financial Analyst at Saudi Aramco, KSA (Government Authority)

##### Academic qualifications

- Bachelor's in Business Administration, Washington University
- MBA, The Stanford Business School

##### Professional experience

Fahad is a board member of 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. Al-Rasheed 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.

##### Abdullah Jameel Taibah

##### Current positions

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

##### Previous positions

- Board Member, Arabian Qudra Company, KSA (Ltd.)

##### Academic qualifications

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

##### Professional experience

Abdullah has over 28 years of experience in strategic and operations management through various posts in the region. Abdullah held the position of CEO, Qudra Energy, in the way of transforming the company into an Energy Platform for ACWA Holding Group. In this assignment Abdullah was able to structure an energy group that is 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.

## Corporate Governance (continued)

### 14. Board of Directors' Committees (continued)

#### B. Nomination and Remuneration Committee (continued)

##### Shawgi Mohammed Mushtag

###### Current positions

- Retired

###### Previous positions

- DG. Privatization Advisor 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.)
- Staff Manager Gulf and Far East Region, 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.

He 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.

##### Jonathan Stent-Torriani

###### 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
- Certified Assessor

###### 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 Naunce 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.

#### Table of Nomination and Remuneration Committee meetings

Name	Nature of Membership	Number of Meetings (2)		Total
		19/03/2018	11/10/2018*	
Fahad Al Rasheed	Chairman	X	✓	1
Jonathan Torriani	Member	✓	✓	2
Abdullah Taibah	Member	✓	✓	2
Shawgi Mushtag	Member	✓	✓	2

\* Nomination and Remuneration Committee meeting held on October 11th, 2018 was conducted via conference call.

#### Remuneration of the Nomination and Remuneration Committee members

SAR

Name	Fixed Remunerations	Allowance for attending the meeting	Total
Fahad Al Rasheed	100,000	0	100,000
Jonathan Torriani	100,000	3,000	103,000
Abdullah Taibah	100,000	3,000	103,000
Shawgi Mushtag	100,000	3,000	103,000
Total	400,000	9,000	409,000

#### C. The Executive Committee

The Committee is composed of three non-executive members of the Board of Directors, two independent members of the Board of Directors, and one member of the executive management who is the CEO (Executive Member). 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.

#### Members of the Executive Committee

##### Yahya Abdullah Al Yahya

Chairman

###### Current positions

- Board Member, International Gulf Bank in Bahrain.

###### 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.)

## Corporate Governance (continued)

### 14. Board of Directors' Committees (continued)

#### C. The Executive Committee (continued)

- 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

Al 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.

#### Raed Ibrahim Al Mudaiheem

##### Current positions

- CEO of Masdar Building Materials, KSA (JCC)
- Board Member, United Mining Industries, KSA (JCC)
- Board Member, Northern Region Cement Co., KSA (Listed)
- Board Member, Bawan Company, KSA (Listed)
- Board Member, Northern Region Cement Co Jordan, Jordan (JST)
- Board Member, Al Badia cement Syria, Syria (JST)
- Board Member, SUEZ Cement Co, Egypt (JST)
- Board Member, Al Yamamah Steel, KSA (Listed) Board Member, Al Muhaidib Group, KSA (Ltd.)

##### Previous positions

- 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 28 years in both public and private sectors. In the beginning of his career Raed worked in diversified engineering activities within the 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.

#### Fahad Abdulmohsen Al Rasheed

##### Current positions

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

##### Previous positions

- CEO and Managing Director of Emaar The Economic City, KSA (Listed)
- Deputy Governor and Head of Economic Cities Agency at Saudi Arabian General Investment Authority (SAGIA), KSA (Government Authority)
- Chief Financial Officer (CFO) at the Saudi Arabian General Investment Authority (SAGIA), KSA (Government Authority)
- Financial Analyst at Saudi Aramco, KSA (Government Authority)

#### Professional experience

Fahad 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. Al-Rasheed 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

##### 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 Certified Assessor

#### 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 Nance 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)

### 14. Board of Directors' Committees (continued)

#### C. The Executive Committee (continued)

##### Abdulmohsen Abdulaziz Al Yahya

###### Current positions

- 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 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 the 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.

##### Wajdy Al-Ghabban

###### Current positions

- Chief Executive Officer, Saudi Airlines Catering
- Chief Executive Officer, Strategic Catering Company
- 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

- Masters of Business Administration from Robert Kennedy College, University of Wales, Switzerland

###### Professional experience

29 years' service in 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.

### Schedule of meetings of the Executive Committee

Name	Nature of Membership	Number of Meetings	
		19/06/2018	Total
Yahya Al-Yahya	Chairman	✓	1
Abdulmohsen Al-Yahya	Member	✓	1
Fahad Al-Rasheed	Member	✓	1
Jonathan Torriani	Member	✓	1
Raed Al-Mudaiheem	Member	✓	1
Wajdy Al-Ghabban	Member	✓	1

### Remuneration of members of the Executive Committee

SAR

Name	Fixed Remuneration	Attendance Allowance	Total
Yahya Al-Yahya	100,000	3,000	103,000
Abdulmohsen Al-Yahya	100,000	3,000	103,000
Fahad Al-Rasheed	100,000	3,000	103,000
Jonathan Torriani	100,000	3,000	103,000
Raed Al-Mudaiheem	100,000	3,000	103,000
Wajdy Al-Ghabban	-	-	-
Total	500,000	15,000	515,000

### 15. Executive Management

#### Wajdy Al-Ghabban

##### Current position

- Chief Executive Officer, Saudi Airlines Catering
- Chief Executive Officer, Strategic Catering Company
- 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

- Masters of Business Administration from Robert Kennedy College, University of Wales, Switzerland.

##### Professional experience

29 years' service in 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.

## Corporate Governance (continued)

### 15. Executive Management (continued)

#### Sultan Al-Booq

##### Current positions

- General Counsel & VP, Corporate Affairs
- VP Procurement and Strategic Sourcing

##### 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 Financial Officer

##### Previous positions

- 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
- Director Operations 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.

## Corporate Governance (continued)

### 15. Executive Management (continued)

#### Abdulwahab Saati

##### Current positions

- Chief Operating Officer – 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 26 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.

#### Martial Verine

##### Current positions

- Chief Operating Officer – Catering and Facilities

##### Previous positions

- Regional Director for Chad & East Africa at Catering International & Services (CIS)
- Managing Director for Chad at Catering International & Services (CIS)
- Managing Director Algeria at Newrest
- General Manager In-Flight Catering in Tunisia at Newrest
- Various Operational Management positions in West Africa for Compass Group (Eurest Support Services) and Sodexo
- Various middle management positions in hotel & catering industry in France

##### Academic qualifications

- Bachelor's of Marketing & Hotel Management – ESITEL Montpellier (France), 1994
- Scientific Baccalaureate Montpellier, 1991

##### Professional experience

Martial brings around 20 years of experience gained through working in multi-segment catering positions within the hospitality & catering sector.

Prior to his appointment as Regional Director for Catering International & Services (CIS) in 2010 overseeing Central & East Africa, he was appointed as the General Manager for Newrest In-Flight Catering in Tunisia in 2005 followed by Managing Director for Newrest Algeria in 2009.

Martial's experience also includes working for leading brands such as Eurest and Sodexo.

#### Fahad Khayat

##### Current positions

- VP, Internal Control and Performance Improvement

##### 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
- Bachelor of Science, Weber State University, Ogden, Utah, USA. 1981

##### Professional experience

Dr. Fahad's department has delivered key ISO/HACCP/OHSAS/Halal (HAB) qualifications for the business. With over 25 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.

#### Talal Al Toaimi

##### Current positions

- VP Hospitality

##### 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.

## Corporate Governance (continued)

### 15. Executive Management (continued)

#### Sylvain Benoit

##### Current positions

- Chief Operating Officer – Catering and 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.

#### Compensation of Executive Management

Item	SAR
Salaries and Compensation	4,404,840
Allowances	380,500
Annual Remuneration	2,228,948
Incentives	—
Any Compensation or Benefit that is Paid Monthly or Annually	—
<b>Total</b>	<b>7,014,288</b>

#### Description of the interest of the members of the senior management or their relatives in the shares of the Company

Description of the interest of the members of the senior management and their spouses and minor children in the shares of the Company:

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership from the first degree
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Wajdy Al-Ghabban	—	—	—	—	—	—	1,000
Sultan Al-Booq	—	—	—	—	—	—	—
Tarek Tharwat	—	—	—	—	—	—	—
Matti Kivekas	—	—	—	—	—	—	—
Abdelwahab Saati	—	—	—	—	—	—	—
Fahad Khayyat	—	—	—	—	—	—	—
Sylvain Benoit	—	—	—	—	—	—	—
Talal Al Toaimi	—	—	—	—	—	—	—
Ibrahim Alsini	16	—	16	—	0	0	—

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

Description of interests, contractual based securities, and subscription entitlements of Executive Management members or their wives or children on debt instruments of the company:

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership from the first degree
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Wajdy Al-Ghabban	—	—	—	—	—	—	—
Sultan Al-Booq	—	—	—	—	—	—	—
Tarek Tharwat	—	—	—	—	—	—	—
Matti Kivekas	—	—	—	—	—	—	—
Abdelwahab Saati	—	—	—	—	—	—	—
Fahad Khayyat	—	—	—	—	—	—	—
Sylvain Benoit	—	—	—	—	—	—	—
Talal Al Toaimi	—	—	—	—	—	—	—
Ibrahim Alsini	—	—	—	—	—	—	—

#### Description of the interest of the members of the senior management or their relatives in the shares of the affiliate company (Saudi French Company for Operating and Managing Duty Free Shops)

Description of the interest of the members of the senior management and their spouses and minor children in the shares of the affiliate company:

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership from the first degree
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Wajdy Al-Ghabban*	—	—	—	—	—	—	—
Sultan Al-Booq	—	—	—	—	—	—	—
Tarek Tharwat	—	—	—	—	—	—	—
Matti Kivekas	—	—	—	—	—	—	—
Abdelwahab Saati*	—	—	—	—	—	—	—
Fahad Khayyat	—	—	—	—	—	—	—
Sylvain Benoit	—	—	—	—	—	—	—
Talal Al Toaimi	—	—	—	—	—	—	—
Ibrahim Alsini	—	—	—	—	—	—	—

\* 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 or their relatives on debt instruments of the affiliate company (Saudi French Company for Operating and Managing Duty Free Shops)

Description of interests, contractual based securities, and subscription entitlements of Executive Management members or their wives or children on debt instruments of the affiliate company:

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership from the first degree
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Wajdy Al-Ghabban*	—	—	—	—	—	—	—
Sultan Al-Booq	—	—	—	—	—	—	—
Tarek Tharwat	—	—	—	—	—	—	—
Matti Kivekas	—	—	—	—	—	—	—
Abdelwahab Saati*	—	—	—	—	—	—	—

## Corporate Governance (continued)

### 15. Executive Management (continued)

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership from the first degree
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Fahad Khayyat	—	—	—	—	—	—	—
Sylvain Benoit	—	—	—	—	—	—	—
Talal Al Toaimi	—	—	—	—	—	—	—
Ibrahim Alsini	—	—	—	—	—	—	—

\* Mr. Wajdy Al-Ghabban and Mr. Abdulwahab 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.

#### 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.

#### 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.

### 16. 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.

During its meeting held on 16th Safar 1435 Hijri (December 19, 2014), the SACC Board approved the agreement with Newrest to provide consultations and technical services (Technical Services Agreement). The agreement was directly signed between SACC and Newrest Holding S.L. where they own shares in Saudi Strategic Catering Company Ltd.

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 agreement ran for three years starting from January 1, 2014 and was renewed on January 1, 2017 to December 31, 2020. All contracts signed with related parties were approved during the meeting of the Company's General Assembly authorized for 2017. 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.

### 17. Summary of related parties transactions and purchases

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 own more than (5%) of the total company's capital	Inflight Catering services	This contract took effect on January 1st, 2015 and ends on December 31st, 2019	Provisional based on orders
		Inflight Catering services for Bayraq flights	This contract took effect on May 1st, 2016 and ends on April 30th, 2019	Provisional based on orders
		Sky Sales services for Bayraq flights	This contract took effect on May 1st, 2016 and ends on April 30th, 2019	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 3rd, 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, 2022	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, 2018	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 28th, 2019	Provisional based on orders
		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, 2018	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



## Corporate Governance (continued)

### 17. Summary of related parties transactions and purchases (continued)

Related party	Its relation with the Company	Transaction/purchase Type	Its duration	Its value
Saudi Arabian Airlines Establishment (continued)		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 16/04/2017 and ends on 16/07/2020	Provisional based on orders
		IT Service Level agreement with Saudia	The contract entered into force 01/05/2018 and ends on 0/04/2019	There is no value as per the contract nature
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 December 27th, 2019	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, 2019	Provisional based on orders
		Laundry services to SGS in Riyadh	This contract took effect on December 26th, 2016 and ends on December 25th, 2019	Provisional based on orders
		Laundry services to SGS in Jeddah	This contract took effect on December 26th, 2016 and expires on December 25th, 2019	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, 2019	Provisional based on orders
		Security services	This contract took effect on June 1st, 2016 and ends on May 30th, 2019	Provisional based on orders
		Catering services	This contract took effect on January 1st, 2017 and ends on December 31st, 2019	Provisional based on orders

Related party	Its relation with the Company	Transaction/purchase Type	Its duration	Its value
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 March 28th, 2019	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
		Lease agreement for head office of the company and central kitchen in Saudi City compound	This contract took effect on January 1st, 2017 and ends on December 31st, 2018	6.104.608 Saudi Riyal
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, 2019	9.000.000 Saudi Riyal (estimated value)
		Lease agreement for a building space	This contract took effect on August 1st, 2017 and ends on August 1st, 2019	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	Management and Consultancy Services with Newrest Group Holding S.L	This contract took effect on January 1st, 2017 and ends on December 31st, 2019	Estimated value according to the service
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, 2019	Estimated value according to the service
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, 2019	Provisional based on orders
Emaar, the Economic City	Fahad 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, 2019	Provisional based on orders
		Fahad 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	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, 2019

## Corporate Governance (continued)

### 17. Summary of related parties transactions and purchases (continued)

Related party	Its relation with the Company	Transaction/purchase Type	Its duration	Its value
	Fahad 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	lease agreement with Emaar for Saudi Laundry Services Land	This contract took effect on February 1st, 2012 and ends on January 30th, 2032	2.50.8876 Saudi Riyal
National Commercial Bank	Ayman Al-Tayyar is a Board member at SACC and part of the executive management of National Commercial Bank	Banking relations with National Commercial Bank	This contract took effect on January 1st, 2018 and ends on December 31st, 2019	All transactions with national commercial bank are unaffected amounts which represents regular administrative bank fees for example transferring money fees
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	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

### Income and expenses in SAR from related parties during 2018

Related party	Income	Expenses
Saudi Airlines Establishment	1,405,713,684	4,050,650
Mohammed Abdulmohsen Abdulaziz Al-Hokair Group	98,168	27,213
Newrest Holding Group	-	11,390,614
Saudi Airlines Cargo	14,718,896	--
Saudi French Company for Operating and Managing Duty Free Shops	9,855,414	--
Saudi Airlines for Real Estate Development SARED	-	13,397,623
Saudi Ground Services SGS	45,144,079	1,207,643
Flyadeal	3,736,118	--
Emmar, Economic City	-	2,572,053
National Commercial Bank, NCB	-	900,097.59
Gulf West Company	-	7,925,799

### Accounts payable and receivable in SAR from related parties during 2018

Related party	Debtor accounts	Debited accounts
Saudi Airlines Establishment	658,978,027	4,606,589
Mohammed Abdulmohsen Abdulaziz Al-Hokair group	(159,913)	--
Newrest Holding Group	--	(29,850)
Saudi Airlines Cargo	14,179,765	7,455,197
Saudi French Company for Operating and Managing Duty Free Shops	12,338,822	--
Saudi Airlines for Real Estate & Development, SARED	418,052	21,150,466
Saudi Ground services, SGS	32,527,902	1,422,838
Flyadeal	4,031,337	--
Emmar, Economic City	--	246,480
National Commercial Bank, NCB	--	--
Gulf West Ltd	--	829,168

### 18. Related Party matters

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	This contract took effect on January 1st, 2017 and expires on December 31st, 2019	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.
Commercial transactions for retail shops with Abdulmohsen Abdulaziz Al-Hokair Holding Group	Estimated value according to the service	This contract took effect on August 15th, 2014 and expires on August 14th, 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, 2018 and expires on December 31st, 2019	No preferential conditions compared to local market	Fahad Al-Rasheed is a Board member at SACC and Board Member at Emaar Economic City Company. In addition, Abdullah Taibah is a mutual Board member of SACC and Emaar Economic City Company

## Corporate Governance (continued)

### 18. Related Party matters (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
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, 2019	No preferential conditions compared to local market	Fahad Al-Rasheed is a Board member at SACC and Board Member at Emaar Economic City Company. In addition, 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	2,508,876 SAR	This contract took effect on February 1st, 2012 and expires on January 30th, 2032	No preferential conditions compared to local market	Fahad Al-Rasheed is a Board member at SACC and the Board Member at Emaar Economic City Company. In addition, Abdullah Taibah is a mutual Board member of SACC and Emaar Economic City Company
Banking and Financial Transactions with National Commercial Bank	All transactions with National Commercial Bank are unaffected amounts which represents regular administrative bank fees for example transferring money fees	This contract took effect on January 1st, 2018 and expires on December 31st, 2019	No preferential conditions compared to local market	Ayman Al-Tayyar is a Board member at SACC and part of the executive management of National Commercial Bank

### 19. Summary of payments made to the Government

Declaration	2018		Summary description	Reasons
	Paid	Dues on the end of financial year and are not paid yet		
GOSI	29,439,611	2,611,683	Paid amounts are for the period Dec 2017 - Nov 2018 and Dec 2018 paid in Jan 2019	Paid amounts are for the period Dec 2017 - Nov 2018 and Dec 2018 paid in Jan 2019
Customs	8,850,561	0	All actual payments to Customs in FY2018	All actual payments to Customs in FY2018
Visa and passports fees and work office taxes	26,591,416	0	All actual payments to Ministry of Labor & Ministry of Interior	All actual payments to Ministry of Labor & Ministry of Interior
Zakat	29,096,684	28,259,464	Fiscal year 2018 provisions	Payable in April 2019
Income tax	8,897,566	2,050,550	Fiscal year 2018 provisions	Payable in April 2019

### 20. Due payments

	2014	2015	2016	2017	2018
Employees dues	29,831,466	30,378,918	38,012,927	32,321,739	40,203,728
Due expenses and liabilities	197,527,942	106,123,165	204,690,235	142,703,795	175,064,403
Restructuring allowance	13,747,775	--	--	--	--
Zakat and income tax	40,295,776	35,106,943	27,100,352	31,190,091	30,310,014
Total	281,402,959	171,612,026	269,803,514	206,215,625	245,578,145

### 21. Company's investments

The investment	Its type	Date	Amount	Maturity date
Saudi British Bank - Sukuk	Long term	18/12/2013	40,000,000	18/02/2020

### 22. 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.

### 23. 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.

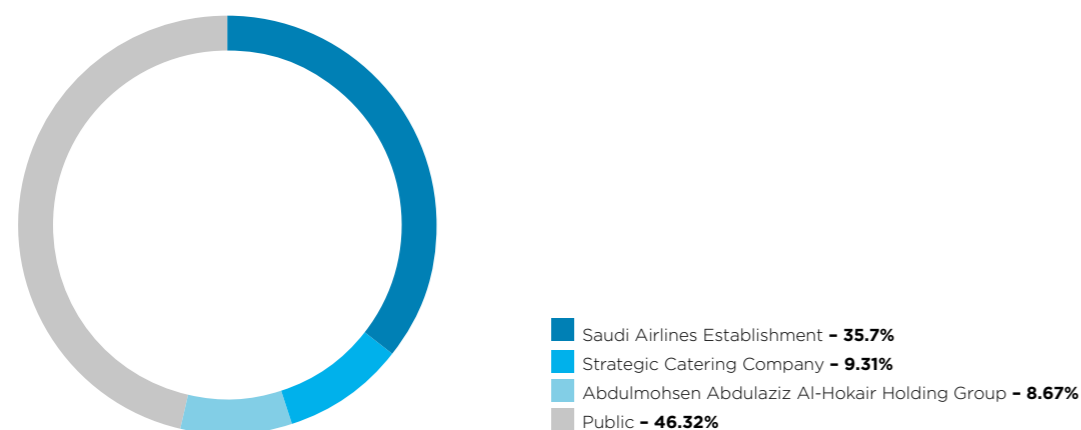
During 2018, the Chief Audit Executive confirmed to the Audit Committee that SACC management did not impose any scope limitation on the internal audit scope. In addition, the Audit Committee confirmed that there were no substantial findings related to the annual internal control effectiveness review 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 2018.

## Corporate Governance (continued)

### 24. Shareholders' capital shares ratio

The shareholder	The capital as in 01/01/2018 SAR	Percentage	Number of Shares	The capital as in 31/12/2018 SAR	Number of Shares	Percentage
Saudi Airlines Establishment	292,740,000	35.70	29,274,000	292,740,000	29,274,000	35.70
Strategic Catering Company	76,413,790	9.31	7,641,379	76,413,790	7,641,379	9.31
Abdulmohsen Abdulaziz Al Hokair Group	71,112,560	8.67	7,111,256	71,112,560	7,111,256	8.67
The public	379,733,650	46.32	37,973,365	379,733,650	37,973,365	46.32
<b>Total</b>	<b>820,000,000</b>	<b>100.00</b>	<b>82,000,000</b>	<b>820,000,000</b>	<b>82,000,000</b>	<b>100.00</b>

### 25. Structure of distribution of capital and shares on Shareholders



### 26. 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 348.5 million in the first three quarters of 2018, which equals 42.5% of the net income before Zakat and income tax.

#### The Company has distributed the following dividends during 2018 (in SAR):

Distribution date	30/07/2018	26/09/2018	10/01/2019	10/04/2019	Total
Percentage	13.5 %	14%	15%	13%	55.5%
Amount	110,700,000	114,800,000	123,000,000	106,600,000	455,100,000

### 27. General Assembly meetings

Two successful meetings of SACC General Assembly were held during 2018 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.

#### A. The first General Assembly meeting

After reaching the quorum required for the meeting, the Extraordinary General Assembly has convened a meeting on 06/09/1439 corresponding to 21/05/2018; and its decisions and results were as the following:

- Approval for the Board of Directors Annual Report for the fiscal year ending on 31st Dec 2017 and its contents.
- Approval for the financial statements of the Company for the year ending on 31st Dec 2017.
- Approval for the external auditor's report for the year ending on 31st Dec 2017.
- Approval for the appointment of the External Auditor KPMG Al Fozan and Partners based on the recommendation issued by the Audit committee for the Financial Audit of the Company on a quarterly and annual basis for the second, third, fourth quarter and 2018 year end and the first quarter 2019 with a total yearly fee amounted to SAR 640,000.
- Approval for the discharge of the Board of Directors from liability for their activities during the year 2017 until the date of this AGM meeting.
- Ratification of the Board of Directors resolutions regarding the distribution of dividends for the year 2017 with the total amount valued at SAR 455,100,000 which represents 55.5% of the share capital after Zakat and before income tax.
- Approval for authorizing the Board of Directors to distribute the biannual or quarterly dividends for the fiscal year of 2018 and to determine the eligibility date in accordance to the regulations and procedures issued to implement the companies law and in accordance with the Company's financial position, cash flows, expansion plans and investment.
- Approval for the payment of the Board of Directors remuneration and compensation which are detailed within the Board of Directors' Annual Report, against their work, from the period of 1st Jan 2017 until 31st Dec 2017 with the total amount of SAR 3,029,932.
- Approval for the transactions with Newrest Group Holding Co., a controlling shareholder of Strategic Catering Co., one of the Company's main shareholders within which SACC's Board of Director Mr. Jonathan Stent-Torriani holds interest, and permitting for these transactions for one coming year for the performance of consultancy and administrative services, with a total amount of SAR 11,779,983 for the year 2017. The terms of such contractual agreements each differ according to the nature and location of each agreement and without any preferential conditions compared to the local market.
- Approval for the transactions with Abdulmohsen Abdulaziz Al-Hokair Holding Group, one of the company's main shareholders within which SACC's Board of Director Mr. Sami Al-Hokair holds interest, and permitting for these transactions for one coming year for the performance of several lease agreements of retail stores, with a total amount of revenues of SAR 11,595 for the year 2017. The terms of such contractual agreements each differ according to the nature and location of each agreement and without any preferential conditions compared to the local market.
- Approval for the transactions with Gulf West Co. Ltd., a company within which one of SACC's Board of Directors, Eng. Abdulmohsen Abdulaziz Al Yahya, owns controlling shares and permitting for these transactions for one coming year for the performance of supplying raw materials and consumable goods to the company, with a total amount of revenues of SAR 3,545,045 for the year 2017. The terms of this contractual agreement are for one renewed year, without any preferential conditions compared to the local market.
- Approval for the transactions with Emaar, The Economic City, within which the Board of Director Mr. Fahd Abdulmohsen Al Rasheed holds interest as he is a Managing Director and Chief Executive Officer, and within which the Board of Director Eng. Abdullah Taibah holds interest as he is a Board Director, and permitting for these transactions for one coming year for the performance of lease agreements for the automatic laundry facility of the Company, and for the residential units of the Company employees, with a total amount of revenue of SAR 1,445,061 for the year 2017. The contractual relationship did not contain any preferential conditions compared to the local market. The terms of such contractual agreements each differ according to the nature and location of each agreement.
- Approval for the transactions with National Commercial Bank, of which Mr. Ayman Tarek Al Tayyar holds interest as he is a deputy chief executive officer and banking head of, and permitting for these transactions for one coming year for the performance of banking services, without any preferential conditions compared to the local market.
- Approval for amending article 31 of the Company's bylaws concerning the invitation of General Assemblies meetings.
- Approval for amending article 42 of the Company's bylaws concerning the Audit Committee's Reports.
- Approval for amending article 46 of the Company's bylaws concerning the Company's Budget.

## Corporate Governance (continued)

### 27. General Assembly meetings (continued)

#### B. The second General Assembly meeting

The Company has also convened another General Assembly meeting during year of 2018 in its Unit in King Abdulaziz International Airport in Jeddah on 10/04/1440 corresponding to 17/12/2018 at 18:30, and its decision came as the following:

- Electing the new Board Directors' members for the new term for a period of three Gregorian years commencing as of 26/01/2019 and ending on 25/01/2022, the elected members for the new term are:
  - Jonathan Stent-Torriani
  - Sami Abdulmohsen Al-Hokair
  - Raid Ibraheem Al Mudaiheem
  - Hassan Shakeeb Al Jabri
  - Mohammed Abdulaziz Al Sarhan
  - Yousef Hamad Al Yousefi
  - Fahad Abdulmohsen Al Rasheed
  - Abdulkarim Al Sulami
  - Khaled Mohammed Al Hukail
- Approval on the amendment of article four of the Company's bylaws.

#### C. Attendance of the General Assembly by the Board of Directors' members and the Committee members and Executive Management members

Name	Membership	Type of membership	General Assembly	
			May 21st, 2018	December 17th, 2018
Yahya Al Yahya	Chairman of Board of Directors and Chairman of Executive Committee	Independent	✓	✓
Raed Al Mudaiheem	Vice Chairman of Board of Directors and Chairman of Audit Committee	Independent	✓	✓
Sami Al-Hokair	Board Member	Non-Executive	X	X
Jonathan Torriani	Member of Board of Directors and the Executive Committee and the Nomination and Remuneration Committee	Non-Executive	✓	X
Shawgi Mushtag	Member of Board of Directors and member of the Nomination and Remuneration Committee	Independent	✓	✓
Fahad Al Rasheed	Member of Board of Directors and the Executive Committee and Chairman of the Nomination and Remuneration Committee	Non-Executive	X	X
Abdullah Taibah	Member of Board of Directors, member of the Nomination and Remuneration committee	Non-Executive	X	X
Ayman Al Tayyar	Member of Board of Directors, member of the Audit Committee	Non-Executive	X	X
Abdulmohsen Al Yahya	Member of Board of Directors, member of the Executive Committee	Non-Executive	X	X
Wajdy Al Ghabban	Chief Executive Officer and member of the Executive Committee	Executive	✓	✓
Sultan Al-Booq	Executive Management, Board Secretary, Audit Committee Secretary, NRC Secretary, and Executive Committee Secretary	Executive	X	✓
Matti Kivekas	Executive Management, CFO	Executive	✓	X

### 28. 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).

### 29. 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.

### 30. Requests to obtain Shareholder records

Number	Request date	Request reasons
1	31/01/2018	Company procedures
2	09/04/2018	Dividend distribution
3	31/05/2018	General Assembly
4	24/02/2018	Dividend distribution
5	16/09/2018	Dividend distribution
6	17/12/2018	General Assembly
7	24/12/2018	Dividend distribution

### 31. 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.

### 32. Initiatives planned to improve transparency or communications with investors in 2018

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.

We provide an informative FAQ page on our SACC website, which aims to deliver meaningful answers to investors' common inquiries. For those who may need to seek information beyond the FAQs page, a direct email address is provided and dedicated specifically for issues concerning investors. This email is easy to find on SACC's website and users are acknowledged with a timeframe of when they will expect to receive an answer from SACC.

To foreign investors, we understand that feeling secure about the Company's processes and benefits on an international scale is important. We therefore provide a page devoted solely to information relevant to foreign investors, including but not limited to rights and exemptions they may face in the Kingdom of Saudi Arabia. As part of that effort, SACC has participated in establishing its profile in SharesInside and aims to provide all relevant information to its international shareholders through that innovative platform.

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.

### 33. 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.

## Corporate Governance (continued)

### 33. Risks (continued)

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.

#### 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.

## Corporate Governance (continued)

### 33. Risks (continued)

#### 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.

### 34. 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	The Authority issuing the violation	How to solve and avoid it
Fine with value of ten thousand Saudi Riyals (SAR 10,000)	The Company did not facilitate the Ministry's inspectors to do their mission	Ministry of Labor and Social Development	The Company has paid the fine and directs its employee to act accordingly.
Fine with value of ten thousand Saudi Riyals (SAR 10,000)	No extra chairs for employees in retail shops and non-existence of rest places for employees	Ministry of Labor and Social Development	The company has provided the required chairs, furthermore the company's employees are using one of the coffee shops located in King Abdulaziz International Airport as a rest place.
Fine with value of one thousand and five hundred Saudi Riyals (SAR 1,500)	Fire system crashes for the Laundry Project located in King Abdallah Economic City	Board of Economic Cities in King Abdallah Economic City	After the technical verification of the violation, the company found that the firefighting system is working properly and that the reason for the failure of the system is due to the fact that the external water pump did not work because the associated valve was closed during the inspection period.
Fine with value of five hundred Saudi Riyals (SAR 500)	Violation of general health and safety conditions	General Authority of Civil Aviation	The Company carried out the required corrective actions at the time and assured its employees to follow the rules and regulations and not to repeat them in the future.
Fine with value of five hundred Saudi Riyals (SAR 500)	Throwing catering materials on the walkway of international lounge No. (02) departure area in King Khaled International Airport in Riyadh	General Authority of Civil Aviation	The Company carried out the required corrective actions at the time and assured its employees to follow the rules and regulations and not to repeat them in the future.
Fine with value of five hundred Saudi Riyals (SAR 500)	Dumping boxes in the international Lounge No. (02) arrival area in King Khaled International Airport in Riyadh	General Authority of Civil Aviation	The Company carried out the required corrective actions at the time and assured its employees to follow the rules and regulations and not to repeat them in the future.
Fine with value of five hundred Saudi Riyals (SAR 500)	Incorrect car parking without a driver in the walkway of international Lounge No. (02) in King Khaled International Airport in Riyadh	General Authority of Civil Aviation	The Company carried out the required corrective actions at the time and assured its employees to follow the rules and regulations and not to repeat them in the future.

### 35. The Company's social contributions during 2018

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 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.

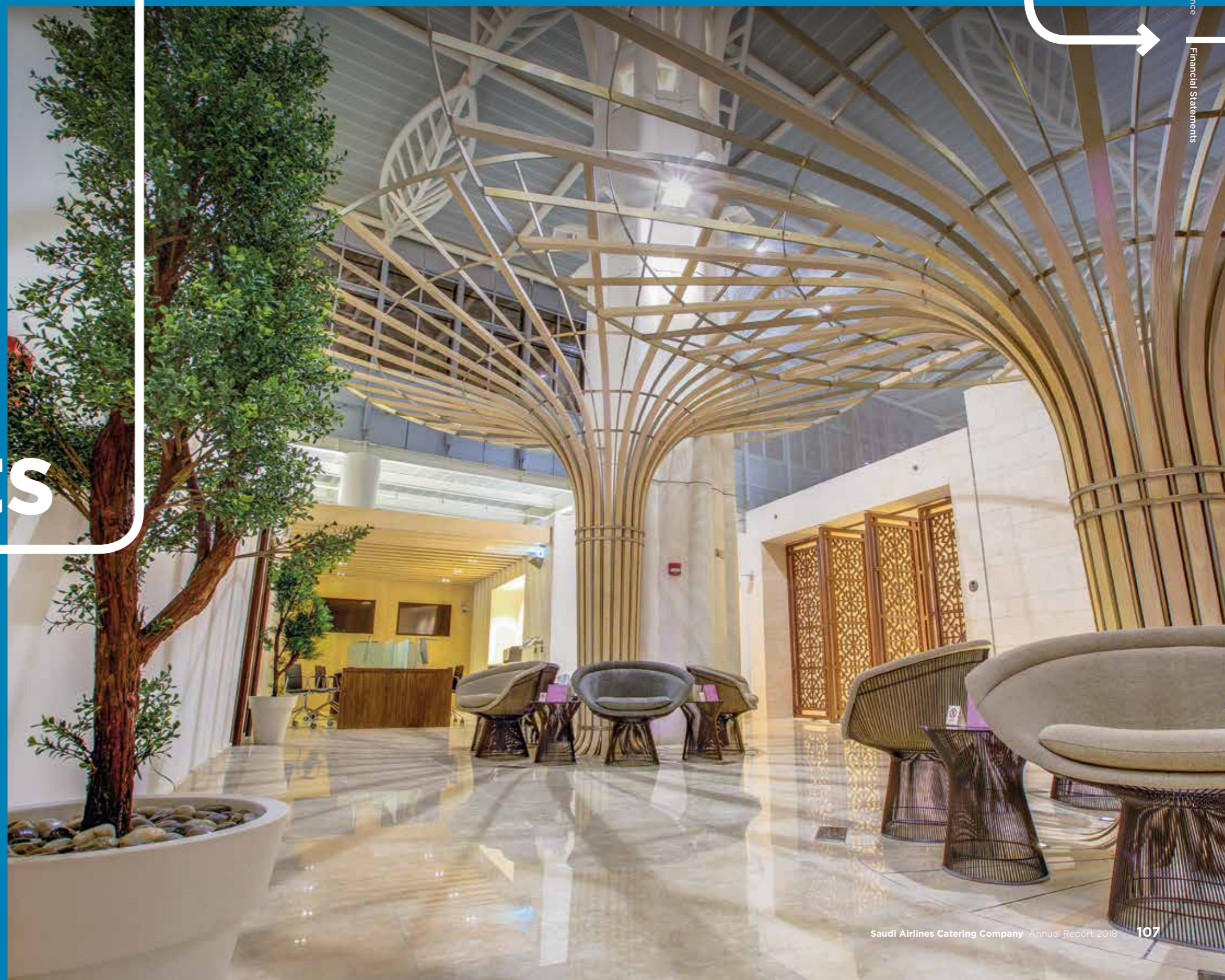
### 36. The Board of Directors declarations

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 recoverable debt instruments except for the investment with Saudi British Bank - Sukuk which the Company redeemed on 31/12/2018, the redemption was before the maturity date.
- 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 2018, except what was disclosed earlier in this report.
- There were no arrangements or agreements through which any Board member or any executive waived any salary or compensation.
- There are no arrangements or agreements through which any of the Company's shareholders waived 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 arrangements or recommendations by the Board to change the Company's external auditor.
- Except as disclosed in clause 34, 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 recommendations 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 2018.
- 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, 2018, 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, 2018, 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 notes 4 and 5 for the accounting policy and note 23 for the related disclosure.

Key audit matter	How the matter was addressed in our audit
<p>As at December 31, 2018, the Company recognized total revenue of SR 2,036 million (2017: SR 1,953 million).</p> <p>There continues to be pressure on the Company to meet expectations and targets, which may result in a misstatement of revenue.</p> <p>Revenue recognition is considered a key audit matter as there is a risk that management may override controls to misstate revenue transactions, and there is a risk of misapplication of the new accounting standard.</p>	<p>We performed the following procedures in relation to revenue recognition:</p> <ul style="list-style-type: none"> <li>Assessed the appropriateness of the Company's revenue recognition accounting policies by considering the requirements of relevant accounting standards;</li> <li>Reviewed management's IFRS 15 assessment to verify the reasonableness and the accuracy and completeness of the impact on the financial statements of the Company.</li> <li>Assessed the design and implementation, and tested the effectiveness of the Company's controls, including anti-fraud controls, over the recognition of revenue as per the Company's policy;</li> <li>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;</li> <li>Developed an expectation of the current year revenue balance for different segments based on trend analysis or other available information, taking into account sales volume, average prices and our understanding of the market. We then compared this expectation to actual revenue and, where relevant, completed further inquiries and testing;</li> <li>Selected, on a sample basis, revenue transactions and verified the related supporting documents to ensure the accuracy and validity of revenue recognition.</li> <li>Obtained an understanding of the nature of the revenue contracts entered into by the Company for each significant revenue stream, tested a sample of sales contracts to confirm our understanding and assessed whether or not management's application of IFRS 15 requirements was in accordance with the standard.</li> </ul>

## First time adoption of IFRS 9 - "Financial Instruments"

Refer to note 5 for the accounting policy.

Key audit matter	How the matter was addressed in our audit
<p>As at December 31, 2018, the Trade Receivables balance was SAR 950 million (2017: SAR 855 million).</p> <p>The Company adopted IFRS 9 on its effective date of 1 January 2018 superseding the requirements of IAS 39 "Financial Instruments - recognition and measurement".</p> <p>Management assessed that the key changes arising from adoption of IFRS 9 related to the recognition and measurement of the impairment allowance on financial assets carried at amortized cost.</p> <p>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, rather than the incurred losses model details in IAS 39.</p> <p>The Company's management applied the simplified expected credit loss ("ECL") model to determine the allowance for impairment of trade receivables. Further, the Company applied the exemption provided by IFRS 9 not to restate the comparative periods as a result of the adoption of IFRS 9.</p> <p>The ECL model involves the use of various assumptions, covering both future macro-economic factors and study of historical trends.</p> <p>We considered this as a key audit matter due to the judgements and estimates involved in the application of the expected credit loss model.</p>	<p>We performed the following procedures in relation to the implementation of IFRS 9:</p> <ul style="list-style-type: none"> <li>Reviewed management's assessment of the impact of IFRS 9 in terms of the classification and measurement of its financial assets and liabilities, and understood the approach taken towards implementation.</li> <li>Considered and evaluated the validity of management's conclusion that the main area of impact was in respect of trade receivables impairment, using our experience and knowledge of entities operating in similar industries.</li> <li>Tested significant assumptions, including those related to 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.</li> <li>We also evaluated the adequacy of the disclosures included in the accompanying financials statements.</li> </ul>

## 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.

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

### 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.

Those charged with governance are 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, Jumada Al Thani 29, 1440H  
Corresponding to March 6, 2019

## Statement of Financial Position As at December 31, 2018 (Expressed in Saudi Arabian Riyals)

	Note	December 31, 2018	December 31, 2017
<b>Assets</b>			
Property, plant and equipment	7	<b>586,708,910</b>	554,462,015
Intangible assets	8	<b>258,269</b>	1,282,184
Investment property	9	<b>38,337,434</b>	40,286,383
Equity accounted investee	10	<b>15,125,813</b>	20,642,074
Other financial asset	11	<b>29,991,692</b>	73,620,570
<b>Non-current assets</b>		<b>670,422,118</b>	690,293,226
Inventories	12	<b>125,027,878</b>	109,980,916
Trade and other receivables	13	<b>950,225,547</b>	854,926,157
Prepayments and other assets	14	<b>192,857,373</b>	126,213,452
Cash and cash equivalents	15	<b>147,252,743</b>	101,547,658
<b>Current assets</b>		<b>1,415,363,541</b>	1,192,668,183
<b>Total assets</b>		<b>2,085,785,659</b>	1,882,961,409
<b>Equity</b>			
Share capital	16	<b>820,000,000</b>	820,000,000
Statutory reserve	17	<b>353,835,879</b>	353,835,879
Retained earnings		<b>127,619,578</b>	109,109,072
<b>Total equity</b>		<b>1,301,455,457</b>	1,282,944,951
<b>Liabilities</b>			
Employee benefits	19	<b>167,423,832</b>	168,998,200
<b>Non-current liabilities</b>		<b>167,423,832</b>	168,998,200
Zakat and income tax liabilities	20	<b>30,310,014</b>	31,190,087
Trade and other payables	21	<b>586,596,356</b>	399,828,171
<b>Current liabilities</b>		<b>616,906,370</b>	431,018,258
<b>Total liabilities</b>		<b>784,330,202</b>	600,016,458
<b>Total equity and liabilities</b>		<b>2,085,785,659</b>	1,882,961,409

Chief Financial Officer

Chief Executive Officer

Authorized Board of Directors Member

The accompanying notes 1 through 34 form an integral part of these financial statements.

**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended December 31, 2018**  
(Expressed in Saudi Arabian Riyals)

	Note	2018	2017
Revenue	23	<b>2,035,757,930</b>	1,952,564,940
Cost of sales	24	<b>(1,339,278,458)</b>	(1,229,772,985)
<b>Gross profit</b>		<b>696,479,472</b>	722,791,955
Reversal of impairment of trade receivables	13	<b>12,818,781</b>	15,683,701
General and administrative expenses	26	<b>(214,449,367)</b>	(207,274,828)
Other expenses	27	<b>(1,624,719)</b>	(2,845,620)
Other income	25	<b>12,355,651</b>	7,046,674
<b>Operating profit</b>		<b>505,579,818</b>	535,401,882
Finance income	28	<b>1,478,314</b>	2,966,542
Finance costs	19	<b>(5,256,820)</b>	(4,845,600)
<b>Net finance costs</b>		<b>(3,778,506)</b>	(1,879,058)
Share of loss of equity accounted investee	10	<b>(5,406,251)</b>	(10,115,526)
<b>Profit before zakat and income tax</b>		<b>496,395,061</b>	523,407,298
Zakat and income tax expense	20	<b>(37,114,177)</b>	(41,669,319)
<b>Profit for the year</b>		<b>459,280,884</b>	481,737,979
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement of defined benefit liability	19	<b>4,690,707</b>	(12,973,100)
Share of other comprehensive loss of associate	10	<b>(110,010)</b>	-
<b>Other comprehensive gain/(loss) for the year</b>		<b>4,580,697</b>	(12,973,100)
<b>Total comprehensive income for the year</b>		<b>463,861,581</b>	468,764,879
<b>Earnings per share</b>			
Basic earnings per share	29	<b>5.60</b>	5.87
Diluted earnings per share	29	<b>5.60</b>	5.87

Chief Financial Officer

Chief Executive Officer

Authorized Board of Directors Member

The accompanying notes 1 through 34 form an integral part of these financial statements.

**Statement of Changes in Equity**  
**For the year ended December 31, 2018**  
(Expressed in Saudi Arabian Riyals)

	Note	Share capital	Statutory reserve	Retained earnings	Total
Balance at January 1, 2017		820,000,000	340,714,074	99,875,473	1,260,589,547
<b>Total comprehensive income</b>					
Profit for the year		-	-	481,737,979	481,737,979
Other comprehensive loss		-	-	(12,973,100)	(12,973,100)
<b>Total comprehensive income</b>		-	-	468,764,879	468,764,879
<b>Transactions with owners of the Company</b>					
<b>Contributions and distributions</b>					
Dividends declared	18	-	-	(446,409,475)	(446,409,475)
Transfer to statutory reserve		-	13,121,805	(13,121,805)	-
<b>Balance at December 31, 2017</b>		<b>820,000,000</b>	<b>353,835,879</b>	<b>109,109,072</b>	<b>1,282,944,951</b>
<b>Balance at January 1, 2018</b>		<b>820,000,000</b>	<b>353,835,879</b>	<b>109,109,072</b>	<b>1,282,944,951</b>
<b>Total comprehensive income</b>					
Profit for the year		-	-	459,280,884	459,280,884
Other comprehensive income		-	-	4,580,697	4,580,697
<b>Total comprehensive income</b>		-	-	463,861,581	463,861,581
<b>Transactions with owners of the Company</b>					
<b>Contributions and distributions</b>					
Dividends declared	18	-	-	(445,351,075)	(445,351,075)
<b>Balance at December 31, 2018</b>		<b>820,000,000</b>	<b>353,835,879</b>	<b>127,619,578</b>	<b>1,301,455,457</b>

Chief Financial Officer

Chief Executive Officer

Authorized Board of Directors Member

The accompanying notes 1 through 34 form an integral part of these financial statements.

**Statement of Cash Flows**  
For the year ended December 31, 2018  
(Expressed in Saudi Arabian Riyals)

	Note	2018	2017
<b>Cash flows from operating activities</b>			
Profit for the year		<b>459,280,884</b>	481,737,979
<i>Adjustments for:</i>			
Zakat and tax		<b>37,114,177</b>	41,669,319
Depreciation	7 & 9	<b>62,387,898</b>	56,286,987
Amortization	8	<b>1,023,915</b>	1,198,904
(Reversal)/allowance for doubtful debts, net	13	<b>(12,818,781)</b>	(15,683,701)
Provision/(reversal) of slow-moving inventory, net	12	<b>9,246,193</b>	(3,983,676)
Finance income	28	<b>(1,478,314)</b>	(2,966,542)
Finance cost	19	<b>5,256,820</b>	4,845,600
Share of loss in equity accounted investees	10	<b>5,406,251</b>	10,115,526
Loss on sale of property, plant and equipment	27	<b>105,341</b>	171,470
Employees' benefits service cost	19	<b>14,860,779</b>	12,010,400
Provision for accrued bonus - long term	19	<b>2,400,000</b>	-
		<b>582,785,163</b>	585,402,266
<i>Changes in:</i>			
Inventories		<b>(24,293,155)</b>	19,533,738
Trade and other receivables		<b>(82,480,609)</b>	(108,550,589)
Prepayments and other assets		<b>(66,696,926)</b>	16,887,763
Trade and other payables		<b>66,658,533</b>	(34,773,501)
Cash generated from operating activities		<b>475,973,006</b>	478,499,677
Payment of accrued bonus - long term		-	(3,789,782)
Employees' benefits paid	19	<b>(19,401,260)</b>	(16,487,400)
Zakat & income tax paid	20	<b>(37,994,250)</b>	(37,579,584)
<b>Net cash from operating activities</b>		<b>418,577,496</b>	420,642,911
<b>Cash flows from investing activities</b>			
Interest income received		<b>1,531,319</b>	1,436,785
Proceeds from sale of investments	11	<b>40,000,000</b>	86,251,529
Proceed from finance assets - letter of guarantee		<b>3,628,878</b>	8,638,106
Additions to property, plant and equipment and investment property	7	<b>(92,791,185)</b>	(89,918,144)
Acquisition of equity accounted investee	10	-	(30,757,600)
<b>Net cash used in investing activities</b>		<b>(47,630,988)</b>	(24,349,324)
<b>Cash flow from financing activities</b>			
Dividends paid	18	<b>(325,241,423)</b>	(446,456,974)
<b>Net cash used in financing activities</b>		<b>(325,241,423)</b>	(446,456,974)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>45,705,085</b>	(50,163,387)
Cash and cash equivalents at beginning of the year		<b>101,547,658</b>	151,711,045
<b>Cash and cash equivalents at end of the year</b>	15	<b>147,252,743</b>	101,547,658

Chief Financial Officer

Chief Executive Officer

Authorized Board of Directors Member

The accompanying notes 1 through 34 form an integral part of these financial statements.

**Notes to the Financial Statements**  
For the year ended December 31, 2018  
(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 Company has obtained the amended commercial registration and the amended By-laws reflecting the public offering.

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").

According to the announcement of the Capital Market Authority (CMA) dated October 16, 2016, the Company has to apply the cost method for the measurement of the property, plant and equipment, investment properties and intangible assets for 3 years from the date of applying IFRS.

**B) Basis of Measurement**

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. Further, the financial statements are prepared using the accrual basis of accounting and going concern concept.

**C) Functional and presentation currency**

These financial statements are presented in Saudi Arabian Riyals ("SR") which is the Company's functional and presentation currency.

# Notes to the Financial Statements continued

## For the year ended December 31, 2018

(Expressed in Saudi Arabian Riyals)

### 3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, 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

Management exercise its judgement in applying the accounting policies that have the most significant effects on the amounts recognized in the financial statements.

#### Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and recognizes revenue at a point of time when the control of goods is transferred to the customers.

Management exercise its judgement on whether it acts as a principal or agent in its contractual agreements and is recognized revenue on gross or net basis accordingly.

#### 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. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but 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 138 million (December 31, 2017: SR 114 million) with a provision for obsolete and slow-moving inventories amounting to SR 13.4 million (December 31, 2017: SR 4.3 million). Any difference between the amounts actually realized 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. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in the employment market.

#### Impairment for expected credit losses (ECL) in trade and other receivables

The Company's determination of the ECL in trade and other receivables requires the Company to take into consideration certain estimates for forward looking factors while calculating the probability of default. These estimates may differ from actual circumstances.

#### Impairment of associates

The Company exercises judgement to consider the impairment of associate as well as their underlying assets. This includes the assessment of objective evidence which causes other than temporary decline in the value of investments. Any significant and prolonged decline in the fair value below its cost is considered as objective evidence for the impairment. The determination of what is 'significant' and 'prolonged' requires judgement. The Company also considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### A. Investments 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. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company 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 Company 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.

#### B. 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.

#### C. Revenue

The Company recognizes revenue at the amount of the transaction price that is allocated to that performance obligation. Revenue is recorded net of returns, trade discounts, volume rebates, estimates of other variable consideration and amounts collected on behalf of third parties.

The Company recognizes revenue from contracts with customers based on a five step model as set out in IFRS 15 - Revenue from Contracts with Customers. Revenue is measured based on the consideration specified in a contract with a customer and is recognized at a point of time when the control of goods is transferred to the customers.

Generally, the Company considers the following indicators of the transfer of control:

- The Company has a present right to payment for the goods/asset
- The customer has legal title to the goods/asset
- The Company has transferred physical possession/control of the goods/asset
- The customer has the significant risks and rewards of ownership of the goods/asset
- The customer has accepted the goods/asset

#### Catering revenue

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

#### Airline equipment

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

# Notes to the Financial Statements continued

## For the year ended December 31, 2018

(Expressed in Saudi Arabian Riyals)

### 4. SIGNIFICANT ACCOUNTING POLICIES continued

#### C. Revenue continued

##### 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.

#### D. 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 Company provides end of service benefits to employees. These benefits are unfunded. 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 Company 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. That 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. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

#### E. Zakat and income tax

The Company is subject to Regulations of Saudi General Authority of Zakat and Income Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat and income tax are provided on an accruals basis. The Zakat charge is computed on the Zakat base. Income tax is computed on adjusted net income. The amount of Zakat and income tax is the best estimate of the Zakat and income tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using Zakat and tax rates enacted or substantially enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans of the Company and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The Company withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders 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.

#### F. 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 & Umrah & Baggage handling services

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

#### G. Contingencies

Contingent liabilities are not recognized in the financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements, but are disclosed when an inflow of economic benefits is probable.

#### H. Finance income and finance cost

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

#### I. 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.

#### J. Interest income

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

#### K. 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.

#### L. 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, less estimated costs of completion and the estimated costs to sell.

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

#### M. Current versus non-current classification

The Company 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 Company classifies all other assets as non-current.

**Notes to the Financial Statements** continued  
**For the year ended December 31, 2018**  
(Expressed in Saudi Arabian Riyals)

**4. SIGNIFICANT ACCOUNTING POLICIES** continued

**M. Current versus non-current classification** continued

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 Company classifies all other liabilities as non-current.

**N. 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, while expenditure for betterment is capitalized.

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 on disposal of an item of property, plant and equipment is recognized in the profit or loss.

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:

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.

**O. 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.

Rental income from investment property is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

Rental income from other property is recognized as other income.

**P. Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Intangibles 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.

**Q. Non-derivative financial instruments**

**i. Non-derivative financial assets and financial liabilities – Recognition and derecognition**

The Company initially recognizes loans and receivables, deposits and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the 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 it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**ii. Non-derivative financial assets – Measurement**

**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 recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

**Financial assets at fair value through profit or loss**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

**iii. Non-derivative financial liabilities**

Non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

**R. Share capital**

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

**S. 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.

**T. 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.

**U. Leases**

**i) Determining whether an arrangement contains a lease**

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

# Notes to the Financial Statements continued

## For the year ended December 31, 2018

(Expressed in Saudi Arabian Riyals)

### 4. SIGNIFICANT ACCOUNTING POLICIES continued

#### U. Leases continued

At inception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Company's incremental borrowing rate.

#### ii) Leased assets

Leases of property, plant and equipment that transfer to the Company substantially all of the risk and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Company's statement of financial position.

#### iii) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

### 5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

#### A. IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15: Revenue from Contracts with Customers effective from January 1, 2018.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Company recognizes revenue when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgment of goods, which is in line with the requirements of IFRS 15.

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 Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company 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.

There was no material effect of adopting 'IFRS 15 Revenue from Contracts with Customers' except for the recognition of Airline Equipment revenue. Previously the Company accounted for the airline equipment revenue on the gross basis, however according to the IFRS 15, the entity should control the specified goods or services to be accounting as gross basis and act as a principal. The Company is acting on behalf of purchaser by procuring equipment based on the their yearly approved equipment forecast and in return, receives a fixed commission over and above of the costs incurred. The Company does not control the goods before it is transferred to purchaser, and the obligation of the Company is to arrange for another party to provide the goods, therefore, the Company is acting as agent and should recognize revenue on a net basis. The Company has adopted IFRS 15 using the retrospective effect method and has presented the impact on its profit and loss for the year ended December 31, 2017 and 2018 as follows:

Year ended December 31, 2018	As per IFRS 15	As per old policy	Impact of adoption of IFRS 15
Revenue	2,035,757,930	2,266,674,821	(230,916,891)
Cost of sales	1,339,278,458	1,570,195,349	(230,916,891)
Net profit	459,280,884	459,280,884	-

Year ended December 31, 2017	As per IFRS 15	As per old policy	Impact of adoption of IFRS 15
Revenue	1,952,564,940	2,223,394,348	(270,829,408)
Cost of sales	1,229,772,985	1,500,602,393	(270,829,408)
Net profit	481,737,979	481,737,979	-

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Company's revenue segments are set out below.

Type of Product	Nature, timing of satisfaction on performance obligations, significant payment terms	Nature of change in accounting policy
Inflight Catering, Remote & Camp management, Business & Industries catering, Laundry Services and Hajj & Umrah	Revenue from catering and other services is recognized when the services are rendered to the customer. Invoices are generated and revenue is recognized at that point in time. Invoices are generated and recognized as revenue, net off applicable discounts which relate to the items sold. No customer loyalty points are offered to customers and therefore there is no deferred revenue to be recognized for the items sold.	There is no impact from adopting IFRS 15. Revenue from catering and other services is recognized when the services are rendered to the customer. There are no returns for these services.
	For contracts that permit the customer to return an item, under IFRS 15 revenue is recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognized is adjusted for actual returns.	
	The revenue is recognized at the point of time.	
Airline Equipment	The Company is acting as an agent on behalf of the customer by procuring equipment and receives a commission over and above the costs incurred. The Company does not control the goods before it is transferred to the customer and the revenue is recognized at a point of time when the equipment is received from the supplier.	Income is recognized when the control over the equipment is transferred to the customer on a net basis, representing the commission.
Business Lounges	The Company recognizes revenue when passengers access the business lounges at a point of time at fixed rates based on contracts with airlines companies.	There is no impact from adoption of IFRS 15.
Onboard & Ground Retail	This revenue stream represents normal retail trade of skysales. The obligation is satisfied when the good is purchased at a point of time.	There is no impact from adoption of IFRS 15. 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.



**Notes to the Financial Statements** continued  
**For the year ended December 31, 2018**  
(Expressed in Saudi Arabian Riyals)

**5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES** continued

**B. IFRS 9 Financial Instruments**

The Company adopted IFRS 9 effective from January 1, 2018.

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

**i. Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the accounting policies related to financial liabilities and derivatives financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on the 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. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the 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 and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both 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 the 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.

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

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized 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 (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gains or loss on derecognition is recognized in profit or loss.
Debt investments at 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 recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

The effect of adopting IFRS 9 on the carrying amounts in financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the class of the Company's financial assets as at January 1, 2018.

	Original Classification under IAS 39	New Classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Other financial assets	Loans and Receivables/Held to Maturity	Amortised Cost	73,620,570	73,620,570
Trade Receivables	Loans and Receivables	Amortised Cost	854,926,157	869,792,668
Cash and bank balances	Loans and Receivables	Amortised Cost	101,547,658	101,547,658
<b>Total</b>			<b>1,030,094,385</b>	<b>1,044,960,896</b>

**ii) Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investment in equity instruments. Under IFRS9, credit losses are recognized earlier than IAS 39.

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.

'The Company measures loss allowances at an amount equal to lifetime ECLs.

'When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company 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.

Furthermore, the majority of the trade receivables are due from the major shareholder in the Company and government and semi-government entities. As a result, the Company has reversed an impairment of trade receivables amounting to SR 12.8 million. The Company adopted IFRS 9 prospectively, therefore the Company have not restated the comparative figures.

**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 Company assesses whether financials assets carried at amortised cost 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.

**Notes to the Financial Statements** continued  
**For the year ended December 31, 2018**  
(Expressed in Saudi Arabian Riyals)

**5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES** continued

**B. IFRS 9 Financial Instruments** continued

**iii) Transition**

The Company has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are not recognized in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

**C. New standards**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below.

Effective for annual periods beginning on or after	Standard, amendment or interpretation	Summary of requirements
Annual reporting periods beginning on or after January 1, 2019, early adoption is permitted	IFRS 16 – Leases	IFRS 16 changes fundamentally the accounting for leases by lessees. It eliminates the current IAS 17 dual accounting model, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases and, instead, introduces a single, on-balance sheet accounting model that is similar to current finance lease accounting.  Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.  Sale-and-leaseback is effectively eliminated as an off-balance sheet financing structure.
1 January 2019	(2015-2017 annual improvements cycle) IFRS 3, IAS 12 and IAS 23	The standards affected under the 2015-2017 annual improvements cycle, and the subjects of the amendments are: <ul style="list-style-type: none"> <li>• IFRS 3 business combinations and IFRS 11 Joint arrangements – previously held interest in a joint operation.</li> <li>• IAS 12 Income Taxes – income tax consequences of payments on financial instruments classified as equity.</li> <li>• IAS 23 Borrowing Costs – borrowing costs eligible for capitalisation.</li> </ul>
1 January 2019	Amendments to IAS 28	The amendments clarify that the Company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.
1 January 2019	Amendments to IFRS 9	Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

**D. Impairment**

**i) Non-financial assets**

The Company 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 Company 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 Company 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.

Intangible assets with indefinite useful lives are tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

**6. OPERATING SEGMENTS**

**A. Information about reportable segments**

December 31, 2018

	Inflight	Retail	Catering and facilities	Total reportable segments	All other unreportable 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
<b>Assets:</b>							
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
<b>Total</b>	<b>993,812,786</b>	<b>135,197,557</b>	<b>129,933,166</b>	<b>1,258,943,509</b>	<b>288,923,247</b>	<b>537,918,903</b>	<b>2,085,785,659</b>
<b>Liabilities:</b>							
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
<b>Total</b>	<b>291,189,683</b>	<b>46,047,245</b>	<b>22,060,478</b>	<b>359,297,406</b>	<b>137,470,212</b>	<b>287,562,584</b>	<b>784,330,202</b>

**Notes to the Financial Statements** continued  
**For the year ended December 31, 2018**  
(Expressed in Saudi Arabian Riyals)

**6. OPERATING SEGMENTS** continued

**A. Information about reportable segments** continued  
December 31, 2017

	Inflight	Retail	Catering and facilities	Total revenue for reportable segments	All other segments	Head office	Total
External revenue	1,508,122,708	261,503,197	119,889,814	1,889,515,719	63,049,221	-	1,952,564,940
Inter-segment revenue	46,399,516	32,805	3,914,868	50,347,189	283,315,605	-	333,662,794
Segment revenue	1,554,522,224	261,536,002	123,804,682	1,939,862,908	346,364,826	-	2,286,227,734
Segment profit/(loss) before zakat and tax	846,178,734	30,961,744	2,766,509	879,906,987	(356,499,689)	-	523,407,298
Depreciation and amortization	25,759,854	2,897,364	6,616,891	35,274,109	22,211,782	-	57,485,891
<b>Assets:</b>							
Segment assets	897,173,262	122,050,788	117,298,312	1,136,522,362	260,828,011	-	1,397,350,373
Other assets	-	-	-	-	-	485,611,036	485,611,036
<b>Total</b>	897,173,262	122,050,788	117,298,312	1,136,522,362	260,828,011	485,611,036	1,882,961,409
<b>Liabilities:</b>							
Segment liabilities	222,761,538	35,226,369	16,876,374	274,864,281	105,165,388	-	380,029,669
Other liabilities	-	-	-	-	-	219,986,789	219,986,789
<b>Total</b>	222,761,538	35,226,369	16,876,374	274,864,281	105,165,388	219,986,789	600,016,458

**B. Reconciliations of information on reportable segments to IFRS measures**

**I. Revenue**

	December 31, 2018	December 31, 2017
Total revenue for reportable segments	<b>2,019,563,649</b>	1,939,862,908
Revenue for other segments	<b>381,444,733</b>	346,364,826
Elimination of intersegment revenue	<b>(365,250,452)</b>	(333,662,794)
<b>Total revenue</b>	<b>2,035,757,930</b>	1,952,564,940

**II. Profit**

	December 31, 2018	December 31, 2017
Total profit for reportable segments	<b>871,223,190</b>	879,906,987
Profit for other segments	<b>(374,828,129)</b>	(356,499,689)
<b>Total profit</b>	<b>496,395,061</b>	523,407,298

**III. Assets**

	December 31, 2018	December 31, 2017
Total assets for reportable segments	<b>1,258,943,509</b>	1,136,522,362
Assets for other segments	<b>288,923,247</b>	260,828,011
Other unallocated amounts	<b>537,918,903</b>	485,611,036
<b>Total assets</b>	<b>2,085,785,659</b>	1,882,961,409

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

**IV. Liabilities**

	December 31, 2018	December 31, 2017
Total liabilities for reportable segments	<b>359,297,406</b>	274,864,281
Liabilities for other segments	<b>137,470,212</b>	105,165,388
Other unallocated amounts	<b>287,562,584</b>	219,986,789
<b>Total liabilities</b>	<b>784,330,202</b>	600,016,458

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

**V. Geographical information**

Revenue	December 31, 2018	December 31, 2017
Kingdom of Saudi Arabia	<b>1,959,119,018</b>	1,864,015,152
<b>All foreign countries</b>		
Egypt - Cairo	<b>76,638,912</b>	88,549,788
<b>Total revenue</b>	<b>2,035,757,930</b>	1,952,564,940

**C. Major customer**

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

**7. PROPERTY, PLANT AND EQUIPMENT**

**A. Reconciliation and carrying amount**

	Land	Leasehold improvements	Equipment	Motor vehicles	Under construction	Total
<b>Cost:</b>						
Balance at January 1, 2018	<b>33,786,058</b>	<b>298,617,972</b>	<b>170,921,526</b>	<b>104,211,437</b>	<b>101,670,266</b>	<b>709,207,259</b>
Additions	-	<b>1,046,358</b>	<b>5,970,337</b>	<b>1,204,216</b>	<b>84,570,274</b>	<b>92,791,185</b>
Disposal	-	<b>(45,913,928)</b>	<b>(3,781,947)</b>	<b>(14,925,579)</b>	-	<b>(64,621,454)</b>
Transfer from capital work under construction	-	<b>3,798,698</b>	<b>8,472,180</b>	<b>3,243,467</b>	<b>(15,514,345)</b>	-
<b>Balance at December 31, 2018</b>	<b>33,786,058</b>	<b>257,549,100</b>	<b>181,582,096</b>	<b>93,733,541</b>	<b>170,726,195</b>	<b>737,376,990</b>

**Accumulated depreciation:**

Balance at January 1, 2018	-	<b>46,527,816</b>	<b>75,406,829</b>	<b>32,810,599</b>	-	<b>154,745,244</b>
Charge for the year	-	<b>23,804,638</b>	<b>25,563,428</b>	<b>11,070,883</b>	-	<b>60,438,949</b>
Disposals	-	<b>(45,913,928)</b>	<b>(3,690,407)</b>	<b>(14,911,778)</b>	-	<b>(64,516,113)</b>
<b>Balance at December 31, 2018</b>	-	<b>24,418,526</b>	<b>97,279,850</b>	<b>28,969,704</b>	-	<b>150,668,080</b>

**Carrying amounts:**

<b>At December 31, 2018</b>	<b>33,786,058</b>	<b>233,130,574</b>	<b>84,302,246</b>	<b>64,763,837</b>	<b>170,726,195</b>	<b>586,708,910</b>
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	Land	Leasehold improvements	Equipment	Motor vehicles	Under construction	Total
<b>Cost:</b>						
Balance at January 1, 2017	33,786,058	228,941,864	132,399,306	101,122,372	134,964,588	631,214,188
Additions	-	1,374,056	19,818,698	3,350,888	59,515,164	84,058,806
Disposal	-	(206,068)	(4,915,630)	(944,037)	-	(6,065,735)
Transfer from capital work under construction	-	68,508,120	23,619,152	682,214	(92,809,486)	-
<b>Balance at December 31, 2017</b>	<b>33,786,058</b>	<b>298,617,972</b>	<b>170,921,526</b>	<b>104,211,437</b>	<b>101,670,266</b>	<b>709,207,259</b>

**Accumulated depreciation:**

Balance at January 1, 2017	-	26,960,355	56,453,446	22,687,920	-	106,101,721
Charge for the year	-	19,739,343	23,731,729	11,066,716	-	54,537,788
Disposals	-	(171,882)	(4,778,346)	(944,037)	-	(5,894,265)
<b>Balance at December 31, 2017</b>	-	<b>46,527,816</b>	<b>75,406,829</b>	<b>32,810,599</b>	-	<b>154,745,244</b>

**Carrying amounts:**

<b>At December 31, 2017</b>	<b>33,786,058</b>	<b>252,090,156</b>	<b>95,514,697</b>	<b>71,400,838</b>	<b>101,670,266</b>	<b>554,462,015</b>
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**Notes to the Financial Statements** continued  
**For the year ended December 31, 2018**  
(Expressed in Saudi Arabian Riyals)

**7. PROPERTY, PLANT AND EQUIPMENT** continued

**A. Reconciliation and carrying amount** continued  
**2018**

Capital work under construction represents construction works at Saudia City Motel in Jeddah, Jeddah Alfursan Lounge at King Abdulaziz International Airport (New Airport) and the Riyadh Single Camp Project.

There are no restrictions on any asset neither any asset have been pledged as security to any party

**2017**

Capital work under construction represents construction works on welcome lounges at King Khalid International Airport (Terminals 1, 2 and 5) in Riyadh.

There are no restrictions on any asset neither any asset have been pledged as security to any party.

**B. Depreciation for the year ended December 31 was allocated as follows:**

	Note	2018	2017
Cost of sales	24	<b>51,913,346</b>	47,570,477
General and administrative expenses	26	<b>8,525,603</b>	6,967,311
		<b>60,438,949</b>	54,537,788

**8. INTANGIBLE ASSET**

**A. Intangible Asset**

Intangible asset represents system software that the Company implemented during 2015.

**B. Reconciliation and carrying amount**

	December 31, 2018	December 31, 2017
<b>Cost</b>		
Balance at January 1	<b>3,820,824</b>	3,820,824
<b>Balance at December 31</b>	<b>3,820,824</b>	3,820,824
<b>Accumulated amortization</b>		
Balance at January 1	<b>2,538,640</b>	1,339,736
Amortisation	<b>1,023,915</b>	1,198,904
<b>Balance at December 31</b>	<b>3,562,555</b>	2,538,640
<b>Carrying amounts</b>	<b>258,269</b>	1,282,184

**C. Amortisation**

The amortisation is included in 'General and administrative expenses'.

**9. 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, 2018	December 31, 2017
<b>Cost</b>		
Balance at January 1	<b>42,876,890</b>	37,017,552
Additions	-	5,859,338
<b>Balance at December 31</b>	<b>42,876,890</b>	42,876,890
<b>Accumulated depreciation</b>		
Balance at January 1	<b>2,590,507</b>	841,308
Charge for the year	<b>1,948,949</b>	1,749,199
<b>Balance at December 31</b>	<b>4,539,456</b>	2,590,507
<b>Carrying amounts</b>	<b>38,337,434</b>	40,286,383

**10. EQUITY ACCOUNTED INVESTEE**

**A. Investment in associate**

On May 10, 2017, the Company invested an amount of SR 30,757,600 in Saudi French Company for Duty Free Operations and Management representing 40% of its share capital.

The Company started to record its share in the losses of the associate from May 10, 2017.

**B. The balances of the investment in associate as at December 31 are as follows:**

Name	Country of incorporation	Effective ownership interest (%)		Carrying value	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Saudi French Company For Duty Free Operations and Management (Limited Liability Company)	Kingdom of Saudi Arabia	<b>40%</b>	40%	<b>15,125,813</b>	20,642,074

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

	December 31, 2018	December 31, 2017
Opening balance	<b>20,642,074</b>	-
Capital contribution	-	30,757,600
Share in net loss	<b>(5,406,251)</b>	(10,115,526)
Share in other comprehensive loss	<b>(110,010)</b>	-
<b>Ending balance</b>	<b>15,125,813</b>	20,642,074

**D. Below is the summary of the financial information of the investee as at December 31, 2018 and December 31, 2017:**

At the date of the financial statements, the associate had not issued audited financial statements. Accordingly the financial data below and the share of loss for the year ended December 31, 2018 is based on internal management draft financial statements.

**i) Share in net assets**

	December 31, 2018	December 31, 2017
Non current assets	<b>31,405,421</b>	26,055,824
Current assets	<b>79,893,590</b>	95,903,344
<b>Total assets</b>	<b>111,299,011</b>	121,959,168
Non current liabilities	<b>819,847</b>	550,029
Current liabilities	<b>72,664,632</b>	69,803,954
<b>Total liabilities</b>	<b>73,484,479</b>	70,353,983
<b>Net assets</b>	<b>37,814,532</b>	51,605,185
Company's share in net assets (40%)	<b>15,125,813</b>	20,642,074

**ii) Share in loss**

	Year ended December 31, 2018	From May 10, 2017 to December 31, 2017
Revenue	<b>242,844,499</b>	106,170,470
Net loss for the year/period	<b>(13,515,627)</b>	(25,288,816)
Other comprehensive loss	<b>(275,025)</b>	-
Company's share of loss for the year/period (40%)	<b>(5,406,251)</b>	(10,115,526)
Company's share of other comprehensive loss (40%)	<b>(110,010)</b>	-

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 Company was unable to practice the call option due to legal formalities and accordingly was unable to obtain control and management continued to account for this investment as an associate.

## Notes to the Financial Statements continued

### For the year ended December 31, 2018

(Expressed in Saudi Arabian Riyals)

#### 10. EQUITY ACCOUNTED INVESTEE continued

D. Below is the summary of the financial information of the investee as at December 31, 2018 and December 31, 2017: continued

##### iii) 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.

	2018	2017
Discount rate	7%	7%
Terminal value growth rate	0%	0%
Budgeted EBITDA growth rate (average of next five years)	(2%)	(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 there is no impairment in the associate that needs to be recognized.

#### 11. OTHER FINANCIAL ASSETS

	Note	December 31, 2018	December 31, 2017
<b>Financial assets measured at amortized cost:</b>			
Investment in Saudi British Bank Sukuk	11-A	-	40,000,000
Letters of guarantee		29,991,692	33,620,570
		<b>29,991,692</b>	<b>73,620,570</b>

##### A. Investment in Saudi British Bank Sukuk

The Saudi British Bank (SABB) Sukuk ("Sukuk II") carries a return of SIBOR plus a margin of 1.4 percent calculated semi-annually. The Sukuk II was to be liquidated in 2020 but the Company had the option to redeem the Sukuk in 2018. The Company exercised the option to redeem the full Sukuk amount on December 17, 2018.

#### 12. INVENTORIES

##### A. Inventories comprise the following:

	December 31, 2018	December 31, 2017
Catering items	32,195,629	28,344,428
Retails items (formerly Skysales)	96,582,463	78,296,188
Spare parts	6,803,367	4,535,592
Packing and other materials	2,842,744	3,143,816
	<b>138,424,203</b>	<b>114,320,024</b>
Provision for slow-moving and obsolete inventories	(13,396,325)	(4,339,108)
	<b>125,027,878</b>	<b>109,980,916</b>

##### B. Movement in provision for slow moving and obsolete inventories for the year was as follows:

	December 31, 2018	December 31, 2017
Balance at beginning of the year	4,339,108	8,322,784
Charge for the year	9,667,440	1,850,871
Utilised during the year	(421,247)	(5,743,586)
Write-off during the year	(188,976)	(90,961)
<b>Balance at end of the year</b>	<b>13,396,325</b>	<b>4,339,108</b>

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 at December 31 comprise the following:

	Note	December 31, 2018	December 31, 2017
Trade receivables due from related parties (net of purser provision)	22-C	722,310,992	705,084,445
Trade receivables - third parties		268,417,405	203,269,330
		<b>990,728,397</b>	<b>908,353,775</b>
Less: Allowance for expected credit losses	13-C	(40,502,850)	(53,427,618)
		<b>950,225,547</b>	<b>854,926,157</b>

- 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 the vast majority are, therefore, unsecured. Unimpaired trade receivables are expected on the basis of past experience, to be fully recoverable.
- 72% of the trade receivables is due from government or semi-government entities (2017: 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
<b>December 31, 2018</b>	<b>761,740,746</b>	<b>147,567,845</b>	<b>81,419,806</b>	<b>990,728,397</b>
December 31, 2017	625,923,887	191,306,341	91,123,547	908,353,775

##### C. Movements summary in impairment losses provision for receivables for the year ended December 31 is as follows:

	December 31, 2018	December 31, 2017
Balance at beginning of the year	53,427,618	65,717,195
Charged for the year	-	18,711,515
Write-off during the year	(538,781)	(750,000)
Reversal during the year	(12,385,987)	(30,251,092)
Balance at end of the year	<b>40,502,850</b>	<b>53,427,618</b>

##### D. Movements summary in allowance for related parties balance for the year ended December 31 are as follows:

	December 31, 2018	December 31, 2017
Balance at beginning of the year	4,476,079	8,620,203
Charged for the year	388,045	455,204
Write-off during the year	(17,284)	-
Reversal during the year	(820,839)	(4,599,328)
Balance at end of the year	<b>4,026,001</b>	<b>4,476,079</b>

#### 14. PREPAYMENTS AND OTHER ASSETS

Prepayments and other assets at December 31 comprise the following:

	December 31, 2018	December 31, 2017
Prepayments	108,903,942	92,318,604
Vat Input tax	46,914,574	-
Unbilled receivables	18,677,239	28,413,467
Advances to suppliers	12,462,620	1,628,106
Margin deposits with banks	4,010,586	1,417,540
Advances to employees	1,888,412	2,435,735
	<b>192,857,373</b>	<b>126,213,452</b>

- Unbilled receivables represented is billing not yet approved by customers. As at December 31, 2018 there were no significant unbilled receivable outstanding for more than 1 year.

**Notes to the Financial Statements** continued  
**For the year ended December 31, 2018**  
(Expressed in Saudi Arabian Riyals)

**15. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at December 31 comprise the following:

	December 31, 2018	December 31, 2017
Cash at bank – current accounts	145,997,345	100,402,166
Cash in hand	1,255,398	1,145,492
	<b>147,252,743</b>	101,547,658

**16. SHARE CAPITAL**

**A. Share capital**

	December 31, 2018	December 31, 2017
In issue at January 1, 2018 (number of shares)	82,000,000	82,000,000
Issued for cash	-	-
In issue at December 31, 2018- 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, 2018 and 2017 the shareholders and their percentage interests in the share capital of the Company are as follows:**

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
Alhokair Company Joint Stock Company	7,111,256	71,112,560	8.7
General public	37,973,365	379,733,650	46.3
	<b>82,000,000</b>	<b>820,000,000</b>	<b>100</b>

**C. Ordinary shares**

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

**17. STATUTORY RESERVE**

In accordance with the new Company's bylaws approved by the General Assembly meeting dated April 17, 2017 and the new 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.**

**i) The following dividends were declared by the Company during the year ended December 31, 2018.**

	December 31, 2018
March 27, 2018: SR 1.30 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	104,673,521
May 5, 2018: SR 1.35 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	108,541,626
August 2, 2018: SR 1.40 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	111,932,975
November 6, 2018: SR 1.50 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	120,202,953
	<b>445,351,075</b>

Subsequent to year end the Company announced dividend of SR 1.30 per ordinary share with an amount of SR 106.6 million.

**ii) The following dividends were declared by the Company during the year ended December 31, 2017.**

	December 31, 2017
January 26, 2017: SR 1.30 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	104,674,258
May 3, 2017: SR 1.25 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	100,452,959
August 14, 2017: SR 1.50 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	120,372,941
November 2, 2017: SR 1.50 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	120,909,317
	<b>446,409,475</b>

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

	December 31, 2018	December 31, 2017
Balance at beginning of the year	3,120,329	3,167,828
Declared during the year	445,351,075	446,409,475
Paid during the year	(325,241,423)	(446,456,974)
<b>Balance at end of the year</b>	<b>123,229,981</b>	3,120,329

**19. EMPLOYEE BENEFITS**

	Notes	December 31, 2018	December 31, 2017
Employees' end-of-service benefits	19.A	165,023,832	168,998,200
Accrued bonus – long term	19.B	2,400,000	-
		<b>167,423,832</b>	168,998,200

**A. Defined benefit obligations**

**i) Movement in defined benefit liability**

The following table shows a reconciliation from the opening balances to the closing balances for the employees' end-of-service benefits.

	December 31, 2018	December 31, 2017
Balance at January 1	168,998,200	155,656,500
<b>Current service cost included in profit or loss</b>		
Service cost	14,860,779	12,010,400
Finance cost	5,256,820	4,845,600
	<b>20,117,599</b>	16,856,000
<b>Included in OCI</b>		
Actuarial (gain)/loss arising from:	(4,690,707)	12,973,100
- Demographic assumptions	1,489,821	-
- Financial assumptions	9,855,947	(2,779,500)
- Experience adjustment	(16,036,475)	15,752,600
Remeasurement (gain)/loss:	(4,690,707)	12,973,100
<b>Other</b>		
Benefits paid	(19,401,260)	(16,487,400)
Employees' end-of-service benefits.	<b>165,023,832</b>	168,998,200

**Notes to the Financial Statements** continued  
**For the year ended December 31, 2018**  
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**19. EMPLOYEE BENEFITS** continued

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

**ii) Actuarial assumptions**

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

	December 31, 2018	December 31, 2017
Discount rate	4.30%	3.50%
Future salary growth	4.30%	2.25%
Voluntary turnover rate	6.6%	11% to 18%
In-voluntary turnover rate	10.45%	3%
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, 2018		December 31, 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	161,034,306	(169,222,795)	164,574,500	(173,688,500)
Future salary growth (0.5% movement)	169,607,321	(160,629,165)	173,714,400	(164,509,000)

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, 2018	December 31, 2017
Balance at January 1	-	7,616,142
Provision for the year	2,400,000	-
Transfer to short term bonus	-	(3,826,360)
Benefits paid	-	(3,789,782)
	2,400,000	-

The amount represents the first year of the second cycle of long term bonus incentive for senior management. No payment will be made in the next year, accordingly the whole balance is classified as long-term.

**20. ZAKAT AND INCOME TAX LIABILITIES**

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

	December 31, 2018	December 31, 2017
Zakat payable	28,259,464	29,522,917
Income tax payable	2,050,550	1,667,170
Zakat and income tax liabilities as at December 31	30,310,014	31,190,087

**A. Zakat and income tax provision**

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

	December 31, 2018	December 31, 2017
Balance at beginning of the year	29,522,917	26,716,426
Charge for the year	28,259,464	29,522,916
Adjustment related to prior years	(426,233)	3,455,137
Payments during the year	(29,096,684)	(30,171,562)
<b>Balance at end of the year</b>	<b>28,259,464</b>	<b>29,522,917</b>

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

	December 31, 2018	December 31, 2017
Balance at beginning of the year	1,667,170	383,926
Charge for the year	9,024,271	9,041,633
Adjustment related to prior year	256,675	(350,367)
Payments during the year	(8,897,566)	(7,408,022)
<b>Balance at end of the year</b>	<b>2,050,550</b>	<b>1,667,170</b>

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

	2018	2017
Zakat charge for the year	28,259,464	29,522,916
Zakat prior year adjustment	(426,233)	3,455,137
	27,833,231	32,978,053
Income tax charge of the year	9,024,271	9,041,633
Income tax prior year adjustment	256,675	(350,367)
	9,280,946	8,691,266
<b>Total Zakat and income tax of the year</b>	<b>37,114,177</b>	<b>41,669,319</b>

**B. Zakat components**

	December 31, 2018	December 31, 2017
Non-current assets	670,422,118	690,293,226
Non-current liabilities	167,423,832	168,998,200
Shareholders' equity	1,301,455,457	1,282,944,951
Profit before Zakat and income tax	496,395,061	523,407,298

**C. Zakat assessments**

The Company has submitted its Zakat and tax declarations for the years from 2009 to 2014 and paid the amounts due according to the declarations and received queries from GAZT which it has responded to and currently waiting for GAZT review of these responses.

The Company has also submitted its Zakat and tax declarations for the years 2015 to 2017 which are currently under review by GAZT. The Company has obtained a certificate until April 30, 2019.

**21. TRADE AND OTHER PAYABLES**

Trade payables at December 31 comprise the following:

	Note	December 31, 2018	December 31, 2017
Trade payables due to related parties	22-C	35,434,408	39,809,203
Other trade payables		212,663,835	181,873,105
Accrued expenses		186,889,388	175,025,534
Dividend payable		123,229,981	3,120,329
VAT Output Tax		28,378,744	-
		586,596,356	399,828,171

**Notes to the Financial Statements** continued  
**For the year ended December 31, 2018**  
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**22. RELATED PARTIES DISCLOSURES**

**A. Related parties include the Company's shareholders and their relatives up to the fourth generation, 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:

	2018	2017
Short term employee benefits	6,536,196	5,775,814
Post employment benefits	145,800	145,800
Termination benefits	332,292	339,819
<b>Total</b>	<b>7,014,288</b>	<b>6,261,433</b>

**C. Related parties' transactions and balances**

Significant related parties' transactions for the year ended December 31 and balances arising there from are described as under:

**i) Sale of goods and services (under trade and other receivables)**

	Transaction values for the year		Balances	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Parent of the Company:</b>				
Saudi Arabian Airlines Corporation	1,409,449,802	1,282,577,412	663,009,364	633,139,064
<b>Shareholder:</b>				
Alhokair Company Joint Stock Company	98,168	11,595	(159,913)	93,175
<b>Affiliates:</b>				
Saudi Airlines Cargo Company	14,718,896	17,433,516	14,176,765	29,128,050
Saudi Ground Services Company	45,144,079	57,423,404	32,527,902	25,611,471
Saudi French Company for Duty Free Operations and Management	9,855,414	21,226,426	12,338,822	16,658,845
Saudi Airlines Real Estate Development Company	-	72,022	418,052	453,840
<b>Total</b>			<b>722,310,992</b>	<b>705,084,445</b>

**ii) Purchase of goods (under trade and other payables)**

	Transaction values for the year		Balances	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Parent of the Company:</b>				
Saudi Arabian Airlines Corporation	4,050,650	8,317,109	4,606,589	9,766,970
<b>Shareholders:</b>				
Newrest Company Holding S.L.	11,390,614	11,779,983	(29,850)	35,168
Alhokair Company Joint Stock Company	27,213	191,325	-	307,140
<b>Affiliates:</b>				
Saudi Airlines Real Estate Development Company	13,397,623	16,252,858	21,150,466	21,155,603
Saudi Airlines Cargo Company	-	-	7,455,197	7,455,197
Saudi Ground Services Company	1,207,643	71,830	1,422,838	215,194
Gulfwest Company Limited	7,925,799	3,545,045	829,168	873,931
<b>Total</b>			<b>35,434,408</b>	<b>39,809,203</b>

**23. REVENUE**

	2018	2017
In-flight catering revenue	1,460,605,418	1,335,680,421
Retail revenue	177,717,238	261,503,197
Business lounge revenue	170,831,566	169,773,018
Non-airlines revenue	189,958,393	164,457,456
<b>Other operating revenues</b>		
Camp facilities sales (staff feeding & accommodation)	26,580,696	18,308,385
Exclusivity purchase income & services to suppliers	10,064,619	2,842,463
<b>Total</b>	<b>2,035,757,930</b>	<b>1,952,564,940</b>

**24. COST OF SALES**

	Note	2018	2017
Cost of materials and goods		645,382,870	665,986,421
Personnel costs		295,906,356	254,854,248
Rent and maintenance of production units		151,697,845	126,876,905
Depreciation	7.B	51,913,346	47,570,477
<b>Other operating costs</b>			
Manpower and transportation cost		72,411,142	61,769,881
Supplies and expandable items		35,611,666	32,556,695
Communication and utilities		30,389,765	21,888,066
Other operational costs		55,965,468	18,270,292
<b>Total</b>		<b>1,339,278,458</b>	<b>1,229,772,985</b>

**25. OTHER INCOME**

	2018	2017
Management fee income	3,442,000	1,911,986
Medical ex - gratia income	2,334,400	1,780,000
Commission Income	790,500	633,535
Others	5,788,751	2,721,153
<b>Total</b>	<b>12,355,651</b>	<b>7,046,674</b>

**26. GENERAL AND ADMINISTRATIVE EXPENSES**

	Notes	2018	2017
Amortization	8	1,023,915	1,198,904
Board of Directors' fee		3,442,171	3,029,932
Depreciation	7,9	10,474,553	8,716,510
Insurance		4,217,009	3,007,110
Management fee		8,310,558	10,007,867
Marketing and promotional		7,004,925	6,540,566
Personnel costs		116,594,906	119,887,957
Professional and technical fee		3,985,034	5,047,742
Rent		24,034,737	21,054,942
Repairs and maintenance		271,342	260,036
Service agreement fee		10,547,099	10,267,786
Stationary and printing		414,027	501,353
Travelling		9,172,082	4,171,112
Utilities		6,905,430	5,694,480
Other		8,051,579	7,888,531
<b>Total</b>		<b>214,449,367</b>	<b>207,274,828</b>



**Notes to the Financial Statements** continued  
**For the year ended December 31, 2018**  
(Expressed in Saudi Arabian Riyals)

**27. OTHER EXPENSES**

	2018	2017
Bank commissions	1,519,378	1,476,710
Loss on sale of property, plant and equipment	105,341	171,470
Foreign currency exchange loss	-	1,197,440
	<b>1,624,719</b>	<b>2,845,620</b>

**28. FINANCE INCOME**

	2018	2017
Interest income on financial asset classified as amortised cost	1,478,314	1,436,785
Other interest income	-	1,529,757
<b>Finance income</b>	<b>1,478,314</b>	<b>2,966,542</b>
<b>Finance income recognized in profit or loss</b>	<b>1,478,314</b>	<b>2,966,542</b>

**29. 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)**

	2018	2017
Profit for the year, attributable to the owners of the Company	459,280,884	481,737,979

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

	2018	2017
Issued ordinary shares at January 1	82,000,000	82,000,000
Effect of shares issued	-	-
<b>Weighted-average number of ordinary shares at December 31</b>	<b>82,000,000</b>	<b>82,000,000</b>

**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.

**30. 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, 2018	December 31, 2017
Total liabilities	784,330,202	600,016,458
Less: cash and cash equivalents	(147,252,743)	(101,547,658)
<b>Net debt</b>	<b>637,077,459</b>	<b>498,468,800</b>
<b>Total equity</b>	<b>1,301,455,457</b>	<b>1,282,944,951</b>
<b>Net debt to total equity ratio</b>	<b>49%</b>	<b>39%</b>

**31. 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.

**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, 2018	December 31, 2017
<b>Financial assets</b>		
Other financial asset	29,991,692	73,620,570
Trade receivables	223,888,554	145,365,633
Due from related parties	726,336,993	709,560,524
Other receivables	22,687,824	29,831,007
Balances with banks	145,997,345	100,402,166
	<b>1,148,902,408</b>	<b>1,058,779,900</b>

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/collaterals from its customers.
- Financial position of related parties is stable.

**Concentration Risk**

As at December 31, 2018, 5 largest customers (December 31, 2017: 5 largest customers) account for approximately 75% (31 December 2017: 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 don't 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.

**Notes to the Financial Statements** continued  
**For the year ended December 31, 2018**  
(Expressed in Saudi Arabian Riyals)

**31. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT** continued

**B. Financial risk management** continued

**Fair value of assets and liabilities**

The following table shows the carrying amount of the financial assets and financial liabilities at December 31, 2017 and 2018. The Company does not have any assets measured at FVTPL or FVOCI at December 31, 2017 and 2018.

Financial assets classified as amortised cost

	December 31, 2018	December 31, 2017
<b>Carrying value:</b>		
Other financial assets	<b>29,991,692</b>	73,620,570
Trade and other receivables	<b>227,914,555</b>	149,841,712
Due from related parties	<b>722,310,992</b>	705,084,445
Other receivables	<b>22,687,824</b>	29,831,007
Balances with banks	<b>145,997,345</b>	100,402,166
	<b>1,148,902,408</b>	1,058,779,900

Financial liabilities as at amortised cost

	December 31, 2018	December 31, 2017
<b>Carrying amount:</b>		
Trade and other payables	<b>586,596,356</b>	399,828,171

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, 2018	Carrying amount	Total	less than one year	More than one year
<b>Liabilities</b>				
Trade and other payables	<b>586,596,356</b>	<b>586,596,356</b>	<b>586,596,356</b>	-
December 31, 2017	Carrying amount	Total	less than one year	More than one year
<b>Liabilities</b>				
Trade and other payables	399,828,171	399,828,171	399,828,171	-

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.

**32. COMMITMENTS AND CONTINGENCIES**

As at December 31, the Company had the following commitments and contingencies:

	December 31, 2018	December 31, 2017
Capital commitments	<b>81,609,125</b>	89,896,802
Letter of guarantees	<b>39,590,143</b>	35,038,109

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, 2018, 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. 5,587,866.

**33. OPERATING LEASE**

The Company has offices under operating leases for various periods with an option to renew the leases after that date. Lease payments are negotiated annually to reflect market rates. In addition, the Company has various cancellable operating leases, which provide for annual renewal.

Future rental commitments at under operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	<b>134,545,692</b>	118,935,653
Later than one year but not later than five years	<b>663,587,920</b>	589,555,356
More than five years	<b>379,955,384</b>	406,325,384
	<b>1,178,088,996</b>	1,114,816,393

**34. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were approved by the Board of Directors on Jumada Al Thani 29, 1440H, corresponding to March 6, 2019.

Chief Financial Officer

Chief Executive Officer

Authorized Board of Directors Member



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