



Board of Directors' Annual Report
Presented to The Shareholders of Abdullah Al-Othaim Markets Co.
For the fiscal year ended December 31, 2015

To: Shareholders of Abdullah Al-Othaim Markets Co.

The Board of Directors of Abdullah Al-Othaim Markets Company has the honor to present his Annual Report for the fiscal year ended December 31, 2015, which includes a comprehensive summary of the Company's activities, business updates. The report will elaborate operational and financial performance, strategic trends, financial analysis, performance indicators, social responsibilities programs and human resources activities, in pursuit of the Company to achieve sustainable growth rates and profitable returns, and strengthening the Company's leadership based on its "vision & mission" to provide high quality products at competitive prices to be accessible to all customers.

In recognition of the importance of disclosure and transparency, and in line with the required regulations issued by the concerned authorities, the Board of directors kept hard to enhance the company's practice to comply with corporate governance regulations issued by Capital Market Authority and the requirements of disclosure and transparency.

On the other hand, this report also includes the Audited Financial Statements, accompanied with the related disclosures, and the Auditors' Report for the fiscal year ended December 31, 2015. Hence, the Board will be pleased to receive and answer your questions related to the contents of this report during the Annual General Assembly Meeting, looking for your kind approval to the report and the annual audited financial statements for the fiscal year 2015.

Board of Directors of Abdullah Al-Othaim Markets Co.
February 2016



Firstly: Company's Profile & Main Activities:

Abdullah Al-Othaim Markets Company is a major player in the wholesale and retail food industry in the Kingdom of Saudi Arabia, the company introduced a good marketing experience through competitive pricing, exceptional service, and quality.

The company's main activity is concentrated in the area of wholesale, retail for consumption's food, as well as engaged in real estate investments which is explained in details in the segmental information item (seven) of this report.

Secondly: Company's Strategy, Plans:

a) Strategy and Plans:

The Company strategy is to directed to maximize its market share in the grocery and food market within the Kingdom of Saudi Arabia by opening new branches or developing its current branches to increase its sales, and diversify its investments through the complementary activities of its main Activity, and introducing advanced new technologies in retail & wholesale business. During 2015, the Company opened (15) branches in different cities across the Kingdom, which increased the total number of branches across the Kingdom to (142) branches, whereas it has closed two branches of its existing branches in Riyadh due to the public transportation project. In addition to that, the Company has expanded and refurbished some of the existing branches in order to provide better service to its esteemed customers. Also, the Company expects increasing its branches during 2016G by opening (15) new branches and developing some of the existing ones, which is expected to contribute in the enhancing and increasing the Company's sales and introducing new and advanced technologies in the retail business. In addition, the Company's strategy includes accessing the Egyptian market with an investment amount equivalent to SR (144) million over the next three years to be invested in the retail and wholesale in the grocery and foods sector.

b) Important Resolutions:

To enhance the role of the Board of Directors in performing its responsibilities and duties, and to achieve distinguished performance, the Board of Directors has approved during the year 2015G many Resolutions. Following are the most important of which:

- Approving the Company's strategic directions and key objectives and monitoring its implementation.
- Setting the performance objectives to be achieved and monitoring the implementation therefore, and the overall performance of the company.
- Determining the most appropriate capital structure of the company, its strategies and financial objectives and approving its annual budgets.
- Approving the Company's budget for 2016G.
- Approving the expansion strategy in different sites and cities through capturing the right opportunities that will contribute in increasing its expansion, proliferation and raise its market share.
- Approving the partnership with other investors to establish Mueen Recruitment Company (Saudi Closed Joint Stock Company), to be engaged in manpower outsourcing services and providing household workers to public and private sectors.
- Approving the recommendation to the Company's Extra-ordinary General Assembly of the shareholders, which was held on 13 April 2015G to distribute cash dividends for the fiscal year 2014.
- Approving to enter the Egyptian market with an investment amount equivalent to SR (144) million over the next three years to be invested in the retail and whole sales in grocery and foods sector.
- Approving the annual performance reports of the Audit and Compensation and Remunerations committees for the fiscal year 2014G.
- Approving the renewal of the Board's delegation to the Audit Committee to review and approve the interim & annual financial statements.
- Approving the conversion plan to International Financial Accounting Standards starting from the fiscal year 2016G in compliance with the resolutions issued by the Saudi Organization for Certified Public Accountants.



- Approving the amendment of the Company's and its subsidiaries' code of conducts.
- Approving the amendments to the remunerations policy of the Board of Directors and committee's members to include performance-related criteria.
- Approving the appointment of the Board chairman and named the chairs and members of its sub-committees, and appointing the Board Secretary for the Board third session which started on 03/10/2015G.
- Approving the appointment of the Company's representatives towards the Saudi Capital Market Authority for the Board third session which started in 03/10/2015.

Thirdly: Risks:

The Company's activities, financial position, operating results, cash flows and its future forecasts might be negatively affected if exposed to any of the following risks or any other unknown risks at the present time:

- As the Company performance is linked to the general economic situation in the Kingdom of Saudi Arabia and other countries to which it extends its activity, the spending of individuals, institutions and companies who are the targeted customers might be affected by such economic situation, as well as the financial institutions which the Company deals with .
- The sudden changes that might occur in the real estate market, which might affect the value of real estate buying and selling and consequently increase the leasing rates.
- Unfavorable fluctuations in oil prices or other factors affecting the indicators of the Saudi economy in general.
- The Company does not cover risks resulting from fluctuations in currency exchange rates, so the unfavorable fluctuations in exchange rates might affect the Company's performance & its results.
- Fluctuations in funding rates might negatively affect in the company's performance.
- Risks of speculations and volatility in the commodities prices and food's raw materials locally and globally.
- Risks related to competition.
- Also, obligations related to future capital expenditures might rise, where no guarantees or assurances that the Company will be able to pay those obligations on due time or at favorable and acceptable terms. The Company is adopting certain policies and procedures for risk management and to ensure the ongoing follow-up to all Company operations whether marketing or production.
- Unfavorable changes in the related laws and regulations. The Company, like other companies operating in the Kingdom, is exposed to any change in the laws and regulations.
- Political and security instability. The Company will be affected -as a part of the business- by political and security situation in the region as a whole.
- **Saudization:** Since most of the company workers are low-level staff working in the warehouses and branches, which depends heavily on expatriate labors, it might be difficult to replace them with Saudi staff. But the Company, based on its role to serve the society and to enhance the government directions in Saudization, continues its efforts to support Saudization project and rehabilitation of national workers through the process of training and employment, and giving Saudi youths the opportunity to develop their practical skills and continuing their path of progress and prosperity in their future careers.

Fourthly: Company Investments:

The company has the following investments:

a) Equity based Investments :

- The Company invests in Abdulla Al-Othaim Real Estate Investment & Development Company (A closed Saudi Joint Stock Company). It owns 65.13% of the share capital with an initial investment of SR 85,000,000. The main activities of the company is managing and operating shopping malls and entertainment centers in addition to real



estate development, where the Company share in the net profits of the investee for the year 2015 amounted to SR 32,306,403 compared to SR 30,061,768 for the year 2014. The Company's share in cash dividends distributed by the investee during 2015 was SR 27,625,000.

- During 2015, the company invested in the Al-Wousta Food Services Company (a limited liability company) with ownership of 25% and an investment amount of SR 25,000,000, whereas its main activity is the management & operation of restaurants. The Company's share in the net loss of the investee for the year 2015 amounted to SR 651,142.

b) Investments in available for sale securities:

- The company invests SR 3,400,000 in National Laboratories Co. Ltd (A limited liability company) with ownership of 6% of the Company share capital. The company was incorporated in 2009, whereas its main activity is managing and operating laboratories of food, medicines, gas, petroleum and petrochemicals, in addition to providing technical services in these fields. Where its headquarters located in Dammam city. The Company's share in the accumulated losses of the National Laboratories Company since its incorporation until 30/9/2014 amounted to SR 518,979.
- The Company has a portfolio available for sale securities in the Saudi listed Companies, with a market value of SR 565,658 as of 31/12/2015, which has unrealized profits of SR 26,970 as of 31/12/2015 compared to unrealized losses of SR 69,900 as of 31/12/2014.
- The Company has a portfolio in Baitak IPO Fund, which is managed by Saudi Kuwaiti Finance House with investment amount of SR 10 million. With a market value as of 31/12/2015 of SR 9,073,700, the investment recorded a decline in its value by SR 838,600 compared to a decline of SR 87,700 for the year 2014.
- The Company has invested EUR 900,000 (SR 4.5 million) to acquire 18% of the share capital of South Europe Investment Company (registered in Bosnia and Herzegovina). The company is engaged in real estate investment and development, Tourism services and in Renewable Energy sector. The company is also engaged in providing financial technical and administrative advisory services for various business and the company net profits of its cash dividends distributed for the year for the year 2015G was SR 367.958

Fifthly: Summary of the Financial Results for the period from 2011 to 2015:

A) Statement of income: (thousands Riyals):

| Description | 2015 | 2014 | 2013 | 2012 | 2011 |
|-------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Revenues | 6,089,018 | 5,304,701 | 4,630,807 | 4,144,435 | 4,090,913 |
| Cost of revenues | (5,037,330) | (4,380,775) | (3,837,724) | (3,420,289) | (3,767,768) |
| Gross profit | 1,060,688 | 923,926 | 822,948 | 724,146 | 323,145 |
| General, administrative, and marketing expenses | (859,962) | (728,591) | (658,140) | (578,932) | (178,040) |
| Other income (losses), net | 33,749 | 24,508 | 32,167 | 30,302 | 8,478 |
| Zakat | (5,323) | (5,289) | (4,600) | (3,750) | (3,500) |
| Net Profit Before NCI | 229,153 | 214,554 | 192,375 | 171,766 | 150,083 |
| NCI in the net loss of the subsidiary | 1,723 | 225 | 130 | 0 | 0 |
| Net Profit | 230,875 | 214,779 | 192,505 | 171,766 | 150,083 |

The operating profit was SR 209.8 Million compared to SR 202.5 Million for the previous year with a growth rate of %3.6. The Increase was due to the growth of sales and the growth of annual progressive rebates.



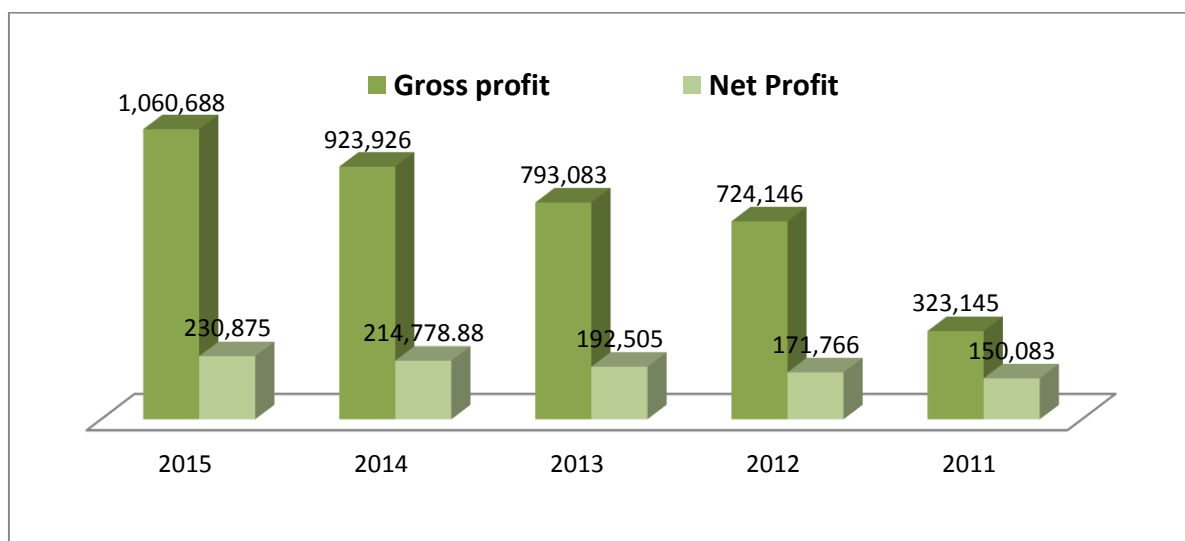
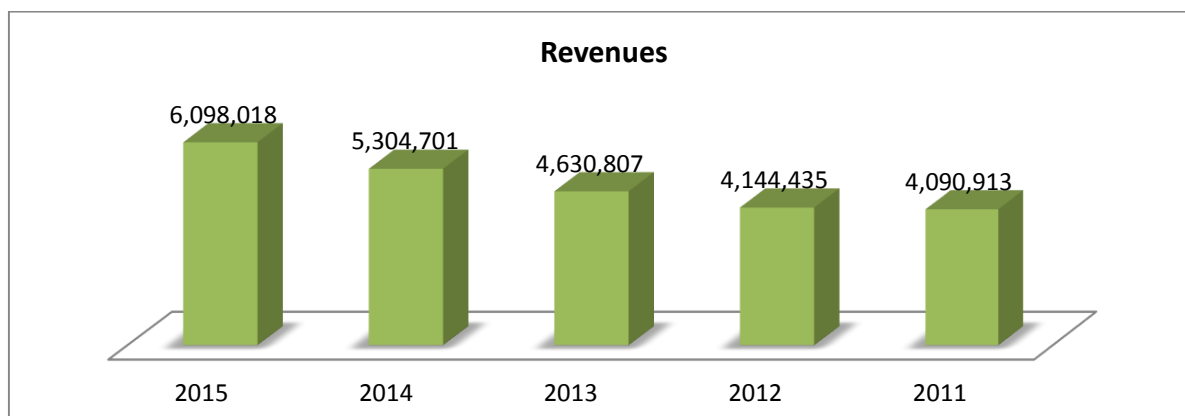
❖ **Other income (losses) – net (thousands Riyals)**

| Description | 2015 | 2014 |
|-------------------------------------------------------------|--------|--------|
| Company's share in the net profit of the associated company | 27,252 | 20,330 |
| Income from sale of property and equipment | 7 | (230) |
| Others, net | 6,490 | 4,407 |
| Total | 35,764 | 24,508 |

Main Financial Indicators:

| Description | 2015 | 2014 | 2013 | 2012 | 2011 |
|--------------------------------|--------|--------|--------|--------|---------|
| Return on revenues | %3.79 | %4.05 | %4.16 | %4.14 | %3.67 |
| Return on shareholders' equity | %22.45 | %22.55 | %23.90 | %25.24 | %28.25 |
| Return on assets | %8.47 | %9.11 | %9.62 | %9.74 | %9.00 |
| Sales growth rate | %14.93 | %14.70 | %11.56 | %4.10 | %15.20 |
| Net profit growth rate | %7.49 | %11.57 | %12.07 | %14.40 | - %7.30 |
| Earnings per share – Riyals* | 5.13% | 4.77 | 4.28 | 3.82 | 3.34 |

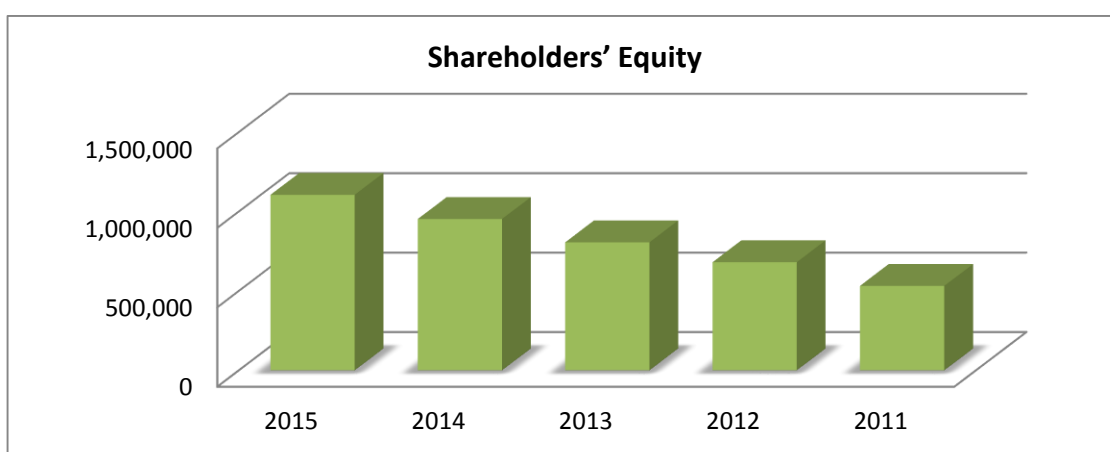
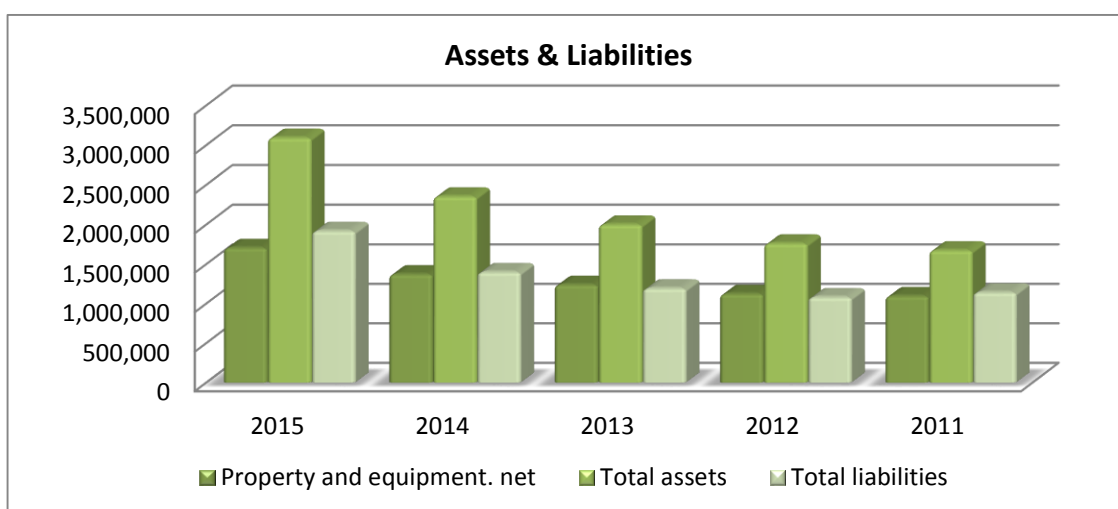
* Earnings per share's has been restated for the years 2011 up to 2013 for the purpose of comparison due to the Increase in the company's capital from 22.5 million shares to 45 million shares which was approved by the Shareholders in the Extra-ordinary General Assembly Meeting held on 6th April 2014.





B) Assets, Liabilities & Shareholders' Equity: (Thousands Riyals):

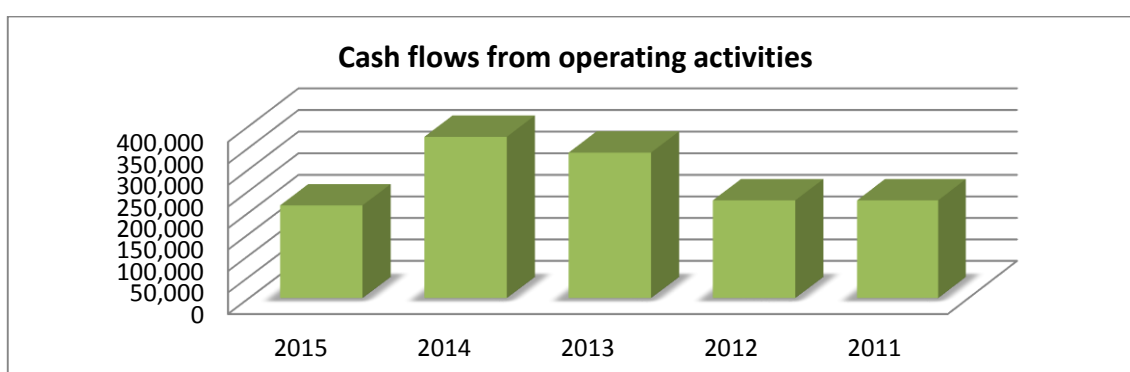
| Description | 2015 | 2014 | 2013 | 2012 | 2011 |
|----------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Current assets | 1,200,772 | 786,143 | 568,647 | 465,154 | 460,437 |
| Current liabilities | 1,451,977 | 1,219,385 | 1,011,167 | 941,053 | 942,621 |
| Working capital | (251,205) | (433,242) | (442,520) | (475,899) | (482,184) |
| Investments in other associate companies | 186,290 | 196,288 | 193,567 | 174,018 | 118,945 |
| Property and equipment. net | 1,707,112 | 1,372,782 | 1,239,824 | 1,124,254 | 1,096,233 |
| Total assets | 3,094,174 | 2,355,213 | 2,002,038 | 1,763,426 | 1,675,615 |
| Current liabilities | 1,451,977 | 1,219,385 | 1,011,167 | 941,053 | 942,621 |
| Long term loans | 399,500 | 125,000 | 135,000 | 100,859 | 166,231 |
| Other liabilities | 69,945 | 56,579 | 48,491 | 41,068 | 35,461 |
| Total liabilities | 1,921,422 | 1,400,964 | 1,194,658 | 1,082,980 | 1,144,313 |
| Paid in capital | 450,000 | 450,000 | 225,000 | 225,000 | 225,000 |
| Reserves, retained earnings and unrealized profits | 654,636 | 502,605 | 580,511 | 455,446 | 306,302 |
| Total shareholders' equity | 1,104,636 | 952,605 | 805,511 | 680,446 | 531,302 |
| Non-controlling interest | 68,116 | 1,645 | 1,870 | 0 | 0 |
| Total liabilities & shareholders' equity | 3,094,174 | 2,355,213 | 2,002,038 | 1,763,426 | 1,675,615 |





C) Cash Flows (Thousands Riyals)

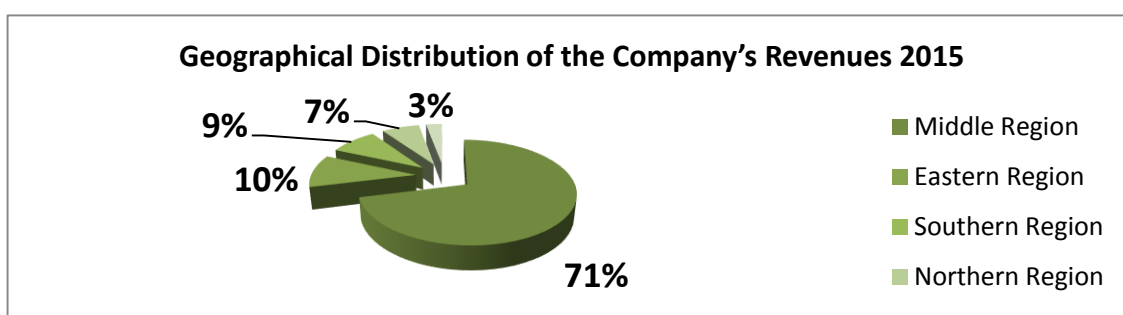
| Description | 2015 | 2014 |
|-------------------------------------------------------------------|-----------|-----------|
| Cash flows from operating activities | 215,923 | 374,471 |
| Cash flows used in investing activities | (397,022) | (218,969) |
| Cash flows from (used in) financing activities | 326,630 | (82,344) |
| Increase in cash | 145,531 | 73,159 |
| Cash balance – January 1 | 183,489 | 110,331 |
| Cash balance added due to companies consolidation during the year | 406 | 0 |
| Cash balance – December 31 | 329,426 | 183,489 |



Sixthly: Geographical Distribution of the Company's Revenues:

- The company has no activities or revenues outside the Kingdom of Saudi Arabia, where the revenues within the Kingdom are distributed as follows(in thousands SR):

| Region | 2015 | | 2014 | |
|-----------------|------------------|-------------|------------------|-------------|
| | Revenues | Ratio | Revenues | Ratio |
| Middle Region | 4,292,272 | 71% | 3,783,775 | 72% |
| Eastern Region | 634,132 | 10% | 562,007 | 11% |
| Southern Region | 523,071 | 9% | 434,925 | 8% |
| Northern Region | 411,886 | 7% | 360,428 | 7% |
| Western Region | 174,442 | 3% | 110,767 | 2% |
| Total | 6,035,802 | 100% | 5,251,902 | 100% |



Seventhly: Segmental information:

The Company's activities are focused on wholesale and retail of groceries and foodstuff. It carries out its operations in the Kingdom of Saudi Arabia, in addition to constructing commercial malls. Some selected information for the two fiscal years ended December 31, 2014 & 2015 for each business segment are summarized below (Thousands of Riyals):



| Description/ Thousand Riyals | Retail and wholesale | | Real Estate and Leasing | | Total | |
|---------------------------------|-------------------------|-----------|----------------------------|---------|-----------|-----------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Sales | 6,035,802 | 5,251,902 | - | - | 6,035,802 | 5,251,902 |
| Rent Revenues | - | - | 111,198 | 95,930 | 111,198 | 95,930 |
| Property and equipment. net | 1,226,962 | 865,533 | 467,994 | 492,908 | 1,694,956 | 1,358,442 |
| Total Net | 998,472 | 871,127 | 62,216 | 52,798 | 1,060,688 | 923,926 |

Eighthly: Human Resources Development Program:

Complementing the national role pursued by the Company in accordance with its human resources development policy, and to achieve its vision in the nationalization of jobs based on the expansion plan, and in order to achieve the required Saudization ratios, the Company has implemented advanced ideas and methods for attracting, hiring and training of Saudi staff. The company took positive steps during the year 2015 to achieve these objectives as follows:

- Continue to activate and update career path to achieve career aspirations for Saudi youth.
- Provide real employment opportunities for women through (remote working system), according to the vision of the Ministry of Labor in line with the nature and specificity of women in Saudi society.
- Developing different incentive schemes to attract Saudi youth and promoting their loyalty and belongingness to the Company.
- Applying cooperative training program with Universities and local Institutes.
- Strategic agreements have been signed with the Human Resources Development Fund to train and employ (1,476) Saudi youth in various jobs.
- Seasonal summer employment: where the company hired (177) Saudis during the summer vacation.
- Giving opportunities to Saudi youth for free theoretical and practical training through Othaim Training Academy, which completed during 2015G the training of (3,306) trainees. (2,802) of them are non-staff and (540) are staff. Therefore, they became qualified to work in the retail sector.
- Hiring (2,495) trainees to work in the Company's retail sales points.
- During the year, the company hiring (2,811) Saudis youth.

Ninthly: Marketing & Customer Care:

In order to touch closely the consumer needs and in consideration of the seasonal demand and various events, holidays and seasons, a comprehensive marketing plan has been designed to cover all marketing activities for AL-Othaim Markets such as weekly festivals and promotions, mega campaigns and other events during the year 2015G which provided the customers with all their needs each week & day and helped the markets maximize its sales and achieve targets. The Company adopted an effective weekly and seasonal festivals plan, through which, Al-Othaim markets offer shoppers real discounts and distinguished prices which contributes in lowering the cost of consumer goods, food and non-food supplies and all other goods.

In accordance with Al-Othaim markets vision to provide consumers with basic quality consumer goods at acceptable prices; the markets continued to adopt and develop a variety of Private Label products covering basic food needs as well as non-food products at the same international brands quality but at lesser cost, this strategy was clearly reflected on the marketing strategy supporting the Private Label by effective road-shows, printed material, social media and other activities that supported the growth in the PL market share.



In order to improve the consumer experience in the company's markets & branches and to add modern & professional touch on the mental image of the customers, the company has developed the internal identity layout of all its branches and corners to have a uniform modern, practical and elegant layout. Also it adapted social media, email and the company's website to be effective methods and alternative to the costly traditional expensive media to ensure efficient access to all segments of the consumers with the lowest cost.

Also the marketing strategy supported the company aggressive expansion operations to reach out for the consumers where-ever they are in the kingdom, effective marketing campaigns were launched to support the new openings and ensure they hit the ground running from the first day.

The Company continued the development process of its loyalty program (Iktissab) which was initially launched in 2011. The development process includes the identity, the procedures and the operating systems in addition to upgrading the call center with the unified number: 920000702, which was established previously. Also, the development includes the Company web site and smart phones applications and interactive messages to better communicate with our customers and to maintain good relations through receiving their observations and to explore their satisfaction toward the provided service and consequently, fulfil their needs and activate the cards around the hour. This development resulted in increasing the demand on the card, and increased the number of Iktissab members to %49.69 of the total number of customers during 2015. Therefore, the Company will continue its efforts for further developments in this regard to provide its customers with high quality consumer goods and ensure their satisfactory by the continuous monitoring, developing and coordinating the work to promote the efficiency of the performance and continuous improvement of the quality of product and service offered to our valued customers.

The Company believes in the important role of the IT in enhancing and supporting the Company performance. And based on the company's strategy & future directions, the IT division has focused on the projects which support the direction of the Company and raise the work efficiency, such as Dynamics AX major upgrade to latest version 2012 R3 and automating Central Warehouse inventory management process by using HHT and launching the Non-trade procurement system for some service's departments, launching the Vendor Contract Management System and the Property Management System.

Also the company established the financial and administration systems including the Infrastructure system for Al Othaim Company in Egypt. And launching the custom clearance system, Improving the new Business Intelligence system and enable reports on smart devices, activating Interactive SMS for IKTISSAB and HR, Launching the new version of Abdullah Al-Othaim Markets Company's website with complete new layout for Al-Othaim Markets for all smart devices, launching officially Al-Othaim Markets new internal Intranet "Othaim Connect and the centralized backup system, Implementation for the HR, Intranet, Cash Box, Petty Cash for subsidiaries launching the real estate department system along with the smart devices for the researchers, in addition to expanding the storage capacity for the DC.

Eleventh:

In accordance with the decision issued by the Saudi Organization of Certified Public Accountants "SOCPA", the Board of Directors has approved an early plan to adopt international accounting standards, based on starting the gradual conversion to the international standards. The plan aims to review the accounting standards applicable to "Company" and its "subsidiaries", and make gaps analysis to determine the possible impact of adopting the international standards on the financial statements, and the required changes in the accounting policies to convert to those standards thoroughly, taking into consideration all other related factors. The plan is based on the following steps:



- a) Do a comparative study for all the international accounting standards approved by the "SOCPA" and the standards that are still under study by the "SOCPA" and match them with the existing accounting standards and policies applied by the Company and its subsidiaries where the results will be as follows:
 - ✓ Standards that need to be reviewed and considered in order for them to be in conformity with international standards approved by the "SOCPA", and accordingly, the Company will adopt all the recommendations toward the conversion to the international standards approved by the "SOCPA".
 - ✓ The consultant in collaboration with the concerned finance department in each company will establish a mechanism to calculate the effects of adopting the international standards on the financial statements.
- b) Preparing proforma financial statements for the fiscal year 2015.
- c) Preparing the subsequent quarterly financial statements in accordance with the latest update to the international standards approved by "SOCPA" until the date of preparing these statements and other international standards that have not been approved by "SOCPA" to the extent that they are consistent with the Company activities and in line with the agreed upon scope of work.
- d) Studying of the applied accounting policies within the subsidiaries.
- e) Preparing a technical analysis of the expectations and the required amendments to the financial policies of the Company and its subsidiaries and making the necessary recommendations thereon.
- f) Preparing a summary for all the standards, which do not currently apply to the Company and its subsidiaries, in order to set the methodology of applying those standards in the event they became applicable in the future, or in case the Company decided to apply them, to the extent permitted by the "SOCPA".
- g) Reviewing of the quarterly & annual financial statements by the appointed consultant to ensure that they are consistent with the requirements of the international standards approved by the "SOCPA".
- h) Developing the financial policies manuals according to the recommendations and be presented to the Company's management.
- i) Training the finance team involved in this process on the requirements and options of the international standards with a focus on the differences between them and the Saudi accounting standards, especially with regard to the standards applicable to the company.

Twelfth: Loans & Murabaha

A) Short Term Murabaha:

The Company has facilities from a number of local banks in the form of short-term Murabaha loans (all are comply with Sharia regulations) to finance the working capital. The unutilized balance of these facilities as of Dec 31, 2015 was SR 270 million, detailed as follows (value in Thousands SR):

| Description | Arab National Bank | Saudi Hollandi Bank | SAMBA | National Bank | ALBILD BANK |
|-------------------------------------|---------------------------|---------------------|-----------------|-----------------|-----------------|
| Short term loans limits | 50,000 | 40,000 | 75,000 | 75,000 | 50,000 |
| facilities balance as at 31/12/2014 | - | - | - | 18,000 | - |
| facilities balance as at 31/12/2015 | 20,016 | - | - | - | - |
| Facilities Agreements Expiry date | 01-06-2016 | 30-11-2016 | 26-03-2016 | 01-09-2016 | 04-09-2015 |
| Revolving facilities Loans | | | | | |
| Loan tenure | Up to 90 days | Up to 180 days | Up to 90 days | Up to 120 days | Up to 180 days |
| First installment date | | | | | |
| Last installment date | 11-01-2016 | | | | |
| Purpose of the loan | Working Capital Financing | | | | |
| Guarantees | Promissory note | Promissory note | Promissory note | Promissory note | Promissory note |



B) Long Term Loans & Murabaha:

Also the Company has long term loans & facilities from some local Banks (comply with Sharia Regulations) detailed as follows (value in thousands SR):

| Description | Arab National Bank | Saudi Hollandi 1 | Saudi Hollandi 2 | Saudi Hollandi 3 | Saudi Hollandi 4 | Samba | National Bank | Samba2 |
|------------------------------------|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------------|-----------------------|--------------------|
| Total Loan | 75,000 | 100,000 | 100,000 | 88,000 | 112,000 | 75,000 | 106,000 | 184,400 |
| Total Paid Installments | 45,000 | 80,000 | 30,000 | - | 16,800 | 50,000 | 17,667 | 9,220 |
| Installments Paid during year 2015 | 20,000 | 20,000 | 20,000 | - | 16,800 | 20,000 | 17,667 | 9,220 |
| Loan balance as at 31/12/2015 | 30,249 | 21,137 | 70,552 | 88,550 | 95,927 | 25,166 | 88,877 | 176,292 |
| Deferred Profits | 249 | 137 | 552 | 550 | 772 | 166 | 544 | 1,112 |
| Net loan balance | 30,000 | 20,000 | 70,000 | 88,000 | 95,200 | 25,000 | 88,333 | 175,180 |
| Loan date | 30-09-2013 | 13-11-2011 | 30-09-2014 | 29-10-2015 | 30-03-2015 | 25-04-2013 | 29-04-2015 | 02-08-2015 |
| Loan tenure | 45 months | 5 years | 45 months | 5 years | 5 years | 45 months | 3 years | 5 years |
| Payment method | Quarterly Payments | Quarterly Payments | Quarterly Payments | Quarterly Payments | Quarterly Payments | Quarterly Payments | Quarterly Payments | Quarterly Payments |
| Installment (SR) | 5,000 | 5,000 | 5,000 | 4,400 | 5,600 | 5,000 | 8,833 | 9,220 |
| First installment date | 27-12-2013 | 13-02-2012 | 30-12-2014 | 27-01-2016 | 28-06-2015 | 25-07-2013 | 30-07-2015 | 02-11-2015 |
| Last installment date | 09-06-2017 | 17-10-2016 | 20-03-2017 | 30-07-2020 | 01-01-2020 | 09-01-2017 | 30-04-2018 | 01-04-2020 |
| Purpose of Loan | Financing New Branches | | | | | | | |
| Guarantees | Promissory note | Real Estate Guarantee | Real Estate Guarantee | Real Estate Guarantee | Real Estate Guarantee | Promissory note | Real Estate Guarantee | Promissory note |

The following table shows the loan maturities (SR):

| Period | 2015 | 2014 |
|------------------------------|--------------------|--------------------|
| Less than a year | 196,250,719 | 117,999,510 |
| From one year to two years | 147,231,333 | 100,000,000 |
| From two years to five years | 252,286,666 | 25,000,000 |
| Total | 595,750,719 | 242,999,510 |

Thirteenth: payments to governmental bodies (SR):

The Below table shows, payments made to the Governmental bodies during the two years ended 31 Dec. 2015 & 2014:

| Details | 2015 | 2014 |
|------------------------------------|-------------------|-------------------|
| Department of Zakat and Income Tax | 4,767,478 | 3,102,136 |
| GOSI | 22,030,228 | 20,968,381 |
| Visas and resident permits | 17,322,847 | 20,474,586 |
| Total | 44,120,553 | 44,545,103 |



Fourteenth: The Company's Subsidiaries:

The Below table shows the company's Subsidiaries, country of incorporation, core businesses, ownership, and its capital:

| Ser. | Company name | Country of incorporation | Main Activities | Country presence | Ownership % (Direct & indirect) | Capital As per Nominal Share Value |
|------|--------------------------------|--------------------------|-----------------------------------|------------------|---------------------------------|------------------------------------|
| 1) | Haley Holding Co. | KSA | Retail & Wholesale | KSA, | %100 | SR One Million |
| 2) | Universal Marketing Center Co. | KSA | Retail & Wholesale | KSA, | %100 | SR One Million |
| 3) | Seven Services Co. | KSA | Import & Export | KSA, | %100 | SR One Million |
| 4) | Bayt Al Watan Co. | KSA | Import & Export | KSA | %100 | SR Five Million |
| 5) | Marafiq Al Tashgheel Co. | KSA | General Contracting & Maintenance | KSA | %100 | SR 500 Thousands |
| 6) | Halley Holding- Turkey | Turkey | Import & Export | Turkey | %100 | SR 63 Thousands |
| 7) | Halley Holding- Bosnia | Bosnia | Brokerage & Commercial services | Bosnia | %100 | SR Five Thousands |
| 8) | AlOthaim Markets-Egypt | Egypt | Retail & Wholesale | Egypt | A%100 | SR 4.91 Millions |
| 9) | Thamarat Al Qassim Co. | KSA | Agricultural & poultry | KSA | %90 | SR 20 Millions |
| 10) | Riyadh Industry Food Co. | KSA | Industrial & commercial Services | KSA | %55 | SR 100 Millions |
| 11) | Mueen Recruitment Co. | KSA | Labor Services | KSA | %68 | SR 100 Millions |

Fifteenth: Dividends Distribution:

1. Company policy for dividends:

The company is complying with the provisions of Article (46) of the bylaws for the appropriation of its annual net profit after deducting all the general expenses and the other costs as per the following:

- (10%) of net profit shall be set aside to form a statutory reserve, and the ordinary general assembly has the right to stop this appropriation whenever the said reserve reaches half of the capital.
- The ordinary general assembly has the right to form another discretionary reserve not exceeding 20% of the net profit according to a recommendation from the board of directors and allocate it for certain purposes.
- Then, a dividends payment not less than 5% of the paid up capital is to be paid to the shareholders.

2. Appropriations & Distribution for year 2015:

| Description | Percentage of Profits | Amount/ SR |
|-----------------------------------|-----------------------|-------------|
| Retained earnings from last year | - | 481,175,991 |
| Net profits | 100% | 230,875,362 |
| Statuary reserve | 10% | 23,087,536 |
| Cash Dividends for the year 2014G | 34% | 78,750,000 |
| Retained earnings for next year | 264% | 610,213,817 |



Sixteenth: Corporate Governance & Transparency:

Based on the Company's keenness to strengthen the relationship with its shareholders, stakeholders and the community, protecting their rights, and believing in the importance of corporate governance issued by CMA and other related regulations and in order to enhance its principles and the internal audit operation, the Company continued during the year 2015G its commitments in applying the corporate governance regulations issued by CMA and other related regulations and the Company's Governance Manual. The Company would like to disclose, besides its financial results and performance, the following information:

1. Shareholders' Rights and Communication :

Based on the Company keenness & attention to the rights of the shareholders and stakeholders as included in the Company's bylaws, the Company has included these rights to the Company's governance manual. The Company also is keen to keep its shareholders aware of all substantial developments within the Company through publishing the financial reports, announcements and material information on the Tadawul website, or in the daily newspapers, as well as on the Company website. Also, the Company is giving utmost importance to communicate with its shareholders and responds to their questions through easy communication channels and follow up via a dedicated shareholders' affairs.

2. Company's equity Profile and floating Shares as of 31/12/2015G:

| Details | Explanation |
|----------------------------------------------------------|-------------------|
| Company authorized capital | SR 450,000,000 |
| Issued shares (all company's shares are ordinary shares) | 45,000,000 Shares |
| Floated shares (as per Tadawul)* | 31,600,878 Shares |
| Paid-up capital | SR 450,000,000 |
| Nominal Value per Share | SR 10 |
| Paid up value per Share | SR 10 |

3. Major Shareholders:

Below a List of Major Shareholders who owned 5% shares and above, their nationalities, ownership changes during the year 2015G:

| # | Name | Nationality | Shares # at the beginning of 2015G | Ownership at the beginning of 2015G | Shares # at the end of 2015G | Ownership at the end of 2015G | % Change by the end of 2014G |
|----|------------------------------------------|-------------|------------------------------------|-------------------------------------|------------------------------|-------------------------------|------------------------------|
| 1. | Al Othaim Holding Co. | Saudi. | 12,450,000 | %27.6 | 12,450,000 | %27.6 | %100 |
| 2. | Abdullah S. Ali AL-Othaim | Saudi | 1,350,000 | %6 | 2,700,000 | %6 | %100 |
| 3. | Organization of General social Insurance | Saudi. | 0 | 0 | 2,866,472 | %6.37 | %100 |

Concerning the declaration of movements in major shareholders ownership, the company confirms that it has not received any written notification during 2015G from any of its list major shareholders indicating any change or movement in their ownership percentage. Disclosed information is based on the Saudi Stock Exchange (Tadawul) records as at December 31, 2015G.

Seventeenth: Disclosure related to Board of Directors & Executive Management:

A. Formations of the Board of Directors', classification of Members & their Joint stock companies Memberships:

Article Seventeen of the Company bylaws identified the formation of Company's Board of Directors by (8) members to be appointed by the General Assembly for a period not exceeding three years, the company's Extraordinary Assembly approved the cumulative voting as method for electing the Board members, and by which the current Board members were elected accordingly for the third session which started



from 03.10.2015G for a period of three years. Below are the names, classification, and joint stock companies' memberships:

| # | Board Member's Name | Capacity | Joint Stock Companies board membership |
|----|----------------------------------|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Abdullah S. Al-Othaim (Chairman) | Non-executive | - None listed: Abdullah Al-Othaim Real Estate Investment & Development Co. |
| 2. | Bandr N. Al Tamimi (GOSI)* | None-Executive | - None |
| 3. | Saleh M. Al-Othaim | Independent | - None Listed: Dar Alkhiyoul General Contracting Co. |
| 4. | Abdul Salam S. Al Rajhi | Independent | - None |
| 5. | Abdulaziz S. Al-Rebdi | Independent | - None Listed: Al-Obeikan Glass Co. - Listed: Saudi United Cooperative Insurance Co. "Wala for insurance", Takween development Co. for industry, Abdulmohsen Al- Hokair Group for entertainment and tourism, Al Hammadi Development & Investment Co. |
| 6. | Fahad Abdullah Al-Othaim | Non-executive | - None listed: Abdullah Al-Othaim Real Estate Investment & Development Co., Dar Alkhiyoul General Contracting Co., Biddayah Home Finance Co. Saudi Kuwaiti Finance House Co. |
| 7. | Abdulaziz Abdullah Al Othaim | Executive | - None Listed: Riyadh Foods Services Co., Mueen Recruitment Co. |
| 8. | Youssef M. Al- Gafari | Executive | None Listed: Abdullah Al-Othaim Real Estate Investment & Development Co. Abdullah Saad Abu Muti Co. for libraries, Riyadh Foods Services Co., Mueen Recruitment Co. |

* The classification members of the representatives of Organization of General social insurance Has been changed during the year 2015 from independent to none-executive due to change in Ownership for the organization who represented reaching more than 5% of the company's capital share during his Membership.

B. Board of Directors' Meetings:

To enhance the role of the Board of Directors in drawing plans and following up the implementation of the Company strategies and other functions in accordance with the company's bylaws and Companies corporate governance regulation and the company's CG Manual, the Board of Directors of the company held (7) meetings during the fiscal year 2015G, and the below table shows the board members attendance for the current and previous term office:

| No | Board Member's Name | Meeting Number & date | | | | | | | No of Attendance |
|-----|----------------------------|-----------------------|----------------|---------------|----------------|----------------|---------------|----------------|------------------|
| | | (1) 05 Jan. | (2) 23 Feb. | (3) 11 May | (4) 7 Sept. | (5) 7 Sept. | (6) 9 Nov. | (7) 15 Dec. | |
| 1. | Abdullah Saleh Al-Othaim | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | (7) |
| 2. | Bandr N. Al Tamimi* | | | | | ✓ | ✓ | ✓ | (3) |
| 3. | Saleh M. Al-Othaim | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | (7) |
| 4. | Abdul Salam S. Al Rajhi | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | (7) |
| 5. | Abdulaziz S. Al-Rebdi | ✓ | ✓ | x | ✓ | ✓ | ✓ | ✓ | (6) |
| 6. | Fahad Abdullah Al-Othaim | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | (7) |
| 7. | Abdulaziz A. Al-Othaim* | | | | | ✓ | ✓ | ✓ | (3) |
| 8. | Youssef M. Al-Gafari | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | (7) |
| 9. | Sabah M. Al-Mutlaq** | ✓ | x | x | ✓ | | | | (2) |
| 10. | Abdullah Ali Al-Dubaikhi** | ✓ | ✓ | ✓ | ✓ | | | | (4) |

*Members appointed for the third session of the Board as of 03/10/2015G.

**Members their board membership ended as of 02/10/2015G.



C. Executive Board Team:

The Company's Senior Executive Team role is to facilitate follow-up and implementation of strategies and plans approved by the Board of Directors, as well as the company's operations to ensure the achievement of the company's performance indicators. Below are the Senior Executives named and their positions:

| No | Name | Position |
|----|--------------------------|-------------------------------|
| 1. | Youssef M. Al- Gafari | CEO |
| 2. | Abdulaziz A. Al-Othaim | Retail Sector President |
| 3. | Marwan A. Ibrahim | Vice President, Finance |
| 4. | Bahauddin B. Al Sherbeni | Vice President, Operations |
| 5. | Bandar S. Albohry | Board of Director's Secretary |

D. Description of any interest in shares and instruments of the company debt:

1. Interest of Board of Directors' Members & their wives and minor children:

| No | Interest owner | Beginning of the year | | Ending of the year | | Net change | %Change |
|----|--------------------------|-----------------------|------------------|--------------------|------------------|------------|---------|
| | | Shares | Debt instruments | Shares | Debt instruments | | |
| 1. | Abdullah Saleh Al-Othaim | 2,700,000 | - | 2,700,000 | - | 0 | %0 |
| 2. | Bandr N. Al Tamim* | 0 | - | 2,866,472 | - | 2,866,472 | %100 |
| 3. | Saleh M. Al-Othaim | 1,000 | - | 1,000 | - | - | %0 |
| 4. | Abdul Salam S. Al Rajhi | 41,660 | - | 41,660 | - | 0 | %0 |
| 5. | Abdulaziz S. Al-Rebdi | 2,000 | - | 2,000 | - | 0 | %0 |
| 6. | Fahad Abdullah Al-Othaim | 2,000 | - | 2,000 | - | 0 | %0 |
| 7. | Abdulaziz A. Al-Othaim | 0 | - | 1,000 | - | 0 | %100 |
| 8. | Youssef M. Al- Gafari | 2,000 | - | 2,000 | - | 0 | %0 |

The Board Member representing the Organization of general social Insurance. And the shares ownership refer to the Organization, and the Member.

2. Interest of Senior Executives & their wives and minor children:

| No | Interest owner | Beginning of the year | | Ending of the year | | Net change | %Change |
|----|--------------------------|-----------------------|------------------|--------------------|------------------|------------|---------|
| | | Shares | Debt instruments | Shares | Debt instruments | | |
| 1 | Bahauddin B. Al-Sherbini | 12,432 | - | 12,432 | - | 0 | %0 |

E. Board of Directors & Senior Executives remunerations for 2015: (SR)

| Description | Executive Board Members * | Non-Executive Board Members | Five Senior Executives with highest bonuses & compensations from the company, including the CEO and CFO if they are not among them |
|----------------------------------------------------------------------|---------------------------|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| Salaries & compensations | 1,505,880 | 0 | 5,102,228 |
| Allowances | - | 148,500 | 0 |
| Periodic & annual bonuses | 696,986 | 1,094,178 | 2,060,000 |
| Incentive plans | 0 | 0 | 0 |
| Any compensations or other benefits in kind paid monthly or annually | 0 | 0 | 0 |
| Total | 2,202,866 | 1,242,678 | 7,162,228 |

* The amounts paid to the five senior executives including the Chief Executive Officer and the Chief Finance Officer all the amounts paid to the senior members in the Board of Directors.. According to the Board of Directors' remuneration policy, the annual bonus for each board member for 2015G based on the company's performance is SR (150) thousand, while transportation allowance is SR (3), thousands for each meeting. The committee's membership bonus is SR (25) thousand for each member, while transportation allowance is SR (1,500) for each meeting.

F. Related Parties transactions:

First: Interests Related to the board chairman/ Abdullah Saleh Al-Othaim and Board Member/ Fahad Abdullah Al-Othaim as follows:



1. Lease & rental Contracts with Abdullah Al-Othaim Real Estate Investment & Development Co

| Type of contract | Contract Description | Lease value | Start of lease | Contract period/year | Payment term |
|------------------|--------------------------|-------------|----------------|----------------------|--------------|
| Rental | Braidah Supermarket | 1,277,100 | 01-06-2007 | 20 | Annual |
| Rental | Housing & facilities | 219,600 | 01-01-2009 | 18 | Annual |
| Rental | Al Ahsa Hyper Mall | 2,159,850 | 01-01-2007 | 20 | Annual |
| Rental | Khuraiss Hyper Mall | 1,718,640 | 01-03-2008 | 20 | Annual |
| Rental | Rabwa Markets | 572,880 | 01-08-2009 | 10 | Annual |
| Rental | Archive store* | 50,000 | 01-04-2015 | 1 | Annual |
| Rental | Management Archive store | 21,300 | 01-02-2015 | 1 | Annual |
| Rental | Dammam Hyper Mall | 1,922,400 | 01-01-2011 | 18 | Annual |
| Rental | Braidah Branch | 1,086,000 | 01-01-2012 | 5 | Semiannual |
| Rental | Housing & facilities | 35,000 | 01-01-2012 | 5 | Annual |
| Rental | Onaizah Branch | 900,000 | 09-05-2012 | 5 | Semiannual |
| Lease | Managements offices | 742,500 | 01-01-2015 | 5 | Semiannual |
| Lease | Managements offices* | 109,500 | 01-10-2014 | 1 | Semiannual |
| Lease | Commercial Center | 34,932,000 | 01-01-2011 | 18 | Semiannual |

2. Lease & rental Contracts with Al Othaim Holding Company:

| Type of contract | Contract Description | Lease Value | Start of lease | Contract period /year | Payment term |
|------------------|-----------------------|-------------|----------------|-----------------------|--------------|
| Rental | Trade mark fees* | 10,000 | 01-07-2006 | 5 | Annual |
| Lease | Management offices | 710,050 | 01-01-2015 | 5 | Semiannual |
| Lease | Residential apartment | 25,000 | 01-01-2015 | 1 | Semiannual |

3. Rental Contracts with Abdullah Al-Othaim Company For Tourism & Entertainment:

| Type of Contract | Contract Description | Lease Value | Start of lease | Contract period/year | Payment term |
|------------------|-----------------------|-------------|----------------|----------------------|--------------|
| Rental | Entertainment center* | 102,150 | 01-01-2015 | 5 | Semiannual |
| Rental | Entertainment center | 417,225 | 01-01-2010 | 5 | Semiannual |
| Rental | Entertainment Center | 1,000,000 | 16-03-1435H | 10 | Semiannual |
| Rental | Entertainment Center | 135,000 | 06-04-1428H | 5 | Semi annual |

*Renewable automatic for similar periods.

Second: Interests Related to the board Member Mr. Bandr N. Al Tamimi- representative of General Organization for Social Insurance:

| Type of Contract | Contract Description | Lease Value | Start of lease | Contract period/year | Payment term |
|------------------|-----------------------|-------------|----------------|----------------------|--------------|
| Rental | Lands For Investments | 5,562,500 | 16-01-1424H | 26 | Annual |

Seventeenth: Board of Directors' Committees

The company has two committees: Audit Committee and the Nomination & remuneration Committee for the purpose of promoting a transparency and professional culture at all levels. The scopes and duties of these committees are as follows:

1) Audit Committee

The Audit Committee's roles are supervising the Internal Audit Department, examining the internal control system and the internal audit reports in addition to giving recommendation to the Board of Directors on the appointing and terminating the external auditors, as well as determining their fees for the year 2015, and follow up their work, study the audit plan and the reports of the external auditors and study the interim and annual financial statements before being presented to the Board of Directors, study the observed accounting policies, and make recommendations to the Board of Directors in this regard. The committee has been appointed for the current Board tenure consisting of (4) members started as of 03/10/2015G. The following table summarizes the committee member's names and numbers of meetings attended during the year 2015:



| # | Name of Committee Member | Position | Meeting | | | | Numbers of Attendance |
|----|--------------------------|----------|----------------|----------------|-----------------|----------------|-----------------------|
| | | | (1) 20 JAN. | (2) 21 Apr. | (3) 14 July. | (4) 20 Oct. | |
| 1) | Fahad A. Al-Othaim | chairman | √ | √ | √ | √ | (4) |
| 2) | Saleh M. Al-Othaim | Member | √ | √ | √ | √ | (4) |
| 3) | Abdulaziz Al Nowaiser * | Member | | | | √ | (1) |
| 4) | Khalid M. Al Solai * | Member | | | | √ | (1) |
| 5) | Dr. Saud.M. Al Nimr** | Member | √ | √ | √ | | (3) |

*Members appointed as of 03/10/2015G.

**Their member's ship ended by the end of the second term period in 02/10/2015G.

▪ The Results of Reviewing the Efficiency of the Internal Control Procedures

During 2015, the Committee has reviewed the company's internal control system to ensure its efficiency, also reviewed and analyzed the main operational, financial and administrative risks that may face the Company and proposed solutions and treatments to ensure the properness of the Company's operations, in addition to studying the weaknesses and strength aspects of internal control systems which is implemented in a periodic and continuous a manner, and as a result of annual review of the internal control procedures and the company's internal audit Dept. reports and achievements, it showed that the examination was comprehensive and covered all the company's activities, operations and its various departments, and as a result of the examination conducted for the internal control system at the level of the company reflects there is no significant deficiencies in the internal control systems need to be disclosed.

2) Nomination & remuneration Committee

The duties of the Nomination & remuneration Committee is making recommendations to the Board of Directors about the candidates for the board membership and continuous revision for the proper qualifications of the board members and review the Board of Directors' structure and submit the recommendations in this regard to determine the points of weakness and strength of the Board of Directors, suggest their solution, ensure, on annual basis, the independency of the independent members, develop clear policies for the compensations and bonuses of three Board of Directors' members and senior executives in a way that reflects the performance, review the Allowances and bonuses of the employees and approve and assess the plans and policies related thereto. The committee has been appointed for the current Board tenure consisting of (4) members started as of 03/10/2015G. The following table summarizes the committee member's names and numbers of meetings attended during the year 2015:

| # | Name of Committee Member | Position | 1ST Meeting | 2nd Meeting | Numbers of Attendance |
|----|--------------------------|----------|-------------|-------------|-----------------------|
| 1) | Abdullah S. Al-Othaim | chairman | √ | √ | (2) |
| 2) | Bandr N. Al Tamimi* | Member | | √ | (1) |
| 3) | Fahad A. Al-Othaim | Member | √ | √ | (2) |
| 4) | Bandar S. Al Bohairy | Member | √ | √ | (2) |

*Member appointed as of 03/10/2015G.

Eighteenth: The Company's Role in Supporting Social Responsibility Programs:

Based on the company's role in the social responsibility, the Company pays full attention to the distinct and broad in various community service activities, and offers many programs and continuing in various fields, where the Company contributed and supported a number of programs, including the following:

a. Al Othaim Training & Development Academy: Al Othaim Training & Development Academy for free, was established under the supervision of the General Organization for Technical and professional Training in the year 1420H, and managed to train and qualify since its establishment up to date more than (41,205) A young Saudis "men and women", where Al Othaim companies & other companies of the private sector benefited from these programs. Also, the



Academy signed a number of partnerships, including training partnership for children of the charitable Society of orphans (Insan), which aims to train orphans sponsored by the society, in addition to that, the Academy trained a number of people with special needs and employ them in a various branches of the company, in addition to many social programs that aims to serve community, the spending of the company to support the Academy during the year 2015G was SR 1,010,963,00 compared to SR 1,313,130 for the year 2014G.

- b. Charities And National Events :** The company contributed in a number of social projects and charities and participated in events and the national festivals, where the company continued issuing charity cards (Sanabel Al Khair card) to meet the demand from donors and their eagerness to donate and to ensure the delivery of their donations to the beneficiaries directly and in a proper way, which is an interesting option for charities and men of righteousness and donors to provide support to the needy and to ensure spending their donations on basic needs.

The company has also contributed in supporting many charities by offering discounts to those associations. The total value of the discount provided by the company to these charities during 2015G, was SR 13,201,013.00 compared to SR 10,836,550.00 for the year 2014G. Also the company participated and sponsored some activities and national events in most regions of the Kingdom.

- c. Donation of the Rest of Halala (riyal fractions):** The company continued in 2015G as the first retailer its initiative " Donate the rest of Halala" that launched in an automated technique through the point of Sale since 2008, and it believes in the promotion and assurance of the culture of social responsibility and its commitment to serve the society, for this reason, a special system for the project has been developed and considered as one of the leading project which was appreciated by Company customers. During the year 2015 many of the charities in the Kingdom had benefited from the project .Also a new charities had been added to expand the scope of benefits, and the total customers donation through this project in 2015G amounted SR 935,359.00 compared to SR 813,446.00 for the year 2014G.

- d. Program of visiting hospitals patients:** The society friend program was initiated in year 1427H, under the patronage of the Director General of Health Affairs in Riyadh, in cooperation with the "Committee of Patient's Friends" in the Chamber of Commerce, Where the company has continued its visits to the inpatient in a number of hospitals, and gave them gifts in the form of purchase cards of Al-Othaim Markets in addition to the Symbolic gifts. This initiative comes under the responsibility programs where the company used to organize such visits in various hospitals in the Kingdom, which aims to raise the morale of the patients and mitigate suffering and psychological health, as well as such visits reinforce social cohesion and fraternal solidarity which is encouraged by our religion. also been 2,000 pieces of good level has been prepared, particularly for the sick and the elderly people, providing them with dirt for tayammum to perform the five daily prayers, and it was distributed to a number of hospitals in the Kingdom.

- e. Iktissab Cooperative program:** A largest charitable initiative adopted by the company in collaboration with Iktissab & the Alothaim Foundation charity under the name (Iktissab Cooperative program) has been launched to serve many categories, including employees of the Social charities and fund charitable and retirees, the disabled and divorcees and widows, orphans and the children and families of martyrs and released, income limited people and others with a total amount of SR 1,828,038 Compared to SR 2,030,014.00 for the year 2014G.

- f. Support Militaries:** The Company during the year providing special discount for military and security men up to 10% of the theirs purchases value at all Al-Othaim Markets branches in the Kingdom with a total amount of SR 843,916 compared to SR 3,568,405 for the year 2014G



Nineteenth: Board of Directors' Declarations:

The Board of Director declared that:

- The Company's accounts were prepared in a proper manner.
- The internal control system was established on a proper basis and is being implemented efficiently.
- There is no doubt about the company's ability to continue its operations.

Twenty: The implemented provisions of the Corporate Governance regulation as well as the provisions, which have not been implemented, and the justifications for not implementing them:

The company is implementing the provisions of the Corporate Governance Regulation issued by the Capital Market Authority, except the following:

Article 17 of the corporate Governance Regulations:

the Company's bylaws did not include performance criteria for the bonus of the Board of directors as the Company is using an independent policy governing the calculation and payment of Members bonus mechanism to facilitate updating the policy without having to modify the Company's bylaws, and to be more flexible to keep up with any developments in the regulations and the other factors affecting the bonus amount of the board member.

Article 12 (i) of the Corporate Governance Regulations: No Juristic personality, who is entitled by the Company bylaws to appoint its representatives to the board of directors, has voted for electing other Board members due to non-existence of any Juristic personality in the Board of directors.

Article 6 (d) of the Regulations of governance:

None of the Investors, who are Juristic personality and who acts on behalf of others, has disclosed their voting policy or the actual voting in their annual reports, and how do they deal with any material conflict of interests that may affect the practice of their basic rights related to their investments.

Conclusion

At the end of our report, the Board of Directors of Abdullah Al-Othaim Markets Co. expresses its gratitude and appreciation for the company's employees, shareholders, suppliers, banks, and government authorities for their support and cooperation, and your company shall, God willing, continue the journey of success, growth and future expansion in line with the outlined plans and targets and to achieve continuous growth rate in the profits.

Abdullah Saleh Al-Othaim
Chairman

Disclaimer: In case of any contradiction or discrepancy in translation between the English version and the Arabic version of this report, the Arabic text shall prevail.