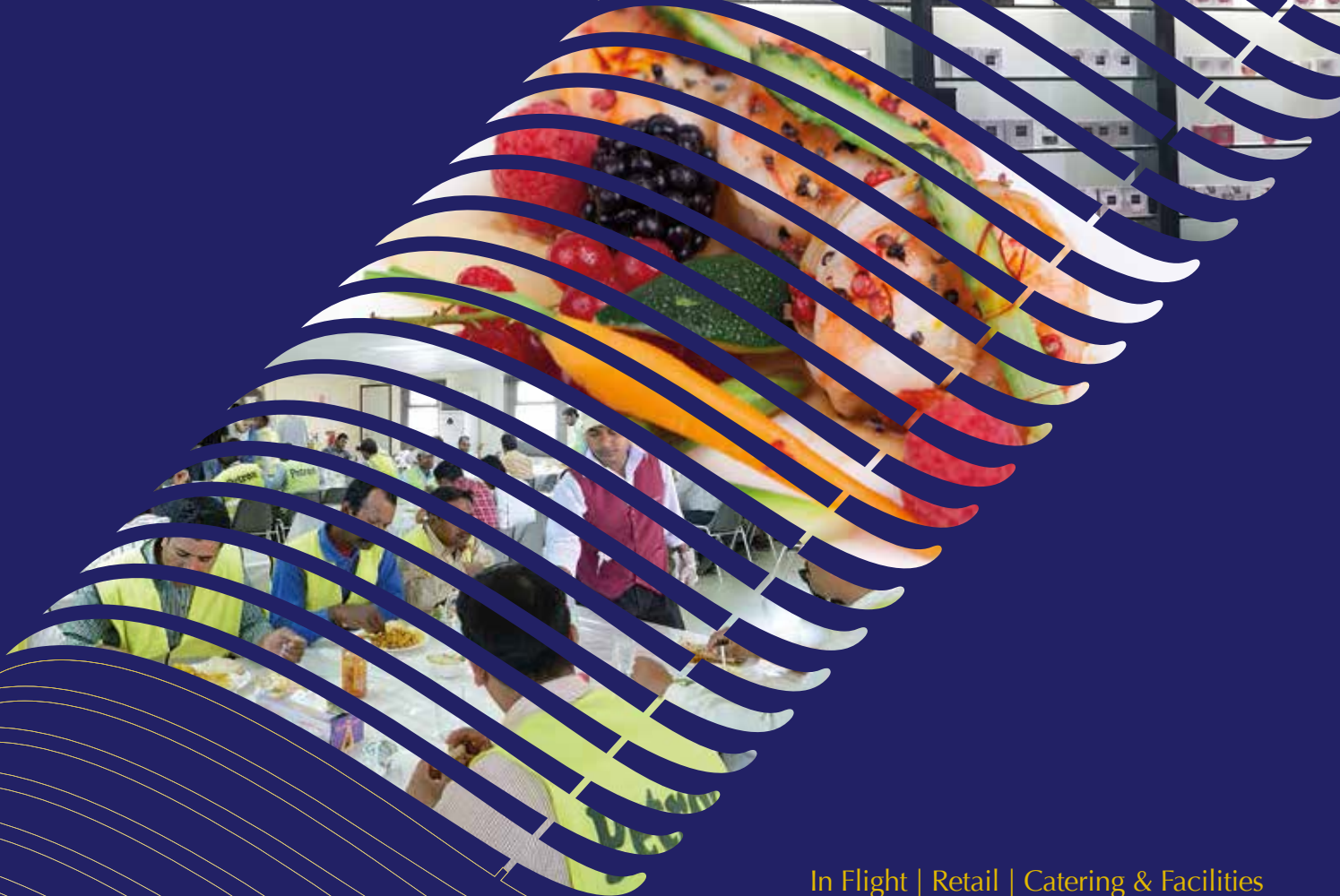




# DRIVEN BY EXPERIENCE

Annual Report 2015



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# About Saudi Airlines Catering Company (SACC)

Saudi Airlines Catering was established in 1981. The 35 years that followed witnessed a rapid expansion in the organisation's operations, which spanned local and international markets.

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## Mission

To excel as a market leader through continual process improvement, innovation, and timely response for our Customers' best interest.

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## Values



ISO 9001:2008, ISO 22000:2005, HACCP, HALAL (HAB), OHSAS 18001:2007, IOSA

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## Strategies

1. We are committed to internationally recognized standards and local required regulations.
2. We ensure integrated safety culture in our organization.
3. We are committed to the stakeholder's interest.
4. We remain committed to exceed customers' expectations.
5. We maintain competitiveness.
6. We support and develop our human resources.
7. We are the preferred partner of certified suppliers.

Wajdy M. Al-Ghabban  
Chief Executive Officer

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# At a glance

In 2015 SACC pressed forward with its program of continuous improvement and innovation, as well as streamlining our operations to meet growth in demand and to achieve operational efficiencies.

## Results

**SAR 2.26 billion**

REVENUE +5.9%

**SAR 699 million**

NET INCOME +6.8%  
BEFORE ZAKAT AND INCOME TAX

**SAR -172 million**

NET DECREASE IN CASH AND  
CASH EQUIVALENTS

**SAR 8.52**

EPS FROM NET INCOME BEFORE ZAKAT  
AND INCOME TAX

**DIV 60 – 80%**

DIVIDEND PAY OUT

## Locations



# Operations

Our operations span the full spectrum of support and hospitality services for airline and non-airline clients, including food and beverage catering, menu planning & development, frozen meals production, lounge management, shopping experiences, commercial laundries, accommodation, and security.

**Production is primarily carried out at four major airports throughout the Kingdom, including Jeddah, Riyadh, Dammam and Medina as well as the fifth in Cairo, Egypt. Our key facilities include:**



## ① King Abdul Aziz International Airport Catering Unit, Jeddah:

Established 1981; produces an average of 39,000 meals per day.



## ② King Khalid International Airport Catering Unit, Riyadh:

Established 1983; produces an average of 36,000 meals per day.



## ③ Cairo International Airport Catering Unit, Cairo, Egypt:

Established 1984; produces an average of 3,000 meals per day.

## ④ King Fahd International Airport Catering Unit, Dammam:

Established 1999; produces an average of 9,000 meals per day.

## ⑤ Prince Mohammad Bin Abdul Aziz International Airport Catering Unit, Medina:

Established 2004; produces an average of 5,000 meals per day.

## ⑥ Central Production Unit, Riyadh:

Capacity up to 27 million meals annually.

Each site includes kitchens and bakeries along with dedicated processing and transportation facilities to ensure services are delivered in a safe and timely manner. Our catering units apply rigorous monitoring and advanced techniques such as temperature control, dry storage and liquid nitrogen freezing (Riyadh CPU only) to guarantee safety and quality at every stage of the production and delivery process. We also invest continuously in our facilities to ensure they adopt the latest technology and can expand to meet future demand.

SACC operates in compliance with the highest international standards of quality, and we have established precise and accurate methodologies and staff training programs to safeguard compliance with these standards and Halal standards. This dedication to quality has made SACC one of the leading companies in Saudi Arabia to be awarded international certifications such as HACCP and OHSAS, and has also contributed to the high levels of customer satisfaction and trust we enjoy.

The diversification strategy that has evolved with the Company is central to our business, allowing SACC to benefit from robust growth in the core catering segment while identifying and selectively pursuing new opportunities in emerging sectors. In 2015 we continued to see remarkable progress across all of our business lines – In Flight, Retail, and Catering & Facilities – expanding our capabilities and exploring new growth areas in each.

# A Year in Review

Appointed new CEO  
**Wajdy M. Al-Ghabban**

**Constructed** a new state of the art accommodation complex for staff in Dammam



**Centralized procurement** to 60 percent of purchased items



**Merged** employee bonuses and performance appraisal processes



**Invested** in King Abdullah Economic City Industrial Laundry, capable of processing in first phase 20 tons per day; targeting launch operations during Q1/2016

Signed an agreement with Laureate Al-Medina Tourism and Hospitality College in Medina to train and **employ 300 Saudi graduates** over a five-year period in an effort to encourage local talent development and growth of facilities



Appointed a Benefits Manager to look after established benefits policies and procedures



**Catering & Facilities** rolled out implementation of catering and facilities manual, part of the quality management program, and QHC manual in line with ISO 9001

Introduced **electronic bidding system** for food items



Developing employee and management self-service system to launch most **HR functions online** (system complete; to be formally launched in 2016)



Implemented **new IT solutions/ processes** including Microsoft 365, disaster recovery sites and business continuity planning

Rebranding of SkySales identity



**Further aligned** new supply chain department under procurement to track and forecast critical stock and to avoid shortages

**Increased** Retail ground locations (new boutiques in Jeddah and Riyadh airports and Aramco Terminal)



**Achieved** the highest number of meals produced in a single day: 102,000 – Jeddah unit

# Chairman's Statement

It is a great honor to hold the position of Chairman of the SACC Board, and I have pursued with deep admiration and appreciation the Company's strong financial performance and remarkable achievements in 2015.

**SAR 2.26 billion**  
REVENUE +5.9%

**SAR 699 million**  
NET INCOME +6.8%  
BEFORE ZAKAT AND INCOME TAX

These accomplishments, being realized through the ambitious strategic initiatives adopted by SACC's management, surpassed only by the tireless contributions of our valued employees. These efforts have cemented our leading position in core business lines, helped develop new areas of opportunity and reinforced the confidence of our clients. With this success comes the responsibility to redouble our commitment to upgrading our performance and practices, in order to attain even higher levels of service excellence.



Eng. Saleh Bin Nasser Al-Jasser  
Chairman of the Board of Directors

I would like to highlight just a few of the notable improvements in the Company's key indicators over the past few years. Revenues increased 121 percent from 2008 until 2015. At the same time net profit before zakat and income tax has reached SAR 698.5 million (SAR 251.1 million in 2008).

These numbers demonstrate our success in providing services of unparalleled quality to local and international airline operators, as well as to lounges and the growing outsourcing market. Building on years of experience in the field of food production, we are also developing new solutions for emerging business lines such as educational institutions, remote sites, commercial laundries and consumer retail, all of which will contribute to our diversity and market share.

The business remains pragmatic in optimizing the market conditions aligned to its strengths in exploring new revenue lines. The evolving challenges at a macroeconomic level also represent opportunity with flexibility and speed to change SACC's renewed mission and values serve to develop strategic growth.

It is my great pleasure to present this Annual Report for 2015, which encapsulates the Company's remarkable progress over the last year. I would like to express my deepest thanks to all the partners and stakeholders who continue to grant us their trust and support, as well as to my fellow members of the Board and staff at all levels of the organization, for their dedication and accomplishments. I look forward to the future of this Company with solid confidence, God willing.





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My profound thanks to our partners who have trusted and supported our services all the way.

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# CEO Review

2015 will be remembered as a pivotal year for SACC, in which we both built on our core strengths and embarked on several transformational initiatives that will pave the way for future growth.



Wajdy M. Al-Ghabban  
CEO, SACC

Our robust financial performance shows that our diverse operations can deliver value even in challenging economic times. It also demonstrates the success of our sustained focus on reducing costs and maximizing efficiencies throughout the organization.

Crucially, we have continued to progress towards balancing our airline and non-airline businesses. We have supplemented our status as the key supplier of catering services to airlines by expanding our retail presence, adding to our support services capabilities and exploring promising new business lines, such as security. The aim is to serve as a one-stop solutions provider for our clients, capable of delivering a complete suite of high-standard hospitality and facilities services in a streamlined and cost-effective manner.

No less important are the internal changes we have pursued this year, in the areas of talent and corporate culture. Though we enjoy a leading position in the various sectors in which we operate, we cannot afford to be complacent. This is why moving towards a more performance-based system of human resources management was a key theme in 2015, as was recognizing and developing the outstanding talent we have within the organization. We are also determined to be proactive in fulfilling our obligations to source and build more talent locally. In the past year we took the important step of forging direct relationships with local educational institutions under which we will train and employ promising graduates.

In all our actions, we remain conscious of our duties as corporate citizens and focused on the areas where we can produce the best results for our clients, employees and investors. I wish to thank all our stakeholders for their contributions to our achievements in 2015, and hoping that our relations will continue to be even stronger as we step into another promising year.

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We are all committed to working harder to ensure a bright future for this great organization which we are all proud of.



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# CFO Statement

As SACC's Chief Financial Officer, I am pleased to report that 2015 was another year of growth and progress for the Company, and that we face the future on a sound financial footing.

Through strict discipline and careful allocation of resources, we managed to post healthy increases in both revenue and profit for 2015, despite some regional and global economic headwinds. We have worked hard to maintain the unique financial advantages that have established SACC's reputation among investors: a debt-free balance sheet, healthy cash flows capable of supporting our operational needs, and an equitable dividend distribution ratio.



Matti Kivekas  
CFO, SACC

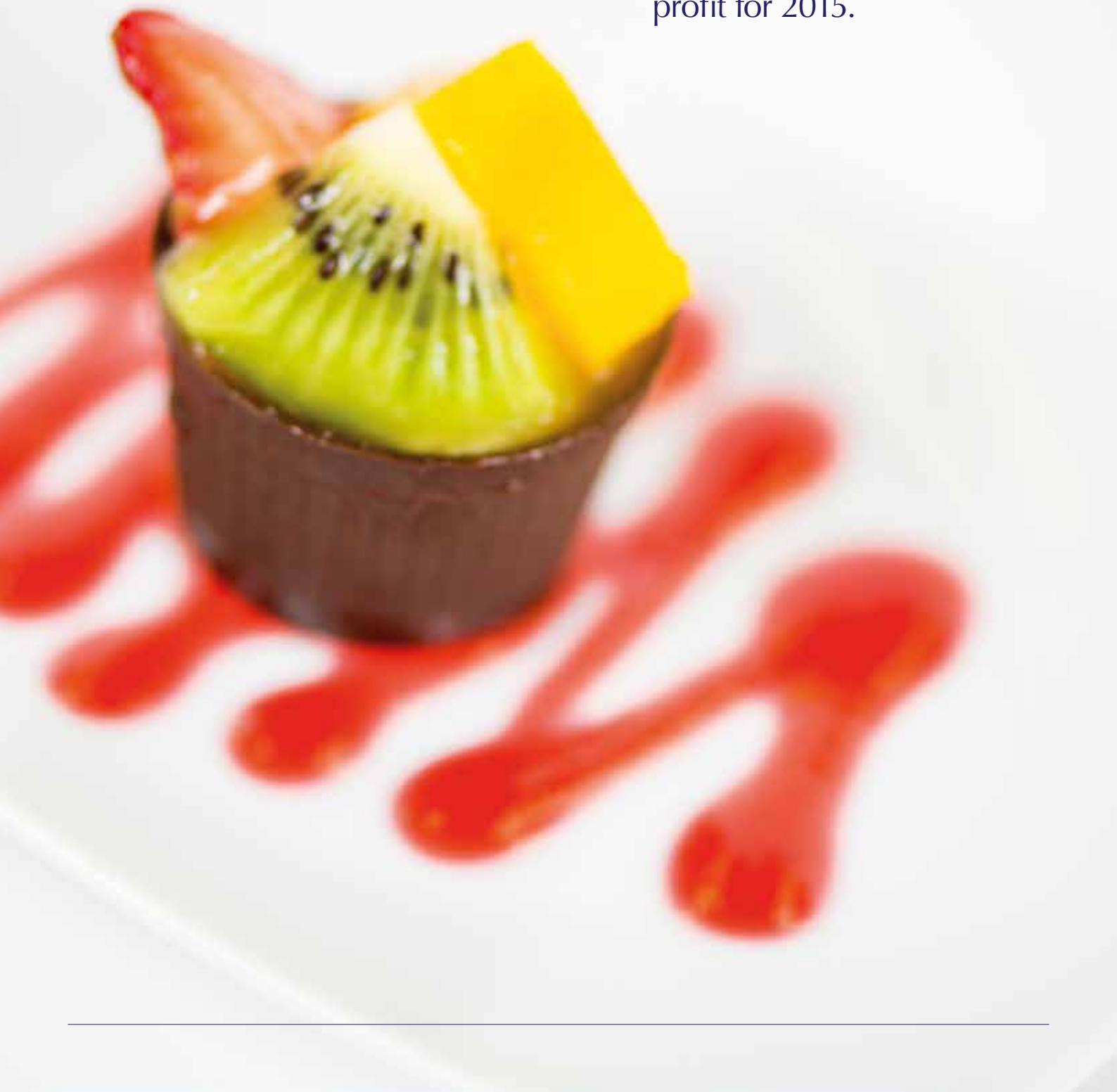
We have also made significant progress in our drive to reduce accounts receivable to an extent that is visible in SACC's working capital.

2015 was also a year of substantial capital spending with clear purpose. Funds were channeled into improving working conditions for our employees, furthering SACC's diversification strategy and laying the foundations for continued competitive advantage and future profitability. We see clear potential to increase turnover in relatively new business areas such as retail shops at the airports and catering to Hajj and Umrah performers, and making strategic investments to match. This approach will foster a diverse mix of client and consumer revenue streams that will enhance the Company's resilience to external shocks and possible downturns.

We are mindful that the year ahead will bring challenges as well as opportunities. As spending control and difficult competition are expected, we are responding by redoubling focus on streamlining our operations and stabilizing our emerging growth businesses. We will concentrate on areas like waste management and procurement to control costs and encourage further efficiency gains. The ongoing adoption of International Financial Reporting Standards (IFRS) will be another priority. All these efforts will ensure we build and sustain the financial mobility, resources and standards needed to move into the future with confidence, and with the full support of our employees and shareholders, for which, as always, I express my gratitude.

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We managed to post healthy increases in both revenue and profit for 2015.



# Board of Directors

Saudi Airlines Catering Board members for the first term ending on 25/01/2016.

## First term



**Eng. Saleh Bin Nasser Al-Jasser**  
**Chairman**

Engineer Saleh Bin Nasser Al-Jasser has a master's degree in business administration from King Saud University and a bachelor's

degree in industrial engineering from King Abdulaziz University. He also has over 30 years of professional experience in different areas of industry in both the public and private sectors.

Mr. Al-Jasser previously served as CEO of the National Shipping Company, and as general manager of the Abdul Latif Jameel Company from 2003-2010. Prior to that he held several positions in key companies and institutions such as the Saudi Telecom Company and the Industrial Development Fund. Mr. Al-Jasser currently holds the position of director general of Saudi Arabian Airlines Holding Company, and also serves as a member the board of the Saudi Civil Aviation Holding Co. and the National Shipping Co.

**Chairman Saleh Al-Jasser has over 30 years of professional experience in different areas of industry in both private and general sectors.**



**Sami Abdulmohsen Al Hokair**  
**Board member**

Sami Al Hokair has over 21 years of professional experience in hotel management in Saudi Arabia.

Upon graduating from university, Mr. Al Hokair joined the Andalous

Group, where he held a number of positions including manager (1990-1994) and managing director (1995-2009).

In 2009, he established a new hotel brand, MENA Hotels and Resorts, under the Abdulmohsen Al Hokair Group. Since 2009, he has been responsible for managing 32 hotels in Saudi Arabia, two hotels in Jordan and two in Dubai. As at the date of this Prospectus, Mr. Al Hokair is a board member and the CEO of Abdulmohsen Al Hokair Group in Saudi Arabia and the chairman of Strategic Catering Co.



**Shawgi Mohammed Mushtag**  
**Board member**

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 in the company, including general manager for marketing and training (1987-1997), general manager for SkySales (1997-2005) and vice president – catering (2005-2008). From 2008 to 2015 he served as executive vice president – privatization at Saudia.



**Jonathan Stent-Torriani**  
**Board member**

Jonathan Stent-Torriani worked for Compass Group from 1991-1997 in various roles, including managing director for operations management and managing director of Compass

Group's operations in South Africa. He left Compass Group in 1997 to join Naunce Group as chief executive officer of its operations in Australasia before returning to Compass Group 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. Mr. Stent-Torriani is the co-founder, co-owner and has been co-chief executive officer of Newrest Group since 2006.



**Fahd Abdulmohsen  
Al Rasheed**  
Board member

Fahd Abdulmohsen Al-Rasheed holds a bachelor's degree in business administration from Washington University in St. Louis and an MBA

from the Stanford Business School, and has over 10 years of professional experience in business development, investment and general management in Saudi Arabia. He was appointed a financial analyst at Saudi Aramco in 1999 and subsequently served as the chief financial officer of the Saudi Arabian General Investment Authority (2005-2006), where he later took the position of deputy governor (2006-2007). Mr. Al Rasheed has been the managing director and chief executive officer of Emaar Economic City since 2008. He serves on the boards of several organizations, including EEC, King Abdullah Port, the Harvard Kennedy School Dean's Council, Petromin, Sama College of Business, the New Cities Foundation, and the Foundation Board of the Global Shapers of the World Economic Forum.



**Eng. Raed Ibrahim  
Almudaiheem**  
Board member

Raed Ibrahim Almudaiheem has more than 28 years of diversified engineering and managerial experience in both the public and

private sectors. He graduated from King Saud University in Riyadh with a degree in electrical engineering, and acquired his master's degree from the same university in 1992. Mr. Almudaiheem joined A.K. Almuheidib and Sons in 1997 as general manager of Almuheidib Building Materials, and in 2005 was promoted to managing director, responsible for the supervision and control of Almuheidib Building Materials and Masdar Building Materials.

Mr. Almudaiheem has participated in dozens of conferences, training courses, seminars and forums on economic, management, financial, strategy and leadership issues in Saudi Arabia and around the world. He is also currently the CEO of Masdar Co. and a board member at multiple companies, including Masdar, Yamamah Steel, United Mining Industries, North Region Cement and Bawan Co.



**Eng. Abdullah J. Taibah**  
Board member

Abdullah J. Taibah holds a BS in electrical engineering from the King Fahd University of Petroleum and Minerals (KFUPM) in Dhahran, Saudi Arabia, and has over 25 years

of experience in strategic and operational management. He currently holds the position of CEO at Arabian Qudra. In March 2007, he became the CEO of Hail Economic City, one of five Economic Cities launched by the Saudi Arabian General Investment Authority to promote economic diversity across various regions in Saudi Arabia.

Mr. Taibah previously worked for GE (1993-2007), where he served as Middle East general manager and regional executive for GE Energy. He held various other positions, including corporate national executive for the Middle East covering the GCC, Jordan, Syria and Lebanon (2001-2004) overseeing all GE businesses from aircraft engines to healthcare, energy and others. He has also worked for Saudi Electricity Company, and serves as a board member at various organisations, such as Emaar Economic City and The Higher Institute for Water and Power Technologies.

**Abdul Aziz Saif Al-Saif**  
Board member

Abdul Aziz Al-Saif was appointed a first lieutenant in the Saudi Armed Forces in 1956, and worked in various divisions of the military. In April 2000, he was appointed commander of the western region of Saudi Arabia. He retired from the military in July 2007. Mr. Al-Saif has attended various military training courses in the Kingdom and in the United States, and has obtained various medals of honor. He was also awarded a medal from His Majesty the King of Morocco and a medal from the government of the United States of America, which he received upon the end of his service as a military attaché of Saudi Arabia to the United States.

**Hasan Shakib Al Jabri**  
Board member

Hasan Al Jabri has around 26 years of professional experience in the banking sector. He has held senior positions in several banks, including Samba Financial Group, where he served as account officer (1989-1997), head of corporate banking (1987-1993) and head of the western region (1994-1998). Mr. Al Jabri then joined National Commercial Bank, where he served as head of the corporate banking group (2001-2007) and managing director and board member of NCB Capital (2007-2010). Since 2010, Mr. Al Jabri has been the chief executive officer of Sedco Capital. He has also sat on the boards of directors of Roots Group Arabia Company, Dar Al Tamleek and SEDCO Capital since 2010. Mr. Al Jabri is also chairman of Al Ibdaa Bank, which specializes in microfinance, and is a member of the investment committee of BUPA Arabia.

**Resigned during first term:** Basel Algadhib and Yousif Al Maimani

# Board of Directors Members

The serving members of the Board for the second term starting from 26/01/2016.

## Second term



### Dr. Yahya A. Alyahya Chairman

The board selected Dr. Yahya A. Alyahya on 28 January 2016 as the chairman for the coming three year period. He holds a PhD in industrial and operations engineering from the

University of Michigan, and has over 40 years of operational and management experience in business and banking systems. He currently holds the position of board director of Gulf International Bank, Bahrain.

Dr. Alyahya has held various positions in local and international banks and other companies, including board director of Gulf International Bank (Bahrain) and its executive management, co-chairman of the Emerging Markets Advisory Council of the Institute of International Finance (Washington, DC), member of the steering committee to establish the Saudi Real Estate Refinancing Company (Riyadh), member of the World Bank's International Centre for Settlement of Investment Disputes (ICSID) Panels of Conciliators and Arbitrators for the Kingdom of Saudi Arabia, board director of the Institute of International Finance (Washington, DC), chairman of Gulf International Bank (UK) Limited (London), board director of GIB Capital (Riyadh), chairman of Shuaibah Expansion Project Co. (Jeddah) and chairman of Shuaibah Water & Electricity Co. (Jeddah).

He has also served on the boards of several organizations, including the Group of Twenty (G20) High Level Panel on Infrastructure Investment (HLPII), as a member of the Strategy Steering Group of Sanabil (Riyadh), board director of Oger Telecom (Dubai), board director of National Commercial Bank (Jeddah), board director and member of the Audit & Investment Committees, (Riyadh), board director and member of the executive committee, Gulf Investment Corporation (Kuwait), Saudi Arabia representative on the Steering Group (USA, EU, Japan and Saudi Arabia) of the International Efforts for the Reconstruction of Afghanistan, executive director for Saudi Arabia at the World Bank in Washington, DC, board director of the Saudi Engineering Society (Riyadh), member of the audit committee of Saudi AlFransi Bank (Riyadh), general manager central region for El Juffali & Bros Co. (Riyadh), board director of Saudi Agricultural Bank (Riyadh), director general of the Institute of Banking, SAMA (Riyadh), assistant professor of industrial engineering, King Saud University (Riyadh), consultant for Ford Motor Co., Detroit, assistant professor of industrial and systems engineering at the University of Michigan, lecturer at the Indian Statistical Institute (Bangalore), graduate assistant in the College of Engineering, Riyadh University, project analyst at the Saudi Industrial Development Fund (Riyadh), and analyst, facilities planning at Saudi Aramco (Dhahran).





**Ayman T. Al-Tayyar**  
Board member

Ayman T. 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 head of the Islamic branch network in 2006. From 2012 to present he has held the position of executive vice president and head of lease finance.

Mr. Al-Tayyar graduated from the University of Montana, Missoula, USA, in 1993 with a bachelor's of business administration in marketing. As part of his professional development he has attended many banking sector management training courses throughout his career at reputed institutions in the UK and the United States.



**Abdulmohsen Al-Yahya**  
Board member

Abdulmohsen Al-Yahya has over 34 years of operational and management experience. He started his career as a project engineer in the military in 1982, and was later seconded to AlSaif Contracting as an engineer. In 1989 he established the Kudu Restaurant and is now CEO of the organization. In 2006 he was appointed a board member of Al-Khaleej Training and Education Company. He received a bachelor's degree in civil engineering from King Saud University, Jeddah in 1981.

**Sami Abdulmohsen Al Hokair**  
Board member

**Shawgi Mohammed Mushtag**  
Board member

**Jonathan Stent-Torriani**  
Board member

**Fahd Abdulmohsen Al Rasheed**  
Board member

**Eng. Raed Ibrahim Almudaiheem**  
Board member

**Eng. Abdullah J. Taibah**  
Board member

# Senior Management

The Company is managed by a highly experienced team with the necessary knowledge and skills to manage the Company's operations. The Company is organized into three sectors along with supportive functions each of which reports to the CEO.



**Wajdy M. Al-Ghabban**  
CEO

Mr Wajdy Al-Ghabban graduated with a Masters of Business Administration from Robert Kennedy College, University of Wales, Switzerland with 27 years' service in Saudi Airlines

Catering Co. holding various positions and has recently been appointed as CEO in 2015. Affiliated with IFSA / ITCA and a member of the Gulf Airline Catering Working Group (GACWG) displays an expertise in the field of airline & non-airline catering, additional 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), budgeting and contract negotiation.



**Matti Kivekas**  
Chief Financial Officer/ GM  
Shared Services

Matti brings extensive senior finance experience, most recently servicing as Chief Financial Officer with Fazer Food Services in Finland. Prior to this,

Matti served as a CFO in Brazil and GM-Finance and Business control in India with Salcomp, VP Finance & IT with UPM-Kymmene in Singapore and Shanghai and been in charge of finance and business control with Metso Automation in South America, Asia and South Africa.



**Sultan Al Booq**  
General Counsel &  
Corporate Secretary

Sultan practices international and corporate transactional law. He has worked extensively in matters involving intellectual property and corporate

procedure and governance, regulatory compliance, and negotiations in multiple types of contracts. He has also negotiated and structured a number of KSA acquisitions and joint ventures.

Sultan holds Master's Degree (LL.M) in Comparative Legal Studies awarded from Pace Law School in New York with a Bachelor of Law from King Abdulaziz University. Prior to joining Saudi Airlines Catering, Sultan was a senior legal counsel in Saudi Mining Company (Ma'aden), where he led corporate governance development and compliance. From 2005 to 2008, Sultan was the official attorney in charge with Microsoft IP legal cases in the western region of Saudi Arabia in association with Muhammed Aldhabaan Law firm and Eversheds.



**Abdulwahab Saati**  
Chief Commercial Officer

Mr Abdelwahab Saati 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 24 years in the field of Airlines In-flight Catering, with a very strong orientation in the field of Marketing & Sales Business Development handling all Saudia, Local & Foreign Airlines and Private Aviation. In his current position as Chief Commercial Officer he is tasked with Other Airlines and Skysales Department and now developing the corporate retail segment within the SACC strategic vision.



**Martial Vérine**  
COO Support Services

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 and East Africa, he was appointed as the General Manager for Newrest Inflight Catering in Tunisia in 2005 followed by General Manager for Newrest Algeria in 2009. Martial's experience also includes working for leading brands such as Eurest and Sodexo to name a few.



### Jacob Hendrik Roest Chief Operation Officer – Airlines

Jacob comes to SACC with over 25 years of experience gained through working in airline catering positions across Europe, Asia, India and New Zealand. Prior to his appointment as Managing Director LSG Sky Chefs New Zealand and Rarotonga in 2010, he was appointed as the Director Operations Thailand, India, Nepal and Myanmar in 2005. From 2000-2002 he served as Deputy GM LSG Sky Chefs Bangkok Thailand followed by promotion to General Manager from 2002-2005. Jacob's experience also includes working in production and management roles in UK, Portugal and the Netherlands where he served in the national service for 2 years following his graduation for hotel management 1984-1988.



### Saleh Seferji Chief HR and Development

Mr. Saleh Seferji graduated with a BA from Cairo University Faculty of Law and holds a further two Higher Diplomas from AUC in HRM and Hotel & Motel Management. Mr. Saleh additionally holds certification in the field of HR and is affiliated to SHRM. Mr. Saleh has extensive experience in multinational companies including HR Manager Carrefour, HR Manager Baskin Robins and GCC HR Manager for Colgate Palmolive. Mr. Saleh has continuously achieved significant improvements in all his previous company's in relation to Saudization. In October 2013, Mr. Saleh joined SACC in the role of Chief Human Resources and Development.



### Dr. Fahad Ali Khayat General Manager (IC & PI)

Dr. Fahad has held the position of GM, Internal Control & Performance Improvement (IC&PI), for Saudi Airlines Catering since 2008. Qualified through B.S. Food Science, USA. M.S. Food Science USA. Ph.D. in Food Microbiology, USA, and Dr. Fahad's department has delivered key ISO / HACCP / OHSAS / Halal (HAB) qualifications for the business. With over 25 years' experience, with 3 years at VP level, Dr Fahad's experience in delivering quality assurance through establishing robust, quality driven processes is key to SACC's subsequent awards and recognition in the field of food production.



### Mohammed Huzayfa Shuib Chief Procurement & Supply Chain Officer

Mohamed Huzayfa has over 17 years of experience as an International Retail Manager in Carrefour; one of the world's

leading Hypermarket and also as the Senior Executive Procurement & Supply Chain officer with company oversight, committed to cost-effective management of resources and quality performance. He also has an overall global experience in working in GCC countries, Saudi Arabia, UAE and Bahrain to name a few.



### Justin Phillips Chief Marketing & Communications Officer

Justin offers extensive experience in Retail and Marketing within contract support services. Graduated with BA (Hons) Marketing in 1998 from De Montfort University, Leicester. From 1998-2004, following completion of Graduate training at Sainsbury's a leading UK supermarket chain, Justin occupied roles at store, regional and HQ culminating in Operational Lead for in store catering across the UK. In 2004 Justin joined Compass Group UK managing food and service for National Accounts eventually becoming Head of Marketing In Store. In 2011, Justin moved to Compass Group PLC overseeing Marketing Services across the CAMEA region, supporting the development of Compass Group's B2B branding from China, Hong Kong, Singapore, India, South Africa and GCC area before joining SACC in 2013 as Chief Marketing & Communications Officer.



### Tarek Tharwat Chief Audit Executive

Tarek Tharwat holds an MBA in International Business from the University of Liverpool in UK and a Bsc. in accounting from Alexandria University in Egypt he is also registered as Charter Accountant. Tarek, holds the Certified Internal Auditor (CIA) and Certification in Risk Management Assurance (CRMA) both from the Institute of Internal Auditors (IIA) in USA and Certified Financial Consultant (CFC) from the Institute of Financial Consultants (IFC) in addition to other audit and internal control professional certificates. Tarek has over 23 years of professional experience in Internal Control, 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. Then in 2003 joint 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 joint Orascom Construction Industries 'OCI' in Egypt as Corporate Internal Audit Manager responsible of the cement division in Egypt and the overseas network then joint Saudi Binladin Group as Chief Internal Auditor for the Public Buildings and Airports Division 'PBAD'.

# Strategy Overview

The diversification of the business has seen significant growth in new and emerging sectors. The focus on both scale and profitability aligned to SACC’s capability determine the portfolio of services and sectors we serve.





## Religious Catering

Become a significant player in the catering business for Hajj and Umrah pilgrims



## Remote Sites & Camp Management

Leverage know how and expertise to become an integrated facility management service provider for the oil, gas & mining industry



## Security

Become a major security service provider in and around KSA airports



## Retail

Continuous improvement of core services and product portfolio for our SkySales business

Expansion of food and non-food retail locations at KSA airports



## Business & Industry Catering

Maintain growth momentum through product and service quality levels

# Strategic Review

Since our inception in 1981, SACC has rigorously pursued its fundamental mission: helping clients develop and deliver hospitality concepts and services of the highest standards, based on our core values of commitment to quality, cost effectiveness, teamwork and dedication to customers.

While maintaining our leading position in the domestic airlines catering industry, we are also committed to a strategy of diversification to seize emerging growth opportunities, reduce reliance on a single revenue stream and generate additional value for our shareholders and employees. The key themes and achievements connected to this strategy in 2015 – which will continue to shape the Company’s trajectory in the year ahead – include:



Exploring new opportunities and fostering new customer bases in areas that complement SACC’s current operations, and in which the Company can leverage its skills and experience, such as remote site support, railways and security.



The development of additional capacity and services to cater to a growing number of religious travelers, in support of the government’s efforts to expand facilities at the Two Holy Mosques.



Moving towards a performance-based work culture in which human resources policies and incentives are aligned to overall corporate goals.



A renewed focus on cost reduction and efficiencies, particularly through the monitoring of accounts receivable and the centralization and automation of procurement.



Fostering local talent by promoting Saudi nationals to senior positions, developing training and recruitment programs with local educational institutions, and creating a supportive work environment for Saudi females in line with the government’s Saudi nationalization policy.

Leveraging technology to enhance performance and the resilience of the Company’s infrastructure;

Developing relationships with other organizations to gain insights and implement best practices in catering and support services, extend our capabilities, and strengthen our global network.

# Business Model

SACC's roots date back to 1981, when Saudi Arabian Airlines established a dedicated unit in Jeddah's King Abdul Aziz International Airport to provide catering and support services to flights operated by Saudi Arabian and other airlines. In the years that followed the catering business expanded to other airports. It was entrusted in 1985 with the management of Saudi Arabian Airlines' In Flight retail operation, SkySales, and in 2007 with oversight of the airline's Al Fursan lounges. Having operated as an independent entity for some time, the business became a Limited Liability Company and was formally established as Saudi Airlines Catering Company (SACC) in 2008 as part of the airline's privatization program. In 2011, SACC became a closed joint stock company and was listed in the stock market as a public joint stock in 2012. Saudi Arabian Airlines remain as the Company's largest client and shareholder.

**Our history has given rise to a diversified firm that operates across three major business lines:**

## In Flight

This division is responsible for providing catering and support services to airlines operating flights to and from the Kingdom's main airports. It is also tasked with food and beverage equipment sales and the operation of airport lounges. In Flight remains our core business, accounting for 78 percent of revenues in 2015.



## Retail

This segment manages all aspects of clients' in-flight sales service, SkySales, including the sourcing of exclusive new products, SkySales' growing network of ground outlets and the development of its emerging online sales strategy. In 2015, retail made up 11 percent of SACC's revenues.

# SKYSALES

**Est. 1985**

## Catering & Facilities

Formerly known as the Support Services division, Catering & Facilities oversees an important growth area for SACC: the provision of catering services to non-airline clients throughout the Kingdom, including banks, energy, utilities and manufacturing firms, schools, and railway operators, with technical assistance from Newrest. We also offer related services such as laundry, security and staff accommodation. Catering & Facilities accounted for 11 percent of Company revenues in 2015.



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# Our Operations

# We deliver world-class services to all our clients



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## In Flight

Quality in-flight catering and Airport lounges



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## Retail

On-board and ground sales



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## Catering & Facilities

Business and industry catering, remote site catering, security, laundry services and staff services

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Samy K. Palax  
Sous Chef



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## Our Operations

# In Flight

## Quality in-flight catering and Airport lounges

### Quality takes to the skies

The In Flight sector has historically been at the heart of our business, and has blossomed in line with the development of the country's aviation industry. This division includes our in-flight catering operations and the management of Airport Lounges.

### In-flight catering: An enduring growth engine

SACC provides catering and other support services to airlines and a broad range of other carriers operating flights to and throughout the Kingdom, adding quality and the evolving needs of our clients first and foremost.

With passenger numbers continuing to rise and the Kingdom's airlines regularly adding new destinations, the In Flight business posted a positive performance in 2015, expanding 3.4 percent from the prior year. A renewed focus on efficiency and close coordination with our airline clients have also helped us maintain a healthy profit margin in this sector. Reflecting the success of our diversification strategy, In Flight's contribution to the total consolidated sales mix has reduced, although still remains in net growth overall. It currently contributes 78 percent of total sales in 2015.

Our international team of chefs includes specialists in local, regional and international cuisines. The team constantly reviews, plans and refines our menus to ensure they meet customers' high expectations and result in the highest levels of satisfaction. We also provide our clients with food and beverage equipment such as cutlery and serving carts. Costs, pricing and delivery schedules are

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The sector continues to generate net growth and continues to represent the core SACC business. Delivering efficiencies to operations is a key objective and driving innovative client focused solutions will maintain SACC's competitiveness in this sector.



regularly evaluated to verify that they meet our commitments to our clients, and can be adjusted in response to client demands or market conditions.

Despite a more constrained economic environment, the Kingdom's airlines and airports will continue to expand to meet rising passenger demand for air travel. In Flight therefore remains a sector of

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significant potential for SACC, and we are ramping up our production capacity accordingly, deploying additional resources at key catering facilities.

The rise of premium and private aviation in the Kingdom, with future development of all business-class flights between Riyadh and Jeddah, represents a particularly compelling opportunity to orient the In Flight business towards even higher-value food, beverage and equipment services, and to further distinguish SACC as the sector opens to more competition.

#### Lounges: Towards new levels of refinement

Based on an agreement concluded with Saudi Arabian Airlines in 2008, SACC manages the airline's Al Fursan lounges. SACC also manages other airport lounges, which offer a premium experience for first, business class passengers and others at major airports throughout the Kingdom. Other passengers are also able to pay for direct access to these lounges, which feature full buffets, internet access, a selection of local and international media, and other amenities that encourage patrons to relax and refresh themselves in comfort prior to their flights.

Over the past year we have further revamped the Al Fursan concept, upgrading facilities and introducing a wider selection of amenities and services to ensure



Al Fursan lounges offer an environment of truly world-class luxury.

The lounge business generated significantly higher turnover in 2015 and accounted for 5.9 percent of total revenues, up from 4.2 percent in 2014.

Having successfully designed our own lounge concept, we are working to extend this beyond the airport environment, embedding lounges in banks, hospitals, government departments and other high-traffic facilities where customers can benefit from a higher standard of comfort and companies are also seeking to raise service levels. This means lounges are set to become an even more important growth area for SACC in future.

Lounge/Other Services	Region	Opening Date	Services Provided
Private Aviation Lounge	Riyadh	22 Feb 15	Dates, Hot and Cold Beverages, Cookies, Nuts, Chips, Arabic Pastries, Toilet Amenities, Wifi Services
SV City Private Lounge	Jeddah	15 Mar 15	Butler Services/Meals and Beverages
Saudia Private Aviation (SPA)	Jeddah	8 Apr 15	Nuts, Cookies, Arabic Pastries, Choc and Candies, Dates and Beverages, Cleaning Services
Executive Lounges	Riyadh, Jeddah, Dammam	1 Jun 15	Upgraded Facilities/VIP Sandwiches, Assorted Desserts, Croissants and Breads, Corn Flakes/Cereals, Muffins, Banana Cake, Whole Fruits, Nuts, Cookies, Chocolate & Candy, Dates, Beverages
MED Al Fursan International Lounge	Medina	6 Aug 15	Open Buffet Counter, Kids Area, Library, Quiet Zone, Business Area, Toilet Amenities
Saudia Airlines Delayed Flight Service	Jeddah	1 Sep 15	Meals for Delayed Flight, Transit, INAD, HM/Bev, SNX, HBR, HLD, HM
Saudi Civil Aviation Holding Co.	Riyadh	1 Sep 15	Teaboy Services/Assorted Croissant, Assorted Hot Sandwiches, Assorted Dessert,
Lounge Café – International	Jeddah	13 Sep 15	Paid Lounge – serving different varieties of food
Lounge Café – Domestic	Jeddah	13 Sep 15	Paid Lounge – serving different varieties of food
Premier Lounge – TR1	Riyadh	21 Sep 15	Open Buffet Counter, Toilet Amenities, Smoking Room
Flynas Delayed Flight Services	Riyadh and Jeddah	22 Sep 15	Meals for Delayed Flt, Transit, INAD, HM – Bev, SNX, HBR, HLD, HM

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## Our Operations

# Retail

## SkySales and Ground Shops

### Shaping a retail tradition

Our Retail business has grown out of SkySales, our airlines' in-flight shopping service, which SACC has operated since 1985. We are responsible for managing every aspect of SkySales and the customer experience, from sourcing exclusive products from suppliers to regularly updating the SkySales catalogue and exploring new retail channels. Over the years we have developed a diverse and compelling product range spanning perfumes and cosmetics, watches, jewelry, electronics, toys and airline-branded goods. Mutual relationships have been built with many of the world's leading brands to better cater to a broad, affluent and discerning customer base.

In recent years retail has expanded its customer base and is now proudly serving a leading low-cost airline Flynas, has taken over the management and running of ground retail shops in the Kingdom's major airports, and developed an online shopping offering.

2015 was a challenging year for Retail in some respects, with international and domestic sales declining for luxury products. Nonetheless, travel remains a growth industry even in difficult times. Our domestic business continues to expand at a rapid pace and last year outpaced the international segment in terms of turnover, supporting overall growth of 14.3 percent from the prior year.




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The growth of retail will require the business to utilize relevant communication platforms and channels as well as evolving CX strategies to keep connected and aligned to consumer lifestyle shopping.



## CURATED FOR YOU BY SKYSALES

### Flying into the future of shopping

While the economic outlook remain uncertain, the underlying drivers of the Retail business continue to be strong. Several factors suggest passenger numbers are set to increase, including the establishment of new local carriers, growth in passenger spend from areas in South East Asia and in private aviation, and planned airport expansions. These factors mean SACC is well positioned to weather any market headwinds.

More importantly, SACC enjoys several unique advantages in the retail space. SkySales has been cultivated into one of the Kingdom's most trusted brands, a well-known source of genuine, high-quality and often limited-edition goods that provides an unmatched level of customer satisfaction and after-sales service.

In the year ahead we will build on this legacy even further. We will take additional steps to curate our product line-up, working directly with top designers and high-end brands to create more exclusive offerings for Retail customers and to ensure we remain early to market with coveted new releases. New and innovative grand prizes and special offers are planned to foster customer interest and excitement around product launches.

We have planned investment in training and sending Saudi Arabian Airlines crew members to select exhibitions to enhance their knowledge of our catalogue and empower them to act as ambassadors of the SkySales brand. The overarching goal is to elevate the brand even further and ensure our customers feel a touch of luxury in every interaction with the SkySales business, developing relationships that go beyond simple commercial transactions.

We will also strive to expand our presence in targeted areas where future retail growth is likely to be concentrated. We are monitoring domestic and regional airports closely for promising additional locations, and will move quickly to take advantage of opportunities to open new stores as they arise. More will be invested in the design of and facilities in SkySales boutiques to make sure they reflect the aspirational lifestyles of our customers and the quality of the merchandise within.

The robust delivery and logistics infrastructure we have set up around SkySales online will allow us to expand further into the local market. We are also keenly aware of the potential of mobile e-commerce, and have developed a SkySales app in response to provide a further point of access for our customers. Our emerging focus on electronic retail has been accompanied by the deployment of additional technology resources that will support this transformation and allow us to seize on the opportunities that result.

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## Our Operations

# Catering & Facilities

SACC's diversification strategy has seen the development of this particular business area returning high growth and potential

### Extending our hospitality footprint

Moving beyond our origins as a provider of catering services to airlines, in 2008 SACC established a new business line offering meal, laundry, site management and complementary support services to other businesses, including those operating in remote areas of the Kingdom.

Formerly known as Support Services, this division was in 2015 renamed Catering & Facilities to reflect internal changes and its growing roster of capabilities. Combining SACC's over three decades of catering experience and deep local knowledge with the expertise of our international partners, Catering & Facilities has played an important role in SACC's diversification strategy and overall growth. The division contributed 11.3 percent of Company revenues in 2015, up from just 2.7 percent in 2010, and achieved an annual growth rate of 20.2 percent.

Last year was notable for the implementation of Catering & Support Services and HSQE manuals, part of a quality management drive that will ensure the division adheres to the same high standards applied across SACC. We also moved to centralize many aspects of management and successfully renegotiated or closed many non-profitable contracts, emerging a leaner and healthier operation.

### Remote sites: Supporting our clients in any location

In 2014 we launched the Newrest Saudia brand with technical assistance from Newrest, drawing on its global expertise to offer a complete range of catering and support solutions to companies operating in remote and often harsh environments.

SACC has rapidly become one of the Kingdom's most recognized names providing catering, accommodation management, laundry and cleaning services to companies in the field, optimized for their staff size and individual requirements, and sometimes demanding conditions. In the year ahead our track record will help us explore high-potential businesses like offshore support services, where we are already seeing clear demand from clients.

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SACC's presence and expertise continues with added focus on client needs. The remote sector, in particular, offers scale and opportunities in Saudi Arabia to see further improvements in SACC's revenues.

#### Rail: Capitalizing on new connections

Since securing the contract to provide on-platform and onboard catering to the Saudi Railways Organization service linking Dammam, Hofuf and Riyadh, SACC has implemented the Daily Break café brand, which offers a full menu of refreshments for passengers in rail terminals. We also manage services for VIP travelers. With rail infrastructure a clear priority for the government and a new high speed line set to connect Medina, King Abdullah Economic City, Jeddah and Makkah, we anticipate further opportunities in the rail sector in the near future.

#### Business & Industry: Quality meals on demand

SACC also prepares and serves meals, snacks and beverages via facilities installed in clients' premises. The Lunch concept enables companies to offer fresh, healthy dishes tailored to their employees' individual preferences, without requiring employees to travel or disrupting a busy work day. Our clients include private sector firms and government offices, and we are steadily moving into new growth areas such as hospitals and clinics.

#### Laundry: Practical industrial-scale solutions

Commercial laundry services are a relatively new and fast-growing sector in the Kingdom, and one in which SACC has quickly established a leading reputation. Via our original facility in Riyadh, the first of its kind in the country to be quality certified by Germany's Hohenstein Institute, and a sophisticated new facility for the western region based in King Abdullah Economic City, we are rapidly expanding our reach to airlines, hotels, industrial operations, hospitals and other clients nationwide, and expect commercial laundries to be an important contributor to the Company's profitability going forward.



#### Hajj & Umrah Catering: Meeting the needs of guests

SACC is also engaged in the growing and important trade of catering for companies based in the Two Holy Cities of Makkah and Medina that support the needs of pilgrims and other visitors. Through a recently established office in Makkah and dedicated team of managers working out of our central Riyadh production facility, we ensure the safe and timely supply of high-quality Halal meals meeting the rigorous requirements of the Ministry of the Hajj. We are committed to constantly enhancing our products and expanding capacity to deal with future increases in visitor numbers.

In 2016 and beyond Catering & Facilities will focus on further restructuring and recruitment to support business development in higher and more profitable levels of facilities management, such as staff camps and security services. We will also invest in our production resources to boost capacity and reduce dependence on those we share with other business divisions.

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# Procurement

## Harnessing the power of technology in procurement

Procuring the raw materials we need to deliver high-quality meals and services to our clients is one of the most important functions in the organization. It is where our commitment to quality begins.

In 2015 we took several important steps to promote efficiency and transparency in our supply chains. Formerly the responsibility of individual departments, procurement has been centralized for 60 percent of supplies, resulting in significant price reductions. Our target for the current year is to raise the centralization ratio to 75 percent, producing further cost savings.

Automation has also been a key factor in refining our procurement processes. We have introduced a new e-bidding system for food items, through which suppliers register and submit proposals for the various tenders we have available. This creates a more competitive bidding environment and allows us to benchmark and compare prices instantaneously.

The system is being extended to cover virtually all items the Company needs to source in the course of its operations. Suppliers are constantly monitored on criteria such as hygiene and timeliness. We have also formed a supply chain department that monitors forecast generation process regularly to anticipate and proactively address any shortages of critical stock.

In the coming period we will rigorously evaluate our relationships with suppliers, concluding service level agreements that reflect our focus on quality and that hold suppliers to the same high standards we exhibit with our customers. We will also work to introduce a tracking system for shipments and to broaden our supply chain internationally, generating further time and cost savings and ensuring procurement continues to play its part in sustaining SACC's strong financial position.



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Our target for the current year is to raise the centralization ratio to 75 percent, producing further cost savings.





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We are the preferred partner of certified suppliers.

## Awards & Certificates

# Consistency, quality, service and innovation

The Company operates in accordance with international quality standards that align to our vision and goals. We envisage catering as a comprehensive and integrated set of values and processes that incorporate quality, health and safety in food production, distribution and delivery as efficiently as possible. We have built up precise and rigorous systems for our employees comprising of development and training programs to a globally benchmarked standard. Additionally, we respond directly to our clients' requirements by adopting effective administrative systems.

Our team is composed of professionals in food preparation, catering, sales, quality control, training, control of health & safety standards and operations. The spirit of team work and co-operation always prevails as we seek to gain the trust, satisfaction and loyalty of clients. Giving priority to quality has been recognized through our receiving of international awards; for instance, in 2011 the Company was awarded the Platinum Award of Excellence having also been awarded a further five Golden Awards for the years 2009, 2010, 2011, 2012 and 2013 from MADINA, an organization specialized in auditing airline catering companies worldwide to ensure the integrity of procedures relating to food preparation provided by companies supplying onboard hospitality.

Further awards in 2014 and 2015 (final grade will be announced in March 2016) have also been gained from MADINA.

### MADINA Excellence in Catering Quality Awards





### Halal Authority Board

Standards for Halal Certification and requirements of Islamic Shari'ah Law, worldwide



### Hazard analysis & critical control points (HACCP)

Provision of catering for in-flight and non-airline facilities, Cairo & KSA



### ISO 9001:2008 quality management systems

Catering for in-flight, non-airlines, support services and SkySales, Cairo & KSA



### ISO 22000:2005 food safety

Catering for in-flight, non-airlines, support services and SkySales, Cairo & KSA



### OHSAS 18001:2007

Catering for in-flight, staff feeding, support services and SkySales, Cairo & KSA

### QSAI Award:2015

Quality & Safety Alliance In-flight Catering



# Operational Performance

2015 has seen considerable focus on efficiency and in 2016 we expect to realize the benefits of these projects.

## History

The inception of SACC's business begins in 1981 when Saudi Airlines established a special catering unit in King Abdul Aziz International Airport in Jeddah, providing catering services along with supplementary services for Saudi Arabian Airlines as well as additional airline companies operating flights from the airport. Over the coming years, new catering units were established by Saudi Airlines at King Khalid International Airport, King Fahad International Airport, Prince Mohammed Bin Abdul Aziz and Cairo International Airport. In 1985, the business took over the management of SkySales on board Saudi Airlines. In 2006 and 2007, the In Flight team subsequently received the responsibility for the management of Al Fursan lounges. The catering unit, whilst retained by Saudi Arabian Airlines, was consequently operated as a separate business entity. The process of privatization led to Saudi Arabian Airlines establishing Saudi Airlines Catering Company (SACC) as a limited liability Company on 20th Muharram 1429 Hijra, 29 January 2008.

The Company was registered with the Commercial Registration holding No. 4030175741 and capital of SAR 100,767,000 was divided into 1,007,670 shares,

with a value of SAR100 per share. As a result of privatization Saudi Airlines Co. transferred all assets, staff and the majority of contracts relating to the catering unit to the new Company. The Company was converted from a limited liability Company to a joint stock Company under the decision of the Minister of Commerce and Industry No. 68 Q dated 22/2/1432 Hijra (26 January 2011).

Under the resolution of the Extraordinary General Assembly dated 14/4/1432 Muharram (19 March 2011), the capital of the Company was increased from SAR 100,767,000 to SAR 820,000,000 divided into 82,000,000 common shares with a value of SAR 10 per share through the capitalization of:

- (i) an amount of SAR 658,791,392 of the Company's retained earnings
- (ii) an amount of SAR 13,718,428 from the Company's general reserve
- (iii) an amount of SAR 46,723,180 from the statutory reserve of the Company

The Company was converted into a joint stock company under a decision issued by the Capital Market Authority (CMA) dated 6/7/1433 Hijra (27 May 2012).

## Main Activities

The Company is engaged in many activities that are represented by three major sectors that provide services to airlines and the support services sector.

### 1. In Flight

The In Flight is responsible for:

- Providing catering and supplementary services to Saudi Airlines and other company airlines. These services are also provided to the majority of airline companies that operate flights from the main airports across the Kingdom.
- The management of airline equipment – onboard.
- Menu planning services for airlines.
- Management of Regional Catering Units and the new CPU in Riyadh.
- Provision of Royal, Private and VIP Aviation hospitality.
- Operating business lounges.
- On board sales.
- Retail in GACA facilities within KSA under SkySales brand.

#### A. In Flight Catering

SACC pays special attention to its clients from a broad base of airline companies. This section includes all activities related to the industry of air transport. Before the establishment of retail and support services and during the early days of SACC's

history, catering services were exclusively provided to airline companies. The In Flight catering sector dedicated to airlines remains the core business of the Company providing the majority of revenue, contributing by 70.7 percent, 66.8 percent, 64.8 percent, 61.6 percent and 58.7 percent to the Company's revenues in 2011, 2012, 2013, 2014 and 2015 respectively.

Also this section provides supplementary services to passengers and crews on the board of Saudi Arabian Airlines as well as to the majority of other airline companies operating to and from other airports throughout the Kingdom (in addition to a number of other related services). Moreover, it provides meals and other related services to many private, chartered, VIP and individual flight air operators.

#### B. Airline Equipment Sales

Through our extensive purchasing and scale we are able to provide food and beverage equipment sales to aircraft traveling to and from the Kingdom. Our expertise in sourcing the right equipment to serve your passengers their meals and beverage served in peak condition is a key part of the total catering solution we offer. The Airline equipment section's contribution to revenue is 9.8 percent, 12.7 percent, 14.1 percent, 14.6 percent and 13.5 percent in 2011, 2012, 2013, 2014 and 2015 respectively.

#### C. Airport Lounges

Pursuant to two agreements of indefinite term signed between the Company and Saudi Airlines, SACC, acting on the behalf of Saudi Airlines assumed the management of Al Fursan lounges.



Al Fursan lounges' revenues amounted to 2.7 percent, 3 percent, 3.6 percent, 4.2 percent and 5.9 percent of the Company's total revenues in 2011, 2012, 2013, 2014 and 2015 respectively. The launch of the new lounges in 2015 has seen the facilities given a significant upgrade and can now be considered as world class in their surroundings, services and quality of food. The new lounges have seen significant uplift following refurbishment and SACC remain committed to developing the concepts further with the introduction of additional branded formats.

Also SACC continued efforts to further enhance its business on 15 December 2015, opened Lounge Coffee shop at KAIA, South Terminal (Domestic, Public area) and the day after on 16 December 2015, opened another coffee shop at the same terminal (International Public area), which are currently running under the trade mark of Lounge Café, managed by Al-Fursan Lounge Team.

These coffee shops are serving its valued customers round the clock with the homemade bakery items, cold and hot snacks freshly produced from SACC state-of-the-art Flight kitchens which are internationally recognized by ISO 9001, ISO 22000, HACCP, HILAL (HAB), and OHSAS 18000.

## 2. Retail

Ever since 1984, SACC has been supervising the service of SkySales being one of the best services on board. The Company buys products from suppliers and then, through SkySales magazine, passengers select their preference on board. They can also select SkySales on Flynas and other boutiques distributed throughout hotels. SACC trains Saudi Airlines stewards and stewardesses on promoting SkySales products. By 2010, 500 stewards and stewardesses of Saudi Arabian Airlines had worked in SkySales. To improve the process of monitoring of procurement and increase the efficiency of sales, the Company utilized a new administrative system for SkySales in 2009.

During 2015 Company extend this business segment, as such SkySales shops now in operation in the KSA airports.

Retail revenues accounted for 10 percent, 10.5 percent, 10.1 percent, 9.8 percent and 10.6 percent of the Company's total revenues in 2011, 2012, 2013, 2014 and 2015 respectively.

## 3. Catering & Facilities (formerly Support Services)

In 2008, the Company established a new sector for Support Services. In 2015 it was renamed as Catering & Facilities. This sector has become increasingly important to its diversification and growth strategy. This sector continues to see strong year-on-year growth and is increasing its contribution to the Company's revenues, with 3.1 percent, 4.2 percent, 7.2 percent, 8.3 percent and 11.3 percent for 2011, 2012, 2013, 2014 and 2015 respectively. The Company has experienced significant growth in this sector and as a continue strategy during 2016 SACC will focus on its core operational competencies in high value outsourced opportunities wherever possible. The development of the Newrest Saudia brand (created under SACC's existing CR) gives added presence to its position in the market and utilizes the knowledge and expertise of Newrest global operations.

Newrest Saudia has a dedicated operational structure including supportive functions to ensure the needs of this sector from HR, procurement, marketing and finance are all engaged in meeting this sector and client needs.

The strategy of the Company focuses on targeting the following major sectors in the market of support services:

- (1) Remote & Camp Management – companies operating in remote areas of the Kingdom, including oil, gas, construction and utilities.
- (2) Business & Industry – companies, factories and large organizations including manufacturing.
- (3) Rail – organization providing catering and soft services supporting the rail infrastructure (both present and planned) within the Kingdom.

In addition to catering services, Newrest Saudia provides accommodation services, laundry, security, waste collection, pest control, landscaping and technical services. As a B2B catering provider to Hajj & Umrah companies and businesses located in the Two Holy Cities, this emerging business for SACC is committed to enhancing its services and products that are realized through the utilization of the outstanding Riyadh CPU facility and a dedicated team of managers.



## Catering Units

The Company's production entities (Catering units) have facilities in King Abdul-Aziz International Airport Jeddah, King Khalid International Airport Riyadh, King Fahd International Airport Dammam, Prince Mohammad Bin Abul Aziz International Airport in Medina and Cairo International Airport. Each unit consists of loading terminals, dry and cold storage, segregated kitchens for preparing cold and hot meals, a bakery, dishwasher and a logistics department; the latter being the largest section in each catering unit with responsibility for delivering on time meals for daily flights.

## Quality Standards

The Company operates in compliance with international standards in terms of quality and its vision aligned to fulfilling its goals.

Our concept of catering comprises of a comprehensive set of values including quality, health and safety in the field of food production, distribution and delivery to clients as efficiently as possible.

The Company has set up systems of detailed accurate methodology covering all staff in

maintaining a high level of globally benchmarked quality training programs. As a direct response to clients' requirements we adopt effective administrative systems that all combine to create synergy between our business and our clients. Our goal is to build the trust, satisfaction and loyalty that comes through a shared vision and the setting of the highest quality standards.

Giving top priority to quality has been the major reason for our business receiving international certificates such as IATA (Golden Award) for two consecutive years (2009-2010). In addition, the Company was awarded ISO (9001:2008), ISO (22000:2005), HACCP and OHSAS (18001:2007) and QSAI/Madina plaque of recognition (Platinum Award in 2011 & Gold Awards in 2011 to 2013), making the Company one of the few companies in the Middle East that has achieved outstanding levels in quality standards and professionalism.

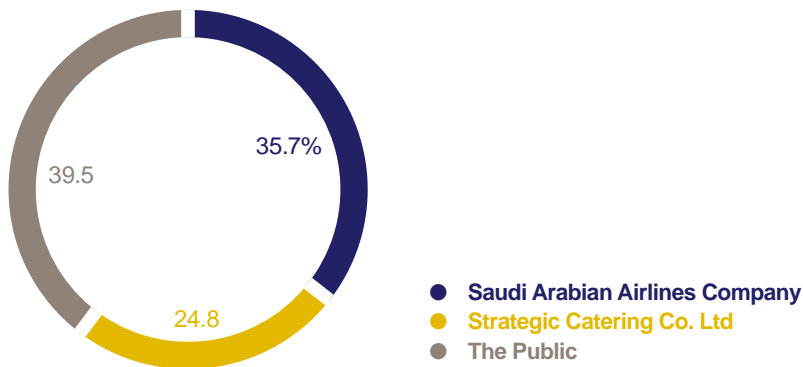
The Company puts health & safety and hygiene first, therefore, it has been rigorous in its application of quality control standards of raw materials, production processes, health status for staff, temperature control and maintaining a hygiene environment. The regular laboratory tests that the Company performs ensure high quality, safe meals for all clients, noting that, all the food that the Company prepares is Halal compliant.

## Shareholders' Capital (SAR) Shares Ratio

Shareholders	Capital (SAR) as of 01 Jan 2015	Shares Ratio	Capital (SAR) as of 31 Dec 2015	Ratio	%	Change %
Saudi Airlines Company	292,740,000	29,274,000	292,740,000	29,274,000	35.70	0
Strategic Catering Co. Ltd.	281,260,000	28,126,000	203,759,180	20,375,918	24.85	-27.55
The Public	246,000,000	24,600,000	323,500,820	32,350,082	39.45	31.50
Total	820,000,000	82,000,000	820,000,000	82,000,000	100	0

\* The Company has not received any notification from its Shareholders owning more than 5 percent of shares except Strategic Catering Co. On 26 February the Company was informed by SCCL Co. indicating that they sold more than 5 percent from their shares.





## SACC Achievements

In 2015, the Company realized the following achievements:

- In 2014 **SACC** laid the foundation stone to build a state-of-the-art **Industrial Laundry at King Abdullah Economic City in Rabegh**, work in full swing continued during the year 2015 and it is anticipated that this new development will be fully operational during the month of **February 2016** according to what has been planned.
- As part of **SACC** strategy and with the growth of its business, **SACC** started construction at **Medina** to build a **new Catering facility**. The work in this project continued during the entire 2015 with the aim to have this facility fully operational by **mid-February 2016** according to what has been planned.
- Ground feeding, at various Government/Private executive offices (Reception Areas) for their valued guests at **KAIA, KKIA & KFIA** started during 2015, currently this activity is run under the umbrella of Central Airport lounges.
- Due to growth in business and to keep the raw materials as per ISO set standard, **SACC** initiated expansion of the **Main Store at Riyadh**. The work started in **September, 2015** and planned to have this project completed by end of **March 2016**.
- Another milestone in the history of **SACC** was to start retail business (**SkySales shops**) and Lounges at **GACA** and **Aramco** facilities during 2015:
  - South Terminal Building KAIA – R1 Domestic Departure (Airside)
  - South Terminal Building KAIA – R2 Domestic Arrival (Landside)
  - South Terminal Building KAIA – R3 Domestic Arrival (Landside)
  - South Terminal Building KAIA – R4 International Arrival (Landside)
  - North Terminal Building KAIA – NR1 International Departure (Landside)
  - North Terminal Building KAIA – NR2 International Departure (Landside)

- New SkySales shop in King Khaled international (TR-3 Arrival)
- New SkySales shop in Aramco Co. DMM

- Opening of new Al Fursan lounge at Prince Mohamed Bin Abdulaziz international Airport in Medina
- Opening of two lounge coffee shops, under the brand Lounge Café in KAIA South Terminal Domestic Arrival and International Departure on 14-15 December 2015.

## SACC Strategy

The Company adopts a diversification strategy to ensure that additional revenues and growth markets within the Kingdom are explored to enhance the core catering business. As the KSA leader in airline catering new revenues provide shareholders growth and returns beyond the catering sector demonstrating management ambition to lead across multi sectors.

The strategy focuses on:

- Maintaining our leadership position of the Company in the sector of catering for airlines in Saudi Arabia through the offering of high-quality, value-for-money services.
- Developing catering and facilities by targeting new clients such as large companies and organizations, rail sector and companies operating in remote areas of the Kingdom. This is fundamental to mitigating single sector, catering revenue streams in a monopolistic market.
- Participating in supporting the Kingdom's efforts for providing services related to Hajj and Umrah. Currently, the Company provides wholesale catering services to the visitors of the Two Holy Mosques based on applications received from different parties during the season of Hajj and Umrah.
- Continuing support for the Saudization Program within the Company with a special focus on recruiting Saudi females, a trend that the Ministry of Labor supports, and providing them with the necessary training.

- Increasing the efficiency of working capital by improving the conditions for dealing with suppliers and collection of receivables from all clients in their due dates.
- Working continuously with Newrest, the Company's technical advisor, and its global network to learn best practice and leverage their insight in the supply of catering and support services, enabling SACC to enhance its products, services and improve its efficiencies.

## Major risk areas

The Company persistently works on avoiding the negative impacts of risks that might influence or hinder its performance or progress. Therefore, the Company exerts efforts to maintain its current activities, financial position, operational results, cash flows and future operations. The Company has taken necessary actions to avoid exposure to material negative impacts of any risks.

Such areas include, but not limited to:

- Health and safety
- Clients and guests
  - Client and guest retention
  - Bidding
  - Service delivery and contractual compliance
  - Competition
- People
  - Recruitment
  - Retention
  - Motivation
- Economical risks
- Political risks
- Compliance with local laws and regulations
- Fraud
- Information systems

## Financial risk 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 the clients' payment behavior and seeks to minimize potential adverse effects on the Company's financial performance. Financial risk management is carried out by a HQ finance and Group controlling, which identify, evaluate and take actions on financial risks where appropriate. The principles for 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. Credit risk

Credit risk reflects the risk that a counterparty will default on its contractual obligations, resulting in financial loss to SACC. SACC has a policy to provision 100 percent of all receivables, which are more than 60 days overdue. Due to proper monitoring and appropriate provisioning, management does not expect any additional losses from non-performance by clients.

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.

### 2. Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. SACC finance maintains flexibility in funding by maintaining sufficient availability of cash and cash equivalent instruments. SACC does not have any credit facilities in place. SACC monitors its risk to a shortage of funds by reviewing short-term cash forecasts on continuous basis and by undertaking mid-term cash forecasts during the year.

## Fines and Penalties

The Company was subject to a financial fine in the amount of SAR 40,000 (Forty Thousand Saudi Riyals) on the 12/01/2015 due to its violation of clause (A) of Article (9) of the Corporate Governance Regulations. The Board of Directors' Annual Report for the year 2013 did not include the provisions that were not implemented from the Corporate Governance Regulations and the reasons behind that, this financial fine was published on the Saudi Stock Exchange (Tadawul)'s website on the 12/01/2015.

The Company was subject to another financial fine during 2015 in the amount of SAR 20,000 (Twenty Thousand Saudi Riyals) on the 10/08/2015 due to the violation of clause (A) of Article (40) of the Listing Rules and clause (8) of the Instructions for companies' Announcements regarding their financial results. This financial fine was imposed for failing to mention in the announcement on the interim financial results for the period ending on 31/12/2013 (Twelve Months), which was published on the Saudi Stock Exchange (Tadawul)'s website on 19/01/2014, all the reasons for the Net Profit increase in the fourth quarter of 2013 compared to the same quarter of the previous year, this financial fine was published on the Saudi Stock Exchange (Tadawul)'s website on 10/08/2015.

The Board of Directors discussed these violations in its meeting on 16/02/2015 and 14/09/2015. The Board recommended the setting of necessary mechanisms and procedures to avoid such violations in the future.

The Capital Market Authority was informed about these mechanisms and procedures. It is worth mentioning that the Company has no penalties, fines or any violations related to precautionary procedures from any supervisory, regulatory or judicial authority.

## Human Resources

The Human Resources and Development function provides vital support in sourcing and developing our people, support and processes in relation to food production and services. The future success of the Company depends on attracting employees with the right competencies and expertise across a wide range of tasks, operations and functions. The retention, reward and career opportunities are benchmarked to ensure we are competitive in the marketplace whilst providing personal and professional growth. Developing our future talent is a key strategy in the ongoing diversification, ensuring our personnel are ready for tomorrow opportunities. The Company is committed to the key principles of Saudization and to continually review practices, services and organizational capability to support Saudi nationals across all functions and grades. Our approach in developing opportunities for female colleagues exists across many seniority levels and business units to provide multiple options for work and career progression. As an employer who offers positions and support to colleagues with disabilities we remain committed to providing a safe working environment and working together to ensure our colleagues can fully contribute to the business and provide personal achievement in their roles.

	Male	Male (Sp.Needs)	Female	Total Weight	%	Total Actual Staff
Saudi Staff	908	36	104	1,156	29.11	1,048
Non Saudi Staff	2,814	0	1	2,815	70.89	2,815
				4,951	100	3,863

## Geographical Analysis of Income

The following table highlights the income achieved in 2015:

Region	Value (SAR)	Percentage
Jeddah	297,121,511	43%
Riyadh	298,170,925	43%
Dammam	47,972,986	7%
Medina Al Munawarah	22,122,583	3%
Cairo – Egypt	69,952,434	10%
Makkah	(1,840,902)	0%
HQ	(34,998,585)	-5%
Total	698,500,954	100%

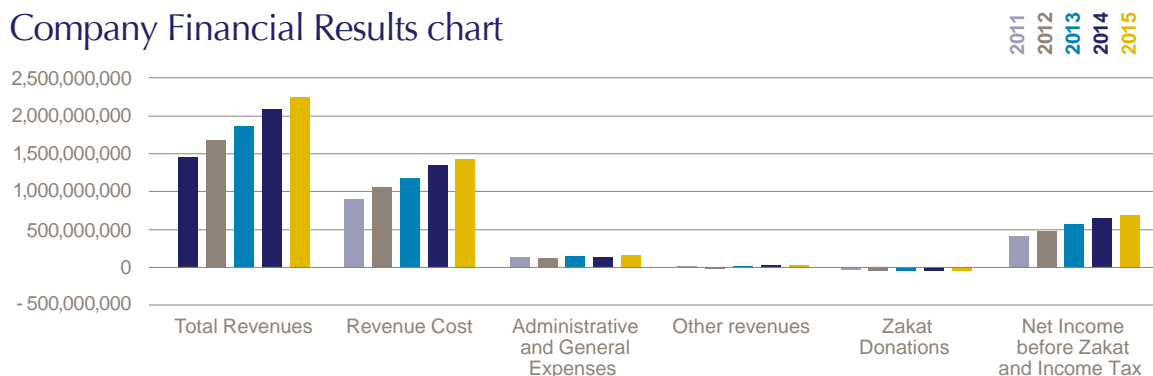
## Company Financial Results

Statements of Income for the years 2011, 2012, 2013, 2014 and 2015:

Account	2011	2012	2013	2014	2015
Total Revenues	1,465,271,088	1,687,392,692	1,867,498,165	2,135,940,070	<b>2,260,800,461</b>
Revenue cost	(906,809,548)	(1,059,393,454)	(1,175,583,438)	(1,361,365,704)	<b>(1,436,259,260)</b>
Administrative and General Expenses	(139,823,782)	(121,217,226)	(146,104,228)	(141,249,564)	<b>(155,629,333)</b>
Other revenues	1,924,001	(19,730,787)	23,541,413	20,608,030	<b>29,589,086</b>
Zakat donations	(38,219,602)	(45,355,099)	(46,217,365)	(46,201,746)	<b>(41,840,694)</b>
Net income before Zakat and Income Tax	420,561,759	487,051,225	569,351,912	653,932,832	<b>698,500,954</b>
Profit (Loss) per share in SAR before Zakat and Income Tax	5.13	5.94	6.94	7.97	<b>8.52</b>

\* In line with CMA corporate governance and the other listing rules the Board approved the financial results after reviewing by the Board Audit Committee.

## Company Financial Results chart



## The material differences in the operating results of year ended December 2014 compared with 2015

Account	2014	2015	% change
Total Revenues	2,135,940,070	<b>2,260,800,461</b>	5.85
Revenue cost	(1,361,365,704)	<b>(1,436,259,260)</b>	5.50
Administrative and General Expenses	(141,249,564)	<b>(155,629,333)</b>	10.18
Other revenues	20,608,030	<b>29,589,086</b>	43.58
Zakat donations	(46,201,746)	<b>(41,840,694)</b>	(9.44)
Net income before Zakat and Income Tax	653,932,832	<b>698,500,954</b>	6.82
Profit (Loss) per share in SAR before Zakat and Income Tax	7.97	<b>8.52</b>	<b>6.82</b>

Total revenue increased by 5.8%. Main driver was airline division growth, especially in Business lounges by 47.0% coming from lounges opened in 2015 and late 2014 and in SkySales 14.3% coming from newly established Airport shops. Non-Airline business also recorded 17.3% growth, which was mainly contributed by Business & Industrial segment.

Revenue costs were in line with the revenue growth.

Gross profit-% increased only by 0.2% due to 1) increase in personnel costs, mainly because of salary increments, new hires and a board decision to award all Saudi nationals with two months extraordinary bonus, capped at 20,000 SAR per employee, 2) due to release of provision for security services cost during Q1 and Q2 of 2014, 3) due to release of provision for energy and water costs during Q4 of 2014 and 4) due to an increase in depreciations due to major capital expenditures.

Administrative and general expenses increased by 10.8% mainly due to substantial release of provision for bad and doubtful debts in 2014.

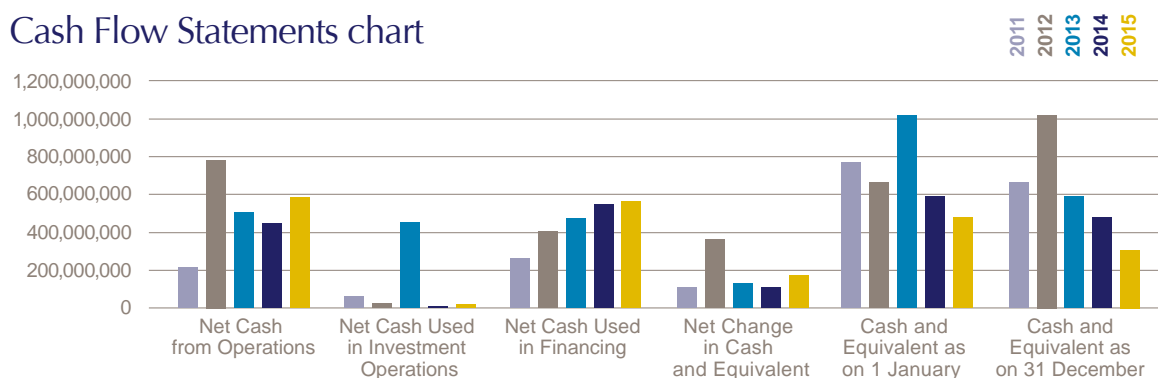
Other revenues were positively impacted by a release of provision for restructuring.

Net income increase of 6.8% was also contributed by release of other, various accruals and provisions.

## Cash Flow Statements for the years 2011, 2012, 2013, 2014 and 2015

Account	2011	2012	2013	2014	2015
Net cash from operations	214,255,491	775,999,073	500,360,200	442,520,911	<b>580,633,188</b>
Net cash used in investment operations	(58,728,299)	(20,196,793)	462,455,736	(8,937,564)	<b>(188,013,169)</b>
Net cash used in financing	(261,298,301)	(398,916,751)	(467,027,158)	(539,873,345)	<b>(564,897,658)</b>
Net change in cash and equivalent	(105,771,109)	356,885,529	(129,122,695)	(106,289,998)	<b>(172,277,639)</b>
Cash and equivalent as on 1 January	760,824,027	655,052,918	1,011,938,447	582,815,753	<b>476,525,754</b>
Cash and equivalent as on 31 December	655,052,918	1,011,938,447	582,815,753	476,525,754	<b>304,248,115</b>

## Cash Flow Statements chart



## Assets and liabilities of the Company

Lists of total assets and total liabilities for the years 2011, 2012, 2013, 2014 and 2015:

Account	2011	2012	2013	2014	2015
Total assets	1,424,463,312	1,556,772,463	1,695,405,084	1,809,313,494	<b>1,848,220,612</b>
Total liabilities	443,460,835	495,073,860	536,776,572	583,606,574	<b>530,060,246</b>

## Compatibility with international accounting standards

The Capital Market Authority in Saudi Arabia has announced that all listed companies must issue their financial statements in IFRS format effective from 2017 onwards. To ensure full compliance with IFRS, SACC has initiated a transition project, which includes GAP analysis, financial application evaluation and training for its financial staff. The first training was held in December 2015 and immediately after that GAP analysis started. The results of the GAP analysis will be presented to the Board of Directors during Q2 2016 and the required changes in financial policies, chart of accounts and financial systems will be done after that in conjunction with relevant training. Transition project will be finalized by the end of May 2016.

## Due payments

Lists of accrued expenses for the years 2011, 2012, 2013 , 2014 and 2015:

Account	2011	2012	2013	2014	2015
Employees, accruals	20,722,956	23,308,516	25,950,014	29,831,466	<b>30,378,918</b>
Accrued expenses and other liabilities	156,260,966	153,091,217	185,656,449	197,527,942	<b>106,123,165</b>
Provision for restructuring	28,035,806	25,937,949	19,120,725	13,747,775	–
Zakat and income tax	28,233,250	34,982,592	38,273,402	40,295,776	<b>35,109,943</b>
Total	233,253,008	237,320,274	269,000,590	281,402,962	<b>171,612,026</b>

## Company investments

Investments	Kind of investment	Date of investment	Account	Date of maturity
1 (SAMBA) – Sunbula Company	Short-range	25/07/2013	200,000,000	Open
2 The Saudi Binladin Group Sukuk	Short-range	07/04/2013	100,000,000	07/10/2015
3 The Saudi British Bank (SABB) Sukuk	Long-range	17/12/2013	40,000,000	18/02/2020

\* During 2015, investment with The Saudi Binladin Group Sukuk amounting of SAR 100,000,000 already matured on 07/10/2015.

## Banking Debts

The Company has no outstanding loans as of 31 December 2015.

## Zakat and Statutory Payments

The Company pays Zakat in line with the Department of Zakat and Income following their verification.

## Related Party Transactions

Saudi Airlines (SAA) is the largest shareholder in the Company. A large portion of the Company's business is conducted with SAA. The Company provides meals to passengers and crews on board SAA flights. Additionally, the Company provides extra services such as menu development. The Company also provides ground services, which mainly include meals for the employees of this section.

During its meeting held on 16th Safar 1435 Hijri (19 December 2014), 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 specialized in catering services on trains. The agreement runs for three years starting from 1 January 2014.

All contracts signed with related parties were approved during the meeting of the Company's General Assembly authorized for 2015. These related parties include Saudi Arabian Airlines, Newrest Group Holding S.L. Saudi Airline Cargo, Saudi Ground Services, Real Estate Development Company and Al Hokair Group.

### Summary of Related Party Transactions

The related parties	Relationship	Expected value in 1,000 SAR	Duration of the contract	Board member representing
Saudi Airlines Co.	Main Shareholder owning more than 5% from capital shares	7,478,000	Effective from 01/01/2015 & ending on 31/12/2019	Saleh Bin Nasser Al-Jasser
Saudi Ground Services Co.	Affiliate company to Saudi Airlines Co.	237,910	Effective from 01/01/2015 & ending on 31/12/2019	Saleh Bin Nasser Al-Jasser
Saudi Airlines Cargo Co.	Affiliate company to Saudi Airlines Co.	47,847	Effective from 01/01/2014 & ending on 31/12/2016	Saleh Bin Nasser Al-Jasser
Saudi Real Estate Development Co.	Affiliate company to Saudi Airlines Co.	(10,192)	Effective from 01/01/2015 & ending on 31/12/2015	Saleh Bin Nasser Al-Jasser
*Newrest Group Holding S.L.	Shareholder through SCCL one of the main shareholder's owning more than 5% from capital shares	(41,984)	Effective from 01/01/2014 & ending on 31/12/2016	Jonathan Stent-Torriani
Al Hokair Group	Shareholder through SCCL one of the main shareholder's owning more than 5% from capital shares	1,103,847	Effective from 15/08/2014 & ending on 14/08/2017	Sami Abdul Mohsen Al Hokair

\* CEO, CFO are not related parties representatives.

### Income and expenses from related parties during 2015

The related party	The value
Saudi Airlines Co.	1,459,600,000
Saudi Ground Services Co.	47,582,000
Saudi Airlines Cargo Co.	15,949,000
Saudi Real Estate Development Co.	10,192,000
Newrest Group Holding S.L.	13,994,840
Al Hokair Group	0

### Accounts receivable from related parties as during 2015

The related party	The value
Saudi Airlines Co.	393,551,551
Saudi Ground Services Company	34,239,198
Saudi Airlines Cargo Company	21,772,503
Al Hokair Group	367,949

## Organizational Chart

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 co-ordinated by the CEO.

## Board of Directors (BOD)

### A. Members of the Board of Directors

The Board of Directors is an elite group of highly qualified experts with good reputations in the business world.

#### BOD Members as of 31 December 2015

Name	Nationality	Position	Status	Additional Board duties in Saudi companies	Total meetings attended
Saleh Bin Nasser Al-Jasser	Saudi	Chairman	Non-executive	National Shipping Company, (Saudi Airlines, Civil Aviation Holding Company, Saudi Postal Company*)	4
Sami Abdulmohsen Al Hokair	Saudi	Member	Non-executive	Al Hokair Group	3
Shawgi Mohammed Mushtag	Saudi	Member	Non-executive	None	4
Basel Mohammed Algadhib*	Saudi	Member	Independent	United Electronic Co (Extra), Bawan Company, (The First Real Estate Holding Company, Al Fozan Holding Company, Al Faisaliah Group, Abdullatif Alissa Group Holding Company*)	1
Jonathan Stent-Torriani	Swiss	Member	Non-executive	None	4
Yousef Abdul Sattar El Maimani*	Saudi	Member	Independent	The National Commercial Bank	1
Abdul Aziz Saif Al-Saif	Saudi	Member	Independent	None	3
Fahad Absdulmohsen Al Rasheed	Saudi	Member	Independent	Emaar The Economic City, (Petromin Co, Ports Development Company*)	2
Hasan Shakib Al Jabri	Saudi	Member	Independent	(Dar Al Tamleek-Ebdaa Bank, Saudi Foras Investment Company, Ahmad Muhammad Salem Bashen & Co, Arab Roots Group, SEDCO Capital, SEDCO International Fund, SEDCO Capital Luxembourg*)	4
Raid Ibrahim Al Mudaiheem*	Saudi	Member	Independent	Northern Region Cement Co., Bawan Company, (Masdar Building Materials, Northern Region Cement Co Jordan, Al Badia cement Syria, SUEZ Cement Co, United Mining Industries Co*)	2
Abdullah Jameel Taibah*	Saudi	Member	Independent	Emaar The Economic City, (Alessa Co*)	2

\* (Not listed company).

\* (After the resignation of the Board member Mr. Yousef Abdul Sattar El Maimani (one meeting attended) on 16 February 2015 which was adopted by the Council, Eng. Abdullah Jameel Taibah was appointed to succeed him as a Board member effective from 27 May 2015.)

\* (After the resignation of the Board member Mr. Basel Mohammed Algadhib (one meeting attended) on 26 May 2015 which was adopted by the Council, Eng. Raid Ibrahim Al Mudaiheem was appointed to succeed him as a Board member effective from 27 May 2015.)



## B. BOD's Meetings

The Board of Directors held four meetings in 2015 as shown in the table below:

Date of Meeting	16/02/2015	26/05/2015	14/09/2015	14/12/2015	Total meetings
Saleh Bin Nasser Al-Jasser	✓	✓	✓	✓	4
Sami Abdulmohsen Al Hokair	✓	✓	x	✓	3
Basel Mohammed Algadhib	✓	x	x	x	1
Jonathan Stent-Torriani	✓	✓	✓	✓	4
Yousef Abdul Sattar El Maimani	✓	x	x	x	1
Shawgi Mohammed Mushtag	✓	✓	✓	✓	4
Abdul Aziz Saif Al-Saif	✓	x	✓	✓	3
Fahad Abdulmohsen Al Rasheed	✓	✓	x	x	2
Hasan Shakib Al Jabri	✓	✓	✓	✓	4
Raid Ibrahim Al Mudaiheem	x	x	✓	✓	2
Abdullah Jameel Taibah	x	x	✓	✓	2

- (After the resignation of the Board member Mr. Yousef Abdul Sattar El Maimani on the 16 February 2015 which was adopted by the Council, Eng. Abdullah Jameel Taibah was appointed to succeed him as a Board member effective from 27 May 2015.)
- (After the resignation of the Board member Mr. Basel Mohammed Algadhib on the 26 May 2015 which was adopted by the Council, Eng. Raid Ibrahim Al Mudaiheem was appointed to succeed him as a Board member effective from 27 May 2015.)

## C. BOD's Benefits

Description of shares owned by BOD's members or by their spouses and minors.

Name	Shares owned as of 01 January 2015	Shares owned as of 31 December 2015	Change %	Shares owned by spouses and minors
Saleh Bin Nasser Al-Jasser	1,000	1,000	0	Nil
Sami Abdulmohsen Al Hokair	1,000	1,000	0	Nil
Shawgi Mohammed Mushtag	1,000	1,000	0	Nil
Basel Mohammed Algadhib	1,000	1,000	0	Nil
Yousef Abdul Sattar El Maimani	1,000	1,000	0	Nil
Jonathan Stent-Torriani	1,000	1,000	0	Nil
Abdul Aziz Saif Al-Saif	1,000	1,000	0	Nil
Fahad Abdulmohsen Al Rasheed	15,000	15,000	0	Nil
Hasan Shakib Al Jabri	1,000	1,000	0	Nil
Raid Ibrahim Al Mudaiheem	0	1,000	100	Nil
Abdullah Jameel Taibah	0	1,000	100	Nil

Description of shares owned by senior Executives or by their spouses or minors:

Name	Shares owned as of 01 January 2015	Shares owned as of 31 December 2015	Change %	Shares owned by spouses and minors
<b>Gerhard Marschitz</b> Ex-CEO*	Nil	Nil	0	Nil
<b>Wajdy Mohammed Al-Ghabban</b> New CEO*	Nil	Nil	0	Nil
<b>Sultan Al Booq</b> General Counsel	Nil	Nil	0	Nil
<b>Tarek Mohamed Tharwat</b> Chief Audit Executive	Nil	Nil	0	Nil
<b>Matti Kivekas</b> CFO	Nil	Nil	0	Nil
<b>Abdelwahab Ahmed Saati</b> Chief Commercial Officer	Nil	Nil	0	1,500
<b>Fahad Ali Khayat</b> GM ICPI & Performance Improvement	Nil	Nil	0	Nil
<b>Mohamed Huzayfa Hasan Chueb</b> Head of Procurement & Supply Chain	Nil	Nil	0	Nil
<b>Saleh Seferji</b> Chief HR & D, Human Resources	Nil	Nil	0	Nil
<b>Justin Phillips</b> Chief Marketing & Communications	Nil	Nil	0	Nil
<b>Martial Vérine</b> COO Support Services	Nil	Nil	0	Nil

\* The Company Board approved in their meeting held on 8 July 2015 the appointment of Mr. Wajdy Mohammed Al Ghabban as replacement of Mr. Gerhard Marschitz effective from the 1 September 2015.

## BOD's Committees

In observance of corporate governance, the Board of Directors has two main committees: Audit Committee and the Nomination and Remuneration Committee.

### Audit Committee

The Audit Committee is composed of three non-executive members, including two members of the Board of Directors and the third is a non-Board member competent in financial and accounting affairs. The duties and responsibilities of this Committee includes the study of the internal control system and supervision of the Internal Audit Department 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 certified auditors; determination of their remunerations; verification of their independence; follow-up of their duties and studying the audit plan with the auditors. The Committee studies the auditor's 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 their regard. The Committee further studies the accounting policies of the Company, expresses opinion 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.

**Audit Committee members**

Name	Position
Hasan Shakib Al Jabri	Chairman
Shawgi Mohammed Mushtag	Member
Mathieu Jeandel	Member

**Schedule of Audit Committee's meetings**

Date of meeting	19/01/2015	15/02/2015	19/04/2015	19/05/2015	15/07/2015	15/10/2015	Total meetings
Hasan Shakib Al Jabri	✓	✓	✓	✓	✓	✓	6
Shawgi Mohammed Mushtag	✓	✓	✓	✓	✓	✓	6
Mathieu Jeandel	✓	✓	✓	x	x	✓	4

**The Nomination and Remuneration Committee**

The Committee is composed of four non-executive members of the Board of Directors. 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 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; and preparing the description of skills and qualifications required for the Board membership including determination of the time that the Board member should dedicate to the business of the Board. 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 in the Board of Directors of another Company. It develops clear policies for the compensation and remuneration of the 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 Articles of Association. These reports are to be presented to the Board of Directors.

**Members of the Nomination and Remuneration Committee**

Name	Position
Yousef Abdul Sattar El Maimani*	Chairman
Basel Mohammed Al Gadhib*	Member
Fahad Abdulmohsen Al Rasheed	Member
Jonathan Stent-Torriani	Member
Abdullah Jameel Taibah*	Member

\* (After the resignation of the NRC chairman Mr. Yousef Abdul Sattar El Maimani on the 16 February 2015 which was adopted by the Board, Eng. Abdullah Jameel Taibah was appointed to succeed him as NRC member effective from 14 September 2015.)

\* (On 25 May 2015 Mr. Basel Mohammed Al Gadhib submitted his resignation to the Board which has been approved duly SACC Board meeting held on 26 May 2015.)

**Schedule of Nomination and Remuneration Committee's meetings**

Date of Meeting	16/02/2015	26/05/2015	11/11/2015	Total meetings
Yousef Abdul Sattar El Maimani*	✓	x	x	1
Basel Mohammed Al Gadhib*	✓	x	x	1
Fahad Abdulmohsen Al Rasheed	✓	✓	✓	3
Jonathan Stent-Torriani	✓	✓	✓	3
Abdullah Jameel Taibah*	x	x	✓	1

\* After the resignation of the NRC members Mr. Yousef Abdul Sattar El Maimani and Mr. Basel Mohammed Al Gadhib as mentioned above, Eng. Abdullah Jameel Taibah was appointed as NRC member effective from 14 September 2015.

# Corporate Governance

To achieve the principle of transparency and enhance performance in its various activities with a view to providing a proper climate for investment in the market and increase customer confidence, the Company decided during the General Assembly of 30/05/1435 H. corresponding to 31 March 2014 to implement governance principles and rules and to select the best practices to best serve the interests of its shareholders and to safeguard the rights of stakeholders.

The Company is committed to maintain the best standards of quality and performance in all its activities. This commitment extends to include the rules provided for in the Corporate Governance. The Company is fully committed to applying the best rules included in the Corporate Governance in all its operations except article # 6 clause (D) from CMA corporate governance as the legal obligation is

enforced to the investors not the issuer, taking into account that the issuer has no access to the investors voting policy, The Company also isn't committed to apply the article 12 Clause (I) as the issuer (Company) has no judicial person in its Board Directors. The Company has a comprehensive policy on the implementation of Corporate Governance rules through the development of regulations and by-laws to be adhered to by 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 and risk committees, provides continuous support to promote compliance with Corporate Governance rules while ensuring continuous review and control of the effective implementation thereof.

The following table highlights the governance items that have been implemented and extent of implementation versus the unimplemented items and the reasons for that:

Article number according to Corporate Governance Regulations	Full Compliance	Partial Compliance	Non-Compliance	Explanation
III: General rights of shareholders To facilitate the exercise by shareholders	✓			
IV: of their rights and access to information	✓			
V: Equity concerning the General Assembly meeting	✓			
VI: Voting Rights		✓		As mentioned above
VII: Shareholders' Rights in Dividends	✓			
VIII: Policies and Procedures Relating to Disclosure	✓			
IX: Disclosure in the Report of the Board of Directors	✓			
X: Basic Functions of the Board of Directors	✓			
XI: Responsibilities of the Board of Directors	✓			
XII: Formation of the Board of Directors		✓		As mentioned above
XIII: Committees of the Board and their Independence	✓			
XIV: Audit Committee	✓			
XV: Nomination and Remuneration Committee	✓			
XVI: Board Meetings and Agenda	✓			
XVII: Remuneration and Compensation of Board Members	✓			
XVIII: Conflict of Interest in the Board of Directors	✓			

## Internal Audit (I.A.)

The I.A. department regularly reviews the internal control system of various departments of the Company. This audit is based on the annual plans approved by the Audit Committee to ensure the effectiveness of this system and its ability to protect the Company's assets, ensure the efficiency and integrity of the financial and non-financial procedures and processes, compliance by the Company's employees with the regulations issued by various relevant government bodies and regulators, as well as compliance with the policies and internal systems approved by the Company. The Audit Committee continuously supervises the work of the I.A. Committee and reviews its reports on regular basis.

The scope of work of the I.A. Department includes the following:

Develop the annual strategic plan for the work of the I.A. Committee.

Conduct the audit and routine testing for all administrative and operational departments and inform their heads on the results.

Assess the procedures and solutions provided by the departments to ensure the appropriateness and effectiveness of the proposed measures.

Provide reports and recommendations on audit findings as well as the subsequent follow-up of these results to ensure their implementation by the relevant departments.

Additionally, as part of their responsibility for reviewing the Company's Annual Report, the external auditor of the Company makes a comprehensive review of the Company's internal audit system and its electronic and computing systems to ensure the separation of functions, monitoring systems and strict control on the Company's operations.

I.A. shall have full power without restriction to have access to all records of the Company and its fixed assets and to meet those in charge of their management subject to strict confidentiality.

To ensure the independence of the I.A., the Executive Officer of I.A. technically and professionally reports to the Audit Committee and reports administratively to the CEO of SACC. No manager of the Company may interfere with any internal affairs of the I.A. Furthermore, I.A. has no direct operational responsibility in any areas or activities that are reviewed. The Executive Officer of the I.A. shall annually confirm the independence of the I.A. to the Board of Directors.

The scope of the I.A. also includes the examination and evaluation of the validity and efficiency 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 I.A. Committee has not discovered any irregularities or any obvious weaknesses in the internal control system of the Company or in any of its various operations in 2015. There were no substantial findings of the annual review of the effectiveness of internal control procedures of the Company.

## Dividend Policy

The Board of Directors with a delegation of authority from the General Assembly to recommend the distribution of any periodic and annual dividends prior to the approval of shareholders in the General Assembly meeting. Any dividends payable are approved in the General Assembly with no preset minimum limit. Any decision to do so will depend on the previous and expected profits, the cash flow in the Company, financing and capital requirements, the market, the general economic conditions and the Zakat status of the Company. In addition to the legal and statutory considerations, the distribution of dividends is subject to certain restrictions set forth in the Company's statute. In the event of announcing dividends, they will be distributed in Saudi Riyals.

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 aforementioned commercial, legal and organizational considerations in addition to the Company's financial position and level of income at present.

The net profits of the business are allocated with the below guidance:

Setting aside of 10 percent of the net profit to form the statutory reserve. The Ordinary General Assembly may discontinue the reserve deduction once the statutory reserve reaches an amount equal to half the capital.

The Ordinary General Assembly, based on recommendations by the Board of Directors, may set aside a certain proportion of the net profits to create a consensual reserve for one or more specific purposes.

Thereafter, the balance is distributed to the shareholders provided it is no less than 5 percent of the paid-up capital.

## General Assembly Meeting

A successful meeting of SACC General Assembly was held during 2015 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, the Company's website, the Official Gazette and local newspapers at least 25 days prior to the scheduled date for the meeting. The announcements highlighted the meeting's time, place and agenda. 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. It also distributed well-prepared files containing relevant information to help the shareholders take their decisions. The Company also informed the Ministry of Commerce and Industry and the Capital Market Authority 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.

## The Extraordinary General Assembly Meeting

Having met the required quorum, the results of the extraordinary general assembly meeting held on 11th Rajab 1436 corresponding to 30 April 2015 were as follows:

1. Approval on the Annual Report for the Financial Year ending 31 December 2014.
2. Endorsement on the Financials statements of the Company for the year ended 31 December 2014 and the Audit report.
3. Approval on the selection of the External Auditor based on the recommendation by the Audit Committee for the Financial Audit of the Company on quarterly and annually for the year 2015 hence KPMG Al Fozan and AL Sadhan are being appointed with the fees of SAR Two Hundred and Ninety Thousand only (SAR 290,000) covering the quarterly interim and annual as per their offer.
4. Discharge the member of the Board of Directors from liability for the year ended 31 December 2014.
5. Approval on the Board resolution for the appointment of Eng. Saleh Bin. Nasser Al-Jasser as a member of the Board of Directors as replacement to the resigned Board member HE Eng. Khaled Al Molhem for the remaining session ending on 26 January 2016.
6. Approval on dividend distribution for the fourth quarter of 2014 at SAR 1.75 per share and also approval on dividend paid in the first, second and third quarter with total of SAR 410 million total dividend distribution for the Year ended 31 December 2014 SAR 553.5 million which represent 67.5 percent of the share capital after Zakat and before income tax. The distribution will be eligible to shareholders owning shares by the end of trading on 29 April 2015 whereas the dividend distribution will be made effective on 14 May 2014.
7. Approval for the financials authority to the Board member to approve the quarterly and annual dividend distribution starting from 2015.
8. Approval of the transactions with related parties for the following:
  - \* Saudi Airlines Holding Company (Main Shareholder) represented by member of the Board Eng. Saleh Bin Nasser Al-Jasser, with a total amount due for 2014 stand at SAR 444,546,756. The contract is five year Gregorian will be renewed annually without any conditional details regarding the local market.
  - \* SGS (affiliated Company) represented by member of the Board Eng. Saleh Bin Nasser Al-Jasser with a total amount due for 2014 stand at SAR 11,397,810. The contract is for one year renewal annually without any conditional details regarding the local market.
  - \* CARGO (affiliated Company) represented by Member of the Board Eng. Saleh Bin Nasser Al-Jasser, with total amount due for 2014 stand at SAR 8,435,915. The contract is for one year renewed annually without any conditional details regarding the local market.
  - \* SARED (affiliated Company) represented by member of Board Eng. Saleh Bin Nasser Al-Jasser with total amount due to be paid by SACC in 2014 stand at SAR 6,557,631 The contract is for one year renewed annually without any conditional details regarding the local market.
  - \* NEWREST Shareholder through SCCL one of the main shareholder's owning more than 5% from capital shares providing technical assistance represented by Mr. Jonathan Stent-Torriani the total amount of management fees to be paid by SACC for the year 2014 stand at SAR 15,000,000. The contract is for three years renewed annually. Total amount of other expenses paid by SACC to Newrest for the year 2014 stand at SAR 1,213,000.
  - \* Al Hokair Group, Shareholder through SCCL one of the main shareholder's owning more than 5% from capital shares, represented by Mr. Sami Bin Abdulmohsen Al Hokair for retail sale and total amount due for 2014 stand at SAR 367,949. The contract is for three years and renewed annually without any conditional details regarding the local market.
9. Approval of the amendment of the article no. 4 from Company by-laws regarding Company activities.

## Remuneration of BOD's members and five senior Executives

Remuneration of BOD's members and five senior Executives

Details	Non-executive members of the Board	The five executives who received the highest bonuses and compensation
Salaries and remuneration	Nil	SAR 3,490,926
Allowances	SAR 165,000	SAR 464,346
Annual periodical remunerations	SAR 1,800,000	2,968,090
Incentives	Nil	Nil
Any other compensations or in-kind privileges paid out monthly or annually	Nil	Nil
<b>Total</b>	1,965,000	6,923,362

## Board of Directors' declaration

The Board of Directors approved the following:

- The accounting records were properly and correctly prepared.
- The internal control system was properly designed and effectively implemented.
- There was no doubt about the issuer's ability to continue the business.
- Consolidated financial statements were prepared in accordance with accounting systems and standards issued by the Saudi Organization for Certified Public Accountants, and in accordance with the Company's by-laws and Articles of Association with respect to the preparation and publishing of financial statements.

There were no redemptions, purchases or cancellations by the Company of any of recoverable debt instruments, except the investment with The Saudi Binladin Group Sukuk amounting of SAR 100,000,000 which already matured on 07/10/2015.

The Company did not issue or grant any debt instruments convertible to shares, option rights, subscription right notes or similar rights.

Apart from the disclosures in the section related to related parties transactions, there were no contracts in which neither the Company was a party nor was there any material interest for any Board member, executive Director, vice president for the financial division or any other related person.

There were no arrangements or agreements through which any Board member or any executive to waive any salary or compensation.

There are no arrangements or agreements through which any of Company's shareholders to waive the rights to profits.

Except what was disclosed in the Description of the shares owned by BOD's members and senior executives or by their spouses and minors, there are no other interests in the shares of eligibility of voting and any other contractual interests and any changes in those interests in line with Article 45 of the Listing Rules and Disclosure.

The external auditor's report doesn't contain any reservations on the relevant annual financial statements.

In line with CMA directives Deloitte license was canceled hence SACC changed the external auditor, KPMG was selected based on the recommendation of the Audit committee for the Financial Audit of the company on quarterly and annually for the year 2015 with the fees of SAR Two Hundred and Ninety Thousand only (SAR 290,000) covering the quarterly interim and annual as per their offer. Except this the board directors didn't recommend that the external auditors should be changed before the elapse of the term.

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## Communication with shareholders

SACC maintains regular communications with the shareholders. The Company has taken a group of measures to ensure their rights of access to information through Tadawul website and SACC website, [www.saudiacatering.com](http://www.saudiacatering.com). SACC provides full and comprehensive information about its activities and businessmen through its Annual Report, periodic financial statements and dividends procedures. The Company also endeavors to maintain links with its shareholders, answer their queries and provides them with the required information on a timely basis.

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## 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 uphold our core values of integrity and high ethical standards in our relationships with our stakeholders. Our investor relation 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 earning calls. We follow a policy of proactively 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 dialogues with shareholders have become increasingly important as our individual and institutional investors are always looking for up-to-date information on company developments, our business plans, achievements and challenges.

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## Role of shareholders

Our 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 report on the Company's activities, the review and approval of the Board of Directors' recommendation on dividend payments, the election of Board members, amendments to the articles of association, appointment of external auditors and raising registered capital. Each shareholder is entitled to one vote.

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## Initiatives planned to improve transparency or communications with investors in 2016

We seek to provide potential and current investors with the maximal notion of knowledge and access to the Company's financial updates. Focusing on accuracy, we would provide investors with a comprehensive yet detailed outline of what they can expect for the upcoming financial year.

We plan to provide an informative FAQs (frequently asked questions) 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 will be provided and dedicated specifically for issues concerning investors. This email will be easy to find on the SACC website and users will be 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 process and benefits on an intentional scale is important. We therefore seek to 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.

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.

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**SAUDI AIRLINES CATERING COMPANY**  
(Saudi Joint Stock Company)

**FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

with  
**INDEPENDENT AUDITORS' REPORT**

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## Independent Auditors' Report

### The Shareholders Saudi Airlines Catering Company (A Saudi Joint Stock Company) Jeddah, Kingdom of Saudi Arabia.

We have audited the accompanying financial statements of Saudi Airlines Catering Company ("the Company") which comprise the balance sheet as at December 31, 2015 and the related statements of income, cash flows and changes in shareholders' equity for the year ended and the attached notes 1 through 27 which form an integral part of these financial statements.

#### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article 123 of the Regulations for Companies and Company's bylaws, 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. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

#### Auditors' responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Opinion

In our opinion, the financial statements taken as a whole:

1. present fairly, in all material respects, the financial position of the Company as at December 31, 2015, and of its results of operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company; and
2. comply with the requirements of the Regulations for Companies and Company's bylaws with respect to the preparation and presentation of the financial statements.

#### For KPMG Al Fozan & Partners

Ebrahim Oboud Baeshen  
Licence No. 382

Jeddah, Jumada Al-Awwal 7, 1437H  
Corresponding to February 15, 2016

KPMG Al Fozan & Partners  
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License No. 46/11/323 issued  
11/3/1992

## Saudi Airlines Catering Company

(Saudi Joint Stock Company)

### BALANCE SHEET

As at December 31, 2015

(Expressed in Saudi Arabian Riyals)

	Notes	2015	2014
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	4	304,248,115	476,525,754
Investments	7	205,170,874	303,512,809
Trade receivables	5	553,395,599	549,713,255
Inventories	6	142,376,394	86,753,572
Prepayments and other current assets	8	130,168,505	151,143,602
<b>Total current assets</b>		<b>1,335,359,487</b>	<b>1,567,648,992</b>
<b>Non-current assets:</b>			
Margin deposits with banks	23	14,807,413	10,167,111
Investments	7	40,000,000	40,000,000
Property and equipment	9	458,053,712	191,497,391
<b>Total non-current assets</b>		<b>512,861,125</b>	<b>241,664,502</b>
<b>Total assets</b>		<b>1,848,220,612</b>	<b>1,809,313,494</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Trade payables	10	209,933,379	174,855,025
Dividend payable		2,881,530	3,572,374
Accrued expenses and other current liabilities	11	136,502,083	241,107,183
Accrued Zakat and income tax	19	35,109,943	40,295,776
<b>Total current liabilities</b>		<b>384,426,935</b>	<b>459,830,358</b>
<b>Non-current liabilities:</b>			
Employees' end of service benefits	12	137,162,600	116,920,570
Accrued long-term bonus		8,470,711	6,855,646
<b>Total non-current liabilities</b>		<b>145,633,311</b>	<b>123,776,216</b>
<b>Total liabilities</b>		<b>530,060,246</b>	<b>583,606,574</b>
<b>Shareholders' equity</b>			
Share capital	13	820,000,000	820,000,000
Statutory reserve	14	286,600,187	216,750,092
Retained earnings		211,560,179	188,956,828
<b>Total shareholders' equity</b>		<b>1,318,160,366</b>	<b>1,225,706,920</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,848,220,612</b>	<b>1,809,313,494</b>

The accompanying notes 1 to 27 form an integral part of these financial statements.

## Saudi Airlines Catering Company

(Saudi Joint Stock Company)

### STATEMENT OF INCOME

For the year ended December 31, 2015

(Expressed in Saudi Arabian Riyals)

	Notes	2015	2014
<b>Revenue:</b>			
Inflight catering revenue		1,635,052,624	1,603,413,854
Sky sales revenue		239,341,916	209,392,758
Business lounge revenue		133,155,933	90,590,132
Non-airlines revenue		206,840,345	176,399,615
Other operating revenue	14	46,409,643	56,143,711
		<b>2,260,800,461</b>	<b>2,135,940,070</b>
<b>Cost of revenue:</b>			
Cost of materials and goods sold		(937,109,018)	(915,440,274)
Personnel cost		(222,524,834)	(188,760,041)
Rent and maintenance of production units		(73,917,851)	(84,787,122)
Depreciation		(20,483,405)	(15,291,999)
Other operating cost	16	(182,224,152)	(157,086,268)
<b>Total cost of revenue</b>		<b>(1,436,259,260)</b>	<b>(1,361,365,704)</b>
<b>Gross profit</b>		<b>824,541,201</b>	<b>774,574,366</b>
General and administrative expenses	17	(155,629,333)	(141,249,564)
<b>Operating income</b>		<b>668,911,868</b>	<b>633,324,802</b>
Other non-operating revenues and expenses, net		29,589,086	20,608,030
<b>Net income</b>		<b>698,500,954</b>	<b>653,932,832</b>
<b>Earnings per share (Saudi Arabian Riyals):</b>			
Operating income	20	8.16	7.72
Non-operating income	20	0.36	0.25
Net income	20	8.52	7.97

The accompanying notes 1 to 27 form an integral part of these financial statements.

## Saudi Airlines Catering Company

(Saudi Joint Stock Company)

### STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

(Expressed in Saudi Arabian Riyals)

	Notes	2015	2014
<b>Cash flows from operating activities:</b>			
Net income		698,500,954	653,932,832
Adjustments for:			
Depreciation	9	24,661,054	18,499,911
Net reversal of provision for doubtful debts	17	(16,225,207)	(31,076,031)
Net provision for slow moving and obsolete items	6	1,853,627	2,083,148
Loss on disposal of property and equipment		256,423	81,080
Unrealised gain on held-for-trading investments	7	(1,658,065)	(3,512,809)
Provision for employees' end of service benefits	12	30,006,786	14,186,326
Provision for accrued long-term bonus		3,753,745	6,855,646
Investment income		(2,827,313)	(3,689,382)
		<b>738,322,004</b>	<b>657,360,721</b>
<b>Changes in operating assets and liabilities</b>			
Decrease / (increase) in trade receivables		12,542,863	(99,565,318)
Increase in inventories		(57,476,449)	(12,206,967)
Decrease / (increase) in prepayments and other current assets		20,341,781	(81,876,413)
(Increase) / decrease in margin deposits with banks		(4,640,302)	1,937
Increase in trade payables		35,078,354	22,279,128
(Decrease) / increase in accrued expenses and other current liabilities		(104,605,100)	10,379,995
		<b>639,563,151</b>	<b>496,373,083</b>
Payment of accrued long-term bonus		(2,138,680)	–
Zakat and income tax paid	19	(47,026,527)	(44,179,372)
Employees' end of service benefits paid	12	(9,764,756)	(9,672,800)
<b>Net cash from operating activities</b>		<b>580,633,188</b>	<b>442,520,911</b>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	9	(291,586,825)	(112,035,726)
Proceeds from sale of held-for-trading investments	7	–	100,000,000
Proceeds from maturity of held-to-maturity investments	7	100,000,000	–
Proceeds from disposal of property and equipment		113,027	77,000
Investment income received		3,460,629	3,021,162
<b>Net cash used in investing activities</b>		<b>(188,013,169)</b>	<b>(8,937,564)</b>
<b>Cash flows from financing activities:</b>			
Dividend paid	18	(564,897,658)	(539,873,345)
<b>Net decrease in cash and cash equivalents</b>		<b>(172,277,639)</b>	<b>(106,289,998)</b>
Cash and cash equivalents as at beginning of the year		476,525,754	582,815,752
<b>Cash and cash equivalents as at end of the year</b>	4	<b>304,248,115</b>	<b>476,525,754</b>
<b>Non-cash supplemental information:</b>			
Zakat and income tax charged to shareholders' accounts		46,201,746	41,840,694

The accompanying notes 1 to 27 form an integral part of these financial statements.

## Saudi Airlines Catering Company

(Saudi Joint Stock Company)

### STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2015

(Expressed in Saudi Arabian Riyals)

	Notes	Share capital	Statutory reserves	Retained earnings	Total
Balance at January 1, 2015		820,000,000	216,750,092	188,956,828	1,225,706,920
Net income for the period		–	–	698,500,954	698,500,954
Transfer to reserves	14	–	69,850,095	(69,850,095)	–
Zakat and income tax	19	–	–	(41,840,694)	(41,840,694)
Dividends	18	–	–	(564,206,814)	(564,206,814)
<b>Balance at December 31, 2015</b>		<b>820,000,000</b>	<b>286,600,187</b>	<b>211,560,179</b>	<b>1,318,160,366</b>
Balance at January 1, 2014		820,000,000	151,356,809	187,272,203	1,158,629,012
Net income for the period		–	–	653,932,832	653,932,832
Transfer to reserves	14	–	65,393,283	(65,393,283)	–
Zakat and income tax	19	–	–	(46,201,746)	(46,201,746)
Dividends	18	–	–	(540,653,178)	(540,653,178)
Balance at December 31, 2014		820,000,000	216,750,092	188,956,828	1,225,706,920

The accompanying notes 1 to 27 form an integral part of these financial statements.

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## Saudi Airlines Catering Company

(Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in Saudi Arabian Riyals)

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#### 1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Airlines Catering Company (the “Company”) was registered as a Saudi limited liability company on Muharram 20, 1429H (January 29, 2008) under commercial registration number 4030175741. The share capital of the Company, amounting to SR 100,767,000, was divided into 1,007,670 shares of SR 100 each. The Company was established as a wholly owned subsidiary of Saudi Arabian Airlines Corporation (“Saudia”) whose contribution to the share capital was made up of SR 500,000 cash and SR 100,267,000 of net assets of its catering division transferred effective on Dhual-Hijjah 22, 1428H (January 1, 2008).

On Rabi Al-Thani 6, 1429H (April 22, 2008), Saudia sold 493,758 shares representing 49% of the total share capital of the Company to the Strategic Catering Company Limited. The formalities of the transaction were completed on Rajab 19, 1429H (July 22, 2008).

On Muharram 20, 1432H (December 26, 2010) the shareholders resolved to amend the Articles of Association to reflect the sale of 3% of Saudia’s shares in the Company to Saudi Airlines Company Limited, Saudia Private Aviation Company Limited and Saudia Real Estate and Development Company Limited which are wholly owned subsidiaries of Saudia.

Furthermore, the shareholders decided to convert the Company from a limited liability company to a closed joint stock company and divide the capital of the Company which amounted to SR 100,767,000 into 10,076,700 ordinary shares of SR 10 each instead of 1,007,670 shares of SR 100 each. The Company obtained the approval of the Minister of Commerce and Industry for the above sale and conversion on Muharram 29, 1432H (January 4, 2011) and obtained the amended Commercial Registration on Rabi-al-Awwal 10, 1432H (February 13, 2011).

On Rabi Al-Thani 14, 1432H (March 19, 2011) the shareholders resolved to increase the share capital by SR 719,233,000 by transferring SR 658,791,392 from the retained earnings, SR 13,718,428 from general reserve and SR 46,723,180 from statutory reserve. The Company finalized the related formalities and obtained the amended commercial registration on Jamadi-al-Awwal 26, 1432H (April 30, 2011).

During the period from Rajab 28, 1433 (June 18, 2012) to Shaban 4, 1433 (June 24, 2012), the Company sold 24.6 million shares through an initial public offering representing 30% of the Company’s share capital at SR 54 per share including the nominal value amounting to SR 10 per share and an issue premium of SR 44 per share. Thus, the Company converted into a public joint stock company and commenced trading on the Saudi Stock Exchange (Tadawul) in the Kingdom of Saudi Arabia on Shabaan 19, 1433H (July 9, 2012). The Company has obtained the amended commercial registration and the amended by-laws reflecting the public offering.

The main objectives of the Company are 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 and groceries at airports and other places, ownership, operation and management of central laundries.

The Company mainly provides catering services to Saudi Arabian Airlines (Saudia) 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.

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## Saudi Airlines Catering Company

(Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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

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-Awwal 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:

Khalidiyah District,  
P. O. Box 9178,  
Jeddah 21413,  
Kingdom of Saudi Arabia.

On August 2, 2012, the board of directors resolved to establish a limited liability company with a share capital of SR 30 million to be mainly owned and controlled by the Company. The limited liability company which has still not been incorporated will be under the name of Saudi Airlines Catering Services (“SAC Services”) and will include “business and industry” catering activity which is currently part of the Company’s operation.

## 2. BASIS OF PREPARATION

### a) Statement of compliance

These financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia issued by Saudi Organization for Certified Public Accountants (SOCPA).

### b) Basis of measurement

The financial statements have been prepared under the historical cost convention, except for held-for-trading investments which are stated at fair values; using accrual basis of accounting and going concern assumption.

### c) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SR), which is the functional currency of the Company.

### d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. The key areas requiring significant management judgments and estimates are as follows:



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## Saudi Airlines Catering Company

(Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in Saudi Arabian Riyals)

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#### 2. BASIS OF PREPARATION (continued)

##### d) Use of estimates and judgments (continued)

###### i. Impairment of trade receivables

An allowance for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the agreement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators of objective evidence that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

###### ii. Allowance for slow moving inventories

The management makes an allowance for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of period.

###### iii. Useful lives of property and equipment

The management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

###### iv. Accruals for services provided by Saudia and its affiliates

Accruals made by the Company for services rendered by Saudia and its affiliates based on the contractual terms and in certain cases on a valid expectation. Those amounts are provided for to the extent that the Company has a present obligation (legal or constructive) arising as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation which can be reliably estimated. This requires the exercise of judgment by management based on prior experience, application of contract terms and relationship with Saudia and its affiliates.

###### v. Impairment of held-to-maturity investments

The management considers evidence of impairment for these assets at both an individual asset and collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the management uses historical information of the timing of recoveries and the amount of loss incurred, and makes an assessment of current economic and credit conditions as to whether actual losses are likely to be greater or lesser than suggested by historical trends.

###### vi. Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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## Saudi Airlines Catering Company

(Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements:

**a) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash at banks in current accounts and other short-term highly liquid investments with original maturities of three month or less, if any, which are available to the Company without any restrictions.

**b) Trade receivables**

Trade receivables are stated at original invoice amount less provisions made for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Company will not be able to collect the amounts due according to the original terms of receivables. Bad debts are written off when identified, against its related provisions. The provisions are charged to the statement of income and any subsequent recovery of receivable amounts previously written off are credited to income.

**c) Inventories**

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is principally based on the weighted average method, 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 the estimated cost of completion and selling expenses. Provision is made where necessary for obsolete and slow moving inventories.

**d) Investments**

**i. Held-for-trading investments**

Investment in securities which are purchased for trading purposes are initially recorded at cost and then re-measured and stated in the balance sheet at fair value and included under current assets. Realized gain or loss on sale of held-for-trading investments and changes in fair value at balance sheet date are credited or charged to statement of income.

**ii. Held-to-maturity investments**

Investments having fixed or determinable payments and fixed maturity that the management has the positive intention and ability to hold to maturity are classified as held-to-maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less provision for impairment in their value. Amortised cost is calculated by taking into account any discount or premium on acquisition using the effective yield method. Any gain or loss on such investments is recognized in the statement of income when the investment is derecognized or impaired. On impairment, the difference between carrying cost and the present value of estimated future cash flows is included in the statement of income as impairment loss on held-to-maturity investments. If the amount of impairment loss is subsequently decreased and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through statement of income.

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## Saudi Airlines Catering Company

(Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in Saudi Arabian Riyals)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### e) Property and equipment

Except for free-hold land, property and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the statement of income when incurred.

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of individual item of property and equipment. The estimated useful lives of assets are as follow:

Leasehold improvements	5-20 years
Equipment	3-7 years
Motor vehicles	7-10 years

Capital work-in-progress represents all costs relating directly to the on-going projects in progress and will be capitalized as property and equipment when the project is completed.

##### f) Impairment of assets

Financial assets and non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

##### g) Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

##### h) Provisions

A provision is recognized if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit, will be required to settle the obligation.

##### i) Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date. The Company used an independent actuary to ensure the adequacy of provision for employees' end of service benefits.

##### j) Revenue recognition

Revenue is recognized to the extent of the following recognition requirements:

- it is probable that the economic benefits will flow to the Company
- it can be reliably measured, regardless of when the payment is being made
- the cost incurred to date and expected future costs are identifiable and can be measured reliably.

Revenue is measured at the fair value of the consideration received or the contractually defined terms of payment.

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## Saudi Airlines Catering Company

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### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in Saudi Arabian Riyals)

#### j) Revenue recognition (continued)

Revenue from sales is recognized upon delivery of goods by which the significant risks and rewards of ownership of the goods have been transferred to the buyer and the Company has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods. Revenue is recorded net of returns, trade discounts and volume rebates.

Revenue from rendered service is recognized when the outcome of the transaction can be estimated reliably and completely performed.

#### k) Expenses

All expenses, excluding cost of revenue, are classified as general and administrative expenses. Allocations of common expenses between cost of revenue and general and administrative expenses, when required, are made on a consistent basis.

#### l) Operating lease

Payment under operating lease is recognized in the statement of income 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.

#### m) Zakat and income tax

Zakat and income tax are provided for in the financial statements in accordance with Saudi Department of Zakat and Income Tax ("DZIT") regulations. Zakat and income tax are charged to the statement of changes in shareholders' equity. Additional Zakat and income tax liabilities, if any, related to prior years' assessments arising from DZIT are accounted for in the period in which the final assessments are finalized.

#### n) Segment reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organized into business units based on their products and services and has two reportable operating segments as follows:

- Catering, which includes business lounges, non-airlines and others
- SkySales

#### o) Foreign currency transactions

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency of the Company at the exchange rate ruling at that date. Exchange difference arising on translation are recognized in the statement of income.

Non-monetary items measured at historical cost denominated in foreign currency are translated at exchange rate at the date of initial recognition.

#### p) Dividends

Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders.

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## Saudi Airlines Catering Company

(Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in Saudi Arabian Riyals)

#### 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31 comprise the following:

	2015	2014
Cash in hand	1,806,039	2,105,945
Cash at bank - current accounts	302,442,076	474,419,809
	<b>304,248,115</b>	476,525,754

#### 5. TRADE RECEIVABLES

a) Trade receivables at December 31 comprise the following:

	2015	2014
Related parties, net (Note 20)	449,931,201	464,748,430
Other customers	139,766,614	138,161,654
	<b>589,697,815</b>	602,910,084
Provision for doubtful debts (other customers)	(36,302,216)	(53,196,829)
	<b>553,395,599</b>	549,713,255

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.

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, 2015</b>	<b>220,912,545</b>	<b>44,814,302</b>	<b>287,668,751</b>	<b>553,395,599</b>
December 31, 2014	252,503,152	76,699,873	220,510,230	549,713,255

b) Movements summary in provision for doubtful debts for other customers for the year ended December 31 are as follows:

	2015	2014
Balance at beginning of the year	53,196,829	83,425,979
Additions	14,774,074	12,243,595
Reversals	(31,668,687)	(42,472,745)
Balance at end of the year	<b>36,302,216</b>	53,196,829

## Saudi Airlines Catering Company

(Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in Saudi Arabian Riyals)

#### 6. INVENTORIES

a) Inventories at December 31 comprise the following:

	2015	2014
Catering items	29,995,221	28,166,890
Sky sales items	104,902,508	50,917,038
Packing and other materials	11,533,060	10,051,610
Spare parts	3,873,825	3,787,097
	<b>150,304,614</b>	<b>92,363,825</b>
Provision for slow moving and obsolete items	(7,928,220)	(6,169,063)
	<b>142,376,394</b>	<b>86,753,572</b>

b) Movements summary in provision for slow moving and obsolete items for the year ended December 31 are as follows:

	2015	2014
Balance at beginning of the year	6,169,063	4,525,099
Additions	3,375,569	3,343,645
Write-off	(94,470)	(406,652)
Reversals	(1,521,942)	(1,293,029)
Balance at end of the year	<b>7,928,220</b>	<b>6,169,063</b>

#### 7. INVESTMENTS

Investments at December 31 comprise the following:

	Notes	2015	2014
<b>Current assets</b>			
Held-for-trading investment	7.1	205,170,874	203,512,809
Held-to-maturity investment	7.2	--	100,000,000
		<b>205,170,874</b>	<b>303,512,809</b>
<b>Non-current assets</b>			
Held-to-maturity investment	7.3	40,000,000	40,000,000
		<b>245,170,874</b>	<b>343,512,809</b>

7.1 Movement in held-for-trading investment is as follows:

	2015	2014
Balance at beginning of the year	203,512,809	200,000,000
Unrealized gain on held-for-trading investment	1,658,065	3,512,809
Balance at end of the year	<b>205,170,874</b>	<b>203,512,809</b>

The above investment represents units of a mutual fund, denominated in Saudi Arabian Riyals.

7.2 The Saudi Binladin Group Sukuk carrying a return of SIBOR plus a margin of 1.7 percent calculated quarterly was redeemed on October 7, 2015.

7.3 The Saudi British Bank (SABB) Sukuk ("Sukuk II") carries a return SIBOR plus a margin of 1.4 percent calculated semi-annually. The Sukuk II shall be liquidated in 2020 but SABB has the option to redeem the Sukuk in 2018 by serving a call option notice. The Company has purchased the investment in Sukuk II for an amount of SR 40,000,000.

## Saudi Airlines Catering Company

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### NOTES TO THE FINANCIAL STATEMENTS

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#### 8. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets at December 31 comprise the following:

	2015	2014
Prepayments	94,244,584	115,458,569
Unbilled receivables	26,372,844	22,978,403
Margin deposits with banks	3,983,516	857,476
Advances to suppliers	570,914	1,840,397
Advances to employees	3,117,415	3,622,797
Accrued income	34,904	5,668,220
Others	1,844,328	717,740
	<b>130,168,505</b>	<b>151,143,602</b>

#### 9. PROPERTY AND EQUIPMENT

The movement in property and equipment during the year ended December 31, 2015 is analyzed as under:

	Land	Leasehold improvements	Equipment	Motor vehicles	Capital work-in-progress	Total
<b>Cost:</b>						
Balance at January 1, 2015	33,786,058	28,323,879	77,243,093	58,048,401	70,719,258	268,120,689
Additions	–	5,179,775	3,222,870	9,559,082	273,625,098	291,586,825
Disposals	–	(156,400)	(3,292,674)	(6,624,001)	–	(10,073,075)
Transfer from capital work-in-progress	–	4,912,782	27,600,699	15,073,636	(47,587,117)	–
Balance at December 31, 2015	33,786,058	38,260,036	104,773,988	76,057,118	296,757,239	549,634,439
<b>Accumulated depreciation:</b>						
Balance at January 1, 2015	–	14,721,453	39,393,612	22,508,233	–	76,623,298
Charge for the year	–	4,355,083	14,324,425	5,981,546	–	24,661,054
Disposals	–	(96,939)	(3,004,674)	(6,602,012)	–	(9,703,625)
Balance at December 31, 2015	–	18,979,597	50,713,363	21,887,767	–	91,580,727
<b>Net book value:</b>						
At December 31, 2015	33,786,058	19,280,439	54,060,625	54,169,351	296,757,239	458,053,712
At December 31, 2014	33,786,058	13,602,426	37,849,481	35,540,168	70,719,258	191,497,391

The capital work-in-progress represents construction works on the new buildings in Madinah, Dammam camp and the laundry project.

## Saudi Airlines Catering Company

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### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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#### 10. TRADE PAYABLES

Trade payables at December 31 comprise the following:

	Note	2015	2014
Related parties	20	<b>15,559,769</b>	12,435,552
Other parties		<b>194,373,610</b>	162,419,473
		<b>209,933,379</b>	174,855,025

#### 11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities at December 31 comprise the following:

	2015	2014
Employees related accruals	<b>30,378,918</b>	29,831,466
Accrued expenses and other liabilities	<b>106,123,165</b>	197,527,942
Others	–	13,747,775
	<b>136,502,083</b>	241,107,183

#### 12. EMPLOYEES' END OF SERVICE BENEFITS

Movement summary for the year ended December 31 is as follows:

	2015	2014
Balance at beginning of the year	<b>116,920,570</b>	112,407,044
Charge for the year	<b>30,006,786</b>	14,186,326
Payments during the year	<b>(9,764,756)</b>	(9,672,800)
Balance at end of the year	<b>137,162,600</b>	116,920,570

#### 13. SHARE CAPITAL

The share capital of the Company amounting to SR 820 million (2014: SR 820 million) is divided into 82 million (2014: 82 million) shares of SR 10 each (2014: SR 10 each). At December 31, the shareholders and their percentage interests in the share capital of the Company are as follows:

Shareholder	No. of shares	Value in SAR	%
Saudi Arabian Airlines Corporation	29,274,000	292,740,000	35.70
Strategic Catering Company Limited	20,375,918	203,759,180	24.84
General public	32,350,082	323,500,820	39.46
	<b>82,000,000</b>	<b>820,000,000</b>	<b>100</b>



## Saudi Airlines Catering Company

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### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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#### 14. STATUTORY RESERVE

In accordance with its bylaws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income for the year to a statutory reserve until such reserve equals 50% of its share capital. This statutory reserve is not available for distribution to shareholders.

#### 15. OTHER OPERATING REVENUE

Other operating revenue for the year ended December 31 comprise the following:

	2015	2014
Camp facilities sales	491,125	61,666
Exclusive purchase income and services to suppliers	15,913,969	25,324,849
Transfer of airline equipment charges	30,004,549	30,757,196
	<b>46,409,643</b>	<b>56,143,711</b>

#### 16. OTHER OPERATING COST

Other operating cost for the year ended December 31 comprise the following:

	2015	2014
Communication and utilities – net	12,065,113	9,253,044
Supplies and expendable items	37,212,922	33,116,185
Service agreement	79,072,006	73,143,049
Other operational cost	53,874,111	41,573,990
	<b>182,224,152</b>	<b>157,086,268</b>

#### 17. GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses as at December 31 comprise the following:

	Note	2015	2014
Personnel costs		97,878,396	101,144,486
Depreciation		4,177,649	3,207,911
Reversal of allowance for doubtful debts (Note 5)	5	(16,225,207)	(31,076,031)
Professional and technical fee		5,546,183	(4,438,537)
Rent		11,295,019	13,249,049
Marketing and promotional		13,373,738	12,977,024
Utilities		4,503,207	3,696,559
Stationery and printing		340,988	479,741
Repairs and maintenance		224,421	252,616
Travelling		5,561,983	5,767,891
Management fee		12,671,840	15,000,000
Board of Directors' fee		1,589,868	2,374,000
Service agreement fee		4,463,399	10,109,127
Insurance		3,086,794	1,823,309
Others		7,141,054	6,682,419
		<b>155,629,333</b>	<b>141,249,564</b>

## Saudi Airlines Catering Company

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### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in Saudi Arabian Riyals)

#### 18. DIVIDENDS

In ordinary general assembly meeting held on April 29, 2015, the shareholders approved the distribution of dividend from the Company's retained earnings as at December 31, 2014 of SR 143.5 million, which is equivalent to SR 1.75 per share after Zakat and before income tax deduction.

On May 7, 2015, the Board of Directors resolved to distribute interim dividend amounting to SR 143.5 million, which is equivalent to SR 1.75 per share after Zakat and before income tax deduction, from the Company's interim profit.

On August 2, 2015, the Board of Directors resolved to distribute interim dividend amounting to SR 143.5 million, which is equivalent to SR 1.75 per share after Zakat and before income tax deduction, from the Company's interim profit.

On October 20, 2015, the Board of Directors resolved to distribute interim dividend amounting to SR 143.5 million, which is equivalent to SR 1.75 per share after Zakat and before income tax deduction, from the Company's interim profit.

#### 19. ZAKAT AND INCOME TAX

##### a) Zakat and income tax provision

The movement summary in Zakat provision is as follows:

	2015	2014
Balance at beginning of the year	36,298,829	35,898,500
Charge for the year	32,624,849	33,590,911
Adjustment related to prior years	(2,707,918)	–
Payments during the year	(33,590,914)	(33,190,582)
Balance at end of the year	32,624,846	36,298,829

The movement in income tax provision is as follows:

	2015	2014
Balance at beginning of the year	3,996,947	2,374,902
Charge for the year	11,889,065	12,610,835
Adjustment related to prior years	34,698	–
Payments during the year	(13,435,613)	(10,988,790)
Balance at end of the year	2,485,097	3,996,947

##### b) Zakat component

The Zakat base is comprised of the following:

	2015	2014
Non-current assets	512,861,125	341,664,502
Non-current liabilities	145,633,311	123,776,216
Shareholders' equity	1,225,706,920	1,158,629,012
Net income	698,500,954	653,932,832

##### c) Zakat assessments

The Company has submitted its Zakat and income tax declarations for the years 2009 to 2014. The Company has paid the amounts due according to the declarations, which are currently under review by the DZIT.

## Saudi Airlines Catering Company

(Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in Saudi Arabian Riyals)

#### 20. RELATED PARTY TRANSACTIONS

- a) Related parties include the Company's shareholders and their relatives up to the fourth generation, associated and affiliated companies and directors and key management personnel of the Company. Terms and conditions of these transactions are approved by the Company's management.
- b) Significant related party transactions for the year ended December 31 and balances arising therefrom are described as under:

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			2015	2014	2015	2014
<b>Due from related parties included in trade receivables:</b>						
Saudi Arabian Airlines Corporation	Shareholder	Trade / operations	<b>1,459,600,000</b>	1,416,333,000	<b>393,551,551</b>	444,546,756
Alhokair Group Joint Stock Company	Shareholder	Trade / operations	–	1,472,000	<b>367,949</b>	367,949
Saudi Airlines Cargo Company	Affiliate	Trade / operations	<b>15,949,000</b>	18,827,000	<b>21,772,503</b>	8,435,915
Saudi Ground Services Company	Affiliate	Trade / operations	<b>47,582,000</b>	44,796,000	<b>34,239,198</b>	11,397,810
					<b>449,931,201</b>	464,748,430
<b>Due to related parties included in trade payables:</b>						
Newrest Group Holding S.L.	Shareholder	Trade / operations	<b>13,994,840</b>	16,213,000	<b>52,904</b>	5,877,921
Saudi Airlines Real Estate Development Company	Affiliate	Trade / operations	<b>10,192,000</b>	175,700	<b>15,506,865</b>	6,557,631
					<b>15,559,769</b>	12,435,552

- c) Remuneration, compensation and bonuses of the key management personnel/executive directors and attendance fee of Board Directors and members of Board Committees paid during the year ended December 31, 2015 was as under:

Name	Nature of transactions	Amount of transactions	
		2015	2014
Key management personnel	Remuneration	<b>6,923,362</b>	9,165,439
Board of Directors	Annual fee	<b>1,965,000</b>	2,374,000

## Saudi Airlines Catering Company

(Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in Saudi Arabian Riyals)

#### 21. EARNINGS PER SHARE

Earnings per share on income from operations are calculated by dividing the income from operations by the weighted average number of ordinary shares of the Company in issue during the period.

Earnings per share on profit from non-operating income are calculated by dividing the income from non-operations by the weighted average number of ordinary shares of the Company in issue during the period.

Earnings per share on net income attributable to shareholders of the Company are calculated by dividing the net income by the weighted average number of ordinary shares in issue of the Company during the period.

The calculation of diluted earnings per share is not applicable to the Company. 22.

#### OPERATING LEASES

	2015	2014
Payments under operating leases recognized as an expense	<b>74,627,686</b>	71,585,346

Operating lease payments represent rentals paid by the Company for the premises of the business units, offices and residential properties, which are mainly leased from Saudia and the General Authority of Civil Aviation ("GACA") and are renewable on an annual basis.

During 2010, the Company leased a central kitchen in Riyadh from GACA for a period of 10 years starting from January 1, 2010 for an annual amount of SR 17,407,657. At the expiry of its term, the lease is renewable upon agreement between the Company and GACA. As per the lease agreement, GACA is entitled to 8% of the Company's annual sales that exceed SR 290,000,000 to be paid in the first month of the following year.

During 2012, the Company renewed the Dammam lease agreement with GACA for a period of 10 years starting from May 3, 2012 for an annual rental amount of SR 5,000,000.

During 2014, the Company renewed the Jeddah lease agreement with GACA for a period of 2 years starting from March 31, 2015 for an annual rental amount of SR 24,500,000.

During 2014, the Company leased land in Medinah for a period of 30 years for an annual rental amount of SR 3,800,000.

The minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014
Not later than one year	<b>65,437,983</b>	40,045,365
Later than one year and less than five years	<b>164,913,946</b>	217,981,454
Later than five years	<b>87,400,000</b>	96,200,000
	<b>317,751,929</b>	354,226,819

## Saudi Airlines Catering Company

(Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in Saudi Arabian Riyals)

#### 23. COMMITMENTS AND CONTINGENCIES

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

	2015	2014
Capital commitments	<b>88,110,813</b>	228,168,249
Letter of guarantees	<b>14,807,413</b>	10,167,111

#### 24. SEGMENTAL INFORMATION

Segment information is related to the activities of the Company as a basis for the preparation of its own financial information.

The assets, liabilities and the results of operations of the segments include items related directly to a certain segment and items which could be distributed on the segments on a consistent basis. The activities consist of the following business segments:

1. Catering including business lounges, non-airlines and others
2. Sky sales

The Company's assets, liabilities and results of operations as of and for the year ended December 31, 2015 and 2014 by business segments are detailed below:

	Catering	Sky sales	Total
<b>2015</b>			
Assets	<b>1,714,721,807</b>	<b>133,498,804</b>	<b>1,848,220,612</b>
Liabilities	<b>457,930,954</b>	<b>72,129,295</b>	<b>530,060,250</b>
Revenue	<b>2,021,458,544</b>	<b>239,341,916</b>	<b>2,260,800,460</b>
Net income	<b>630,834,736</b>	<b>67,666,217</b>	<b>698,500,954</b>
<b>2014</b>			
Assets	1,720,612,198	88,701,299	1,809,313,496
Liabilities	547,132,115	36,474,465	583,606,580
Revenue	1,926,547,312	209,392,758	2,135,940,070
Net income	584,793,353	69,139,478	653,932,831

## Saudi Airlines Catering Company

(Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(Expressed in Saudi Arabian Riyals)

#### 25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, investments, accounts receivable, accounts payable and other liabilities.

**Credit risk** is the risk that one party will fail to discharge an obligation to a financial instrument and will cause the other party to incur a financial loss. The Company seeks to limit the credit risk with respect to the customers through by monitoring outstanding receivables. Cash and cash equivalents are placed with national and international banks with sound credit ratings. Accounts receivable are mainly due from Saudia and other foreign airlines and are stated at their estimated realizable values. The six largest customers account for 50% of outstanding trade receivables at December 31, 2015.

**Fair value and cash flow interest rate risks** are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company's interest rate risks arise mainly from short-term bank deposits which are at floating rates of interest. All deposits are subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Company are not significant.

**Liquidity risk** is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Company's future commitments.

**Currency risk** is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Arabian Riyals, Euros and United States Dollars. Other transactions in foreign currencies are not material.

**Fair value** is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Except for the held-for-trading investments, which are stated at the fair value, the accompanying financial statements are prepared under the historical cost method and the differences may arise between the book values and the fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

#### 26. RECLASSIFICATION AND CORRESPONDING FIGURES

Certain reclassification has been made to the prior period financial statements to conform with current year's presentation.

Reclassification from component	Reclassification to component	Amount (SAR)
Cash and cash equivalents	Held-for-trading investment	200,000,000
Prepayments and other current assets	Held-for-trading investment	3,512,809
Cash and cash equivalents	Prepayments and other current assets	382,845

#### 27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised to issue by the Board of Directors on 12 Jumada al awwal, 1437H, corresponding to February 21, 2016.



SAUDI AIRLINES  
CATERING



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