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Main Office

Towards New Horizons

Saudi Airlines Catering Company (SACC) is confidently building towards a prosperous future for our airlines catering and support services business, delivering tailored solutions to our clients to support the enhancement of their reputations. Our plans to diversify into strategic markets offering additional scale and margin opportunities are fundamental to our growth, the mapping of organizational capability to emerging sectors is key to our long terms goals. Our core values and beliefs built on delivering high quality hospitality services underpinned through outstanding food & safety

standards are evident in our heritage and current operating model. We benchmark our standards against a global platform to ensure we provide the highest standards. Our close relationship with clients provides valuable insights to ensure our solutions continually evolve.

Looking beyond the horizon is more than a statement it is the vision we work with and aim to deliver and share with our valued clients, allowing them to share in our success in the future.





Message of the Chairman of the Board of Directors

Thanks to God, the Saudi Arabian Airlines Catering Company (SACC) has continued to achieve record rates of performance since it was privatized in 2008 through growth of income and earnings. All indexes affirm sustainable improvement in productivity and service levels. The Company's revenues have increased over the period 2008 to 2013, and its net income has also increased from SR 287,000,000 to SR 569,000,000.

The Company has successfully continued to achieve its goals by getting the largest market share in airline catering services, expanding the business base in similar sectors such as large-scale companies' catering service sector and external centers of petroleum and mining companies besides the provision of distinctive services to pilgrims and Umrah performers, which has led to diversifying income sources and mitigating risk factors. Furthermore, the Company is completing other investment projects such as labor accommodation and service development as well as the development of projects related to hospitals and specialized hotel laundry. Through the application of its strategic plan, the Company assures its esteemed partners of the determination of the Board of Directors that SACC will remain the leading provider of catering services with the highest standards and specifications, and to maintain its position as one of the major economic entities in the Kingdom of Saudi Arabia. It will also maintain its teamwork as a major factor of success including the Board, the management and the staff members, while developing all skills and competencies with a view to continuing to achieve the ambitions to realize and develop revenues, earnings and sustainable growth in accordance with the target rates.

Khalid bin Abdullah Al Mulhem
Chairman, Board of Directors



Message of the CEO

As success means a new challenge that requires more efforts to preserve and attain improved levels of performance and services, we, at SACC, are interested in applying the best international standards in terms of food quality and safety through an integrated system of training and development. We are keen to directly respond to client aspirations. Such response shall represent our current and future strategic goal. Our full commitment to apply sophisticated software and systems to our quality management to keep pace with the highest international levels has had an influence on the preservation of our leading position as a huge productive and prominent service provider entity. This has helped us to attain important and major stages of our activity expansion and to confidently and effectively outreach new areas with a view to diversifying and increasing revenues and then, to achieving important stages of our strategy and objectives. The aforementioned positive indicators consolidated our confidence in a prosperous future for SAAC and more success for its management and staff members in all production and service locations. We do realize that the continuous development of our products, reduction of production costs and, above all, our clients' confidence are all strong motives to enhance our efforts to move forward and progress towards a great future.

Gerhard Marschitz
Chief Executive Officer



Our Mission

To actively develop our client's hospitality concept, enabling them to achieve their own objectives.

Our Values

- Commitment to Quality
- Cost Efficient
- Teamwork
- Service Spirit



The Company Profile



Saudi Airlines Catering Company (SACC) was established more than 30 years ago at King Abdul Aziz Airport, Jeddah. Initially SACC was characterized through its broad based airlines catering capability and more recently through fast growing B&I, Remote and Support Services. Our development and growth across the Kingdom's key airports at Riyadh, Dammam, and Madinah and further afield in Cairo provides a vast network of catering and support services expertise. In 2008 Saudi Airlines created the limited company of Saudi Airlines Catering and a successful IPO followed allowing SACC to enter the private sector, full public listing and shareholding occurred in 2012.

For our clients we aim to be the leading catering and support services partner in the Kingdom

For our shareholders we aim to provide long term sustainable investment returns
 For our team members we aim to provide career opportunities and rewarding performance.



Awards and Certificates

As a business International & Global Awards and recognition validates the comprehensive processes and systems created to deliver outstanding food quality, customer services and client satisfaction. Intrinsic to these are the accreditation we receive in core areas of catering production, health & safety and food & service quality.

Through the world class training and development of our team members, our robust and proven systems are subject to internal and external auditing to ensure that every day and every meal meets our clients and customers expectations.

Comprehensive client reports allow both transparency of results and timely information to clients enabling thorough management of our performance to be communicated.

Our teams of professionals have developed reputations in their respective fields for consistency of high quality services and management capability; all delivered through our shared vision with our team members.

This dedication to our business and the industry has been recognized consistently over the years, as demonstrated in some of the following awards to prove that many others agree with us when it comes to the leading provider of catering and support services within the Kingdom:

- IATA "Golden Award" for Excellence in Catering Quality - 2009
- IATA "Golden Award" for Excellence in Catering Quality - 2010
- IATA "Golden Award" for Excellence in Catering Quality - 2011
- HACCP - Codex Alimentarius "Platinum Award" - Excellence (Quality and Safety Alliance In-Flight Services QSAI) - 2011
- MADINA "Golden Award" for Airline Catering Production - 2012
- MADINA "Golden Award" for Airline Catering Production - 2013





Major Airline Catering

SACC proudly provides comprehensive catering services to Saudia Airlines and increasingly to additional commercial and private carriers departing the Kingdom.

Our services include:

- Menu planning
- Provision of onboard catering (food and beverage)
- Meal delivery to aircraft
- Additional supplies based on client requests
- For clients looking for unique solutions to enhance passenger's onboard experience we can provide, but not exclusive, the below:
 - In flight seating enhancements to improve passenger comfort
 - Items for persons with Special Needs
 - Waste Management
 - Services on demand – client specific VIP requirements



In-Flight Catering

Our core business of in-flight catering provides cost effective quality solutions across domestic and international carriers serving all onboard class requirements and customer needs from:

- Private / VIP
- First Class
- Business Class
- Economy Class
- Nutritional specific dishes (over 20 choices based on nutritional and cultural requirements)
- Pilgrimage visitors

Our International teams of chefs provide both menu variety and, through their unique knowledge and skills, the development of both local and international dishes and menus.

Our teams work to source the authentic ingredients and cooking techniques designed to replicate the true taste and quality expected by our increasingly diverse and knowledgeable passenger base.

Our services also extend to provision and management of on board equipment and consumables through to high quality passenger amenity kits.





Religious Services for Pilgrims

It is our honour to provide services and solutions for pilgrims travelling to the two Holy Mosques at Makkah and Madinah. We understand that this personal journey starts prior to arrival and the provision of safe, quality flexible catering solutions to both individual and groups is a key concern to those visiting during Hajj and Umrah.

With guaranteed traceability and production to the highest food safety standards our offer provides costs effective, large volume catering



solutions to the sites.

For visiting delegations we can provide food solutions that require the minimum staffing and kitchen requirements at site to save cost, time and organization.

Our ability to provide training support, logistics, storage and kitchen supply solutions ensures we deliver an end to end concept, designed to maintain the highest standards of food safety and quality of product. Our expertise, capability and knowledge of government requirements add significant value to our services.



Al Fursan Lounges

Serving First & Business Class customers and Loyalty registered members of Saudi Airlines through our Al Fursan Lounges in the Kingdom provides SACC with an opportunity to showcase our food and service standards. Providing full meal and snack choices for high value and loyal passengers is a service we place great focus on understanding the value of these passengers to our client. We extend our services to provide connectivity, reading material and Sky Sales information. The Al Fursan lounges demonstrate the trust our client places in SACC and how we can best serve specific passenger needs.



الغداء
the LUNCH
 by newrest

The Lunch by Newrest

Our successful format developed here in the Kingdom provides our larger Corporate clients with a unique food solution. Its corporate identity raises expectations of customers and clients to ensure that catering services will be seen as adding value to the workplace environment. Design to offer only the best of our B&I food offerings our proposition delivers fresh, quality food and beverages delivered with a high level of service. For those clients looking for something extra we can provide the Lunch as the solution.



Educational Institutes, Hospitals and Health Centers

Our Newrest brand will extend to cover these emerging sectors providing the business model and services developed to meet the specific needs of patients and students of all ages. Focused on private and higher educational establishments we understand the balance between nutrition, food education and convenience. Our offer to the Healthcare sector builds on the highest food safety standards and the need for balanced menus with the opportunity to meet the specific needs of recovering patients. Our proposition extends beyond catering services built on the specific needs of each client.





Saudi Laundry Services

We are proud to provide laundry services to both the hospitality and medical sectors under our recently created Saudi Laundry Services (SLS) brand. Started in Jan 2013 based in Riyadh our plant currently has capacity for 30 tons per day. Our value is driven by the highest quality and hygiene standards building trust with our clients for our on time delivery and quality of finished product. SLS was recently awarded the prestigious RAL Quality Certification Mark for Professional Textile Services demonstrating the facility's process and standards and we are proud to be the first Laundry business in the Kingdom to achieve this status. With future plans to expand into Jeddah, our laundry services will lead the way in terms of quality standards and hygiene ensuring clients can provide their guests and employees with the best laundered product in the Kingdom.

Quality Standards

Our quality systems are designed to International measures and standards validated by global quality accreditation. Central to operational delivery is the maintenance of these processes and standards, monitored by internal and external auditing bodies. Identification of risk is an ongoing daily activity designed to feedback to our centrally managed Quality department.

As a business we invest more training time in these areas to ensure all our colleagues are skilled and capable of upholding our strict requirements. We are confident our business in the Kingdom is second to none in terms of quality, our claims are supported through the below awards and accreditation:

- ISO 22000:2005 & HACCP CODEX ALIMENTARIUS
- ISO 9001:2008
- OHSAS 18001:2007



Catering Production

Our CPU's based at the key airports in the Kingdom and in Cairo are all designed to provide the highest food safety and quality outcomes for our products. Constant investment in equipment, training and process ensure that the level of quality is maintained and risks are minimized. The segregation of materials and processes are thoroughly checked by us and clients. An automated "temperature" monitoring process has been installed to allow for the on-line tracking of meals through the entire preparation, delivery and storage process, thus ensuring food quality and safety. Our flexibility in managing fluctuating demand is closely matched to all production controllables to deliver on time, on cost catering services. Our ability to deliver our offer to aircraft is a service that cannot offer any risks to the client to avoid any issues and for over 30 years we have delivered that level of trust, quality and consistency to our clients.



The Annual Report of the Board of Directors

For the Fiscal Year ending December 31, 2013





The History of the Company

The inception of SACC was in 1985 when Saudi Arabian Airlines established a special catering unit at King Abdul Aziz International Airport in Jeddah to provide catering services and some other services to Saudi Arabian Airlines and other airlines that were operating flights from King Abdul Aziz International Airport in Jeddah. Subsequently, Saudi Arabian Airlines established other catering units at King Khaled International Airport in Dammam, King Fahd International Airport in Riyadh, Prince Mohammed Bin Abdul Aziz International Airport in Madinah, and Cairo International Airport. In 1985, the catering unit took over the inflight Sky Sales of Saudi Arabian Airlines. In 2006 and 2007, the catering unit took over the management of Al Fursan Lounges.

Notwithstanding the fact that the catering unit was part of Saudi Arabian Airlines the business was run as a commercial unit separate from Saudi Arabian Airlines even before privatization in 2008.

As part of the privatization process, the Saudi Arabian Airlines established SACC as a limited liability company in January 29, 2008. The new company was registered and got the Commercial Registration No. 4030175741 with a capital of SR 100,767,000 divided into 1,007,670 shares with a value of SR 100 each. As part of the privatization process, Saudi Arabian Airlines transferred to the Company the assets, employees and majority of the contracts related to the catering unit before the privatization.



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 dated January 26, 2011 (with a capital of SR100,767,000 divided into 10,076,700 common shares with a nominal value of SR 10/share. Under the resolution of the Extraordinary General Assembly dated March 19, 2011, the capital of the Company was increased from SR100,767,000 to SR 820,000,000 divided into 82,000,000 common shares with a value of SR 10/share through the capitalization of: (i) an amount of SR 658,791,392 of the Company's retained earnings, (ii) an amount of SR 13,718,428 from the Company's general reserve, and (iii) an amount of SR 46,723,180 from the statutory reserve of the Company. The Company was converted into a public joint stock company under a decision issued by the Capital Market Authority (CMA) dated May 27, 2012.



Main Activities

The Company is engaged in many activities which can be divided into two main sections, namely the airlines service section and non-airlines service section. The Airlines Service Section provides the following services:

Catering and related services to Saudi Arabian Airlines and most of the other airlines operating flights from and to the different airports in the Kingdom.

Management of the retail sales under the Sky Sales brand on board flights operated by Saudi Arabian Airlines.

Operation of Al Fursan Lounges on behalf of Saudi Arabian Airlines.

The Non-airline Service Section provides catering and other related services to non-airline clients including major institutions and companies, educational institutions and companies operating in remote areas in the Kingdom of Saudi Arabia.

The Company actively seeks to provide convenient accommodation for its workers through the construction of a residential complex in Dhahban, north of Jeddah, to accommodate non-Saudi workers employed by the Company in Jeddah. The Company will rent out part of the residential complex to third parties to house their workers in the same region. The Company will also establish a laundry unit at King Abdullah Economic City. Another industrial laundry facility was approved to operate at King Fahd Medical City in Riyadh. The two units will provide specialized laundry services to hotels and hospitals.

Services to Airlines

The Company pays due attention to its clients represented in the other airlines. The Airlines Service Section includes all Company activities related to the Air Transport Industry (ATI). At its outset, the Company worked almost exclusively in the catering service and Sky Sales fields to airlines before the establishment of the Non-airlines Section in 2008. The Airlines Service Section has been to date the most important section. It has contributed by 92.3%, 92.8%, 90.6% and 96.56% of the Company revenues for the years 2010, 2011, 2012, and 2013 respectively. The section includes three subdivisions:

A- In-flight Catering Services:

The in-flight catering service section provides meals to flight crews in addition to a number of other related services (on board the Saudi Arabian Airlines and most of the other airlines that operate flights to and from the airports of the Kingdom). Through the section, the Company provides meals and related services to many private aviation operators and chartered flights as well as VIP flights and individual flights. Furthermore, the Company provides catering services to a large number of Pilgrims and Umrah Performers on board the return flights going home after performing the religious rituals.

B- Sky Sales:

In 1985, Saudi Arabian Airlines assigned the retail sales on board its aircraft, currently known as "Sky Sales", to its then catering unit. In 2007, the Company and Saudi Arabian Airlines concluded the Sky Sales agreement whereby the Company gained exclusive rights to sell products of Sky Sales on most international and domestic flights operated by Saudi Arabian Airlines. The flights operating from and to Dubai and Cairo are the most important international flights for Sky Sales in terms of annual revenues, while flights operating to and from Jeddah, Riyadh and Dammam are the most important domestic flights in terms of annual revenues. The Company exercises the Sky Sales activity onboard Saudi Arabian Airlines, Fly NAS, Ground sales, La Boutique and Online .

The Company buys the Sky Sales products directly from the suppliers on a sale-or-return basis so that the Company is entitled to return the unsold products to the supplier and obtain full reimbursement. In some cases, certain products are exclusively supplied to the Company for a limited period of time. The products guide provided by the Company to the passengers is updated three times a year. Selection of the Sky Sale products depends on several factors such as the passenger consumption patterns, offering of new products (like new perfumes), the ratio of price to size per product, and whether the product is exclusively provided by the Company.

The Sky Sale products, in particular, include the following:

- Perfumes and cosmetics.
- Watches and jewelry.
- Pens, sunglasses and electronics.
- Products with the Saudi Arabian Airlines logo.
- Kids' toys and other gifts.

The Company provides training courses to the cabin crew of Saudi Arabian Airlines to play the role of sales representatives for in-flight Sky Sales. By the end of 2010, more than 500 stewards of the Saudi Arabian Airlines were engaged in Sky Sales. For the purposes of improving follow up of procurement and to provide timely MIS reports, the company implemented a new on-ground system to manage the Sky Sales back-office activities. The sky sales revenue reached 9.28%, 10.04%, 10.48%, and 10.12% of the Company's total earnings for the years 2010, 2011, 2012 and 2013.

C- Al Fursan Lounges

The Al Fursan Lounges are operated by SACC to provide high class refreshment and services to First & Business class passengers and loyalty members of Saudia Airlines throughout the kingdom, The Company operates Al Fursan Lounges on behalf of Saudi Arabian Airlines under two agreements concluded between the Company and Saudi Arabian Airlines and came into force on January 29, 2008. The two agreements are for indefinite term. The Company collects from the Airlines fees that is determined based



on the number of passengers using Al Fursan Lounges. Passengers eligible to use Al Fursan Lounges, for example those using economy class, may pay fees to the Company for using the lounges. Revenues earned from such lounges accounted for 3%, 2.7%, 3% and 3.58% of the total Company earnings in 2010, 2011, 2012, and 2013 respectively. Al Fursan Lounges feature seating areas and hot and cold meals in addition to Internet service.

Non-Airlines Service

Historically, when it was a unit affiliated to Saudi Arabian Airlines, the Company used to provide catering services to an indefinite number of non-airlines clients such as private schools. In 2008, the Company established a section for this service, and thus became once again an active player in the non-airlines catering service market. The section has an increasing importance to the Company. Despite the fact that the section has only contributed by 2.7%, 3.1%, 4.2% and 7.24% of the Company revenues in 2010, 2011, 2012 and 2013, respectively, the Company expects that this ratio will

increase in the future.

The Company recognizes that significant market opportunities exist in outsourcing through B&I, Remote, Education and Medical sectors within the Kingdom. In line with our mission statement we ensure that all resources align to the specific needs of these markets and clients. Our ability to share best practice with Newrest adds significant knowledge and expertise to our growing reputation in these sectors. Our dedicated management team supports the development of our organizational capability, accreditation and delivery supporting current global best practice.

The Company strategy targets the following three major sectors in the market of non-airline catering services:

- Companies operating in remote areas in the Kingdom
- Companies, factories and institutions
- Catering associated with the Hajj and Umrah activities and the visits to the Two Holy Mosques.

In the companies, factories and institutions sector, the attention of the Company is focused on major industrial and commercial institutions and companies as well as the educational institutions, in particular private schools and hospitals. In addition to catering services, the Company provides room service and cleaning, guarding, laundry, garbage collection, pest control, landscaping services, and management of certain facilities such as gyms and barber shops.



Catering Units

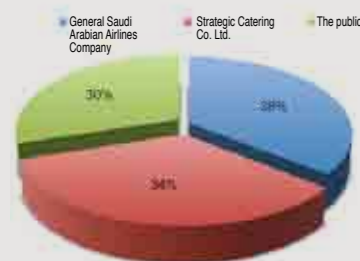
The Company catering production units located at the key airports throughout the Kingdom as well as Cairo provide first class food safety and health and safety operating standards. Each unit is designed to ensure the process from receiving goods to delivery to aircraft is controlled and monitored to the strictest guidelines. Our production processes deliver on time meals to aircraft ensuring dispatch of aircraft is not compromised.

Quality

The Company endeavors to provide high-quality meals to all passengers irrespective of the airlines or their travel class. The Company has won a number of awards in this field, which constitutes recognition of the food quality delivered by the Company. Safety and hygiene have been accorded the highest importance. The Company has applied advanced systems and controls in connection with the raw material quality, production processes, personnel hygiene conditions, temperature control and maintenance of a clean environment. Lab analysis is conducted all the time by the Company to ensure the provision of meals of the highest quality to all clients. All foods being prepared by the Company comply with Islamic Shariah. The procedures are effectively implemented to enable its airline clients to operate without delay.

SACC's Shareholding Chart

The following table gives a snapshot of share distribution in the company:



Shareholders	Capital (SR)	Shares	Ratio
General Saudi Arabian Airlines Company	292,740,000	29,274,000	35,7%
Strategic Catering Co. Ltd.	281,260,000	28,126,000	34,3%
The public	246,000,000	24,600,000	30,0%
Total	820,000,000	82,000,000	100%

SACC Achievements

The following decisions were taken in 2013:

- Commencement of the implementation phase of the project to construct residential units for the Company workers, a part of which will be invested by renting units to Saudi Arabian Airlines' workers.
- Operation of a laundry unit of the Company at King Fahd Medical City in Riyadh.
- Commencement of procedures to establish an industrial laundry at King Abdullah Economic City in Rabegh.
- Provision of catering services to Princess Noura University in Riyadh and operation of the central kitchen of the University.
- Opening of the First-Class and Business-Class lounges for international flights at King Khaled International Airport in Riyadh.
- Providing Religious Catering solutions to Makkah and Madinah for delegations, institutions and in transit pilgrims.

The Strategy

SAAC has adopted a strategy specially designed to cater for the needs of its esteemed clients and to preserve its leading position as the most prominent catering service provider and one of the major economic entities. The strategy is focused on the following major aspects:

- To maintain the Company's leading position in the airlines catering service sector in the Kingdom of Saudi Arabia through the provision of high-quality services at competitive prices.
- To develop the catering services to non-airline institutions by targeting clients such as major institutions, companies, educational institutions and companies operating in remote areas of the Kingdom in order to eliminate exposure by the Company to fluctuations in the airline catering service sector.
- To take part in the Kingdom's efforts to promote Hajj and Umrah. Currently, the Company provides catering services to the visitors of the Two Holy Mosques based on individual requests made by various entities during the Hajj and Umrah seasons.
- To continue the development of job Saudization program of the Company with special focus on the employment of more female Saudis and provide them with the necessary training as encouraged by the Ministry of Labor.
- To increase the operating capital efficiency with the improvement of business dealing terms with suppliers and timely collection of receivables from all clients.
- The Company continued to work with Newrest, its strategic partner, and its global network in order to forecast future trends in the catering industry, develop the company products and improve procurement of the Company.



The Risks

The Company conducts its business with care and caution to avoid any negative impacts or risks that may adversely affect its performance or hinder its progress. Thus, it has maintained its current activities, financial position, operating results, cash flows and future operations. It strives to avoid exposure to any substantial negative effects in the event of any risk occurrence.

The major risks are:

- Entry of a competitor, in the field of airline catering, in Saudi market.
- Contracts with the airlines are subject to termination.
- Competition is very high in the service sector to non-airline clients.

Penalties and Fines

The SAAC received a fine of SAR 10,000 during 2013 for failing to comply with requirement to disclose which provisions of the governance regulation were or were not applied by the Company, and the reasons thereof.

The board of directors discussed such irregularities in its meeting on 19th December 2012 and the development of necessary mechanisms and procedures to avoid the recurrence of such violations in the future. The Capital Market Authority was informed of such mechanisms and procedures. It is worth mentioning that there are no penalties, fines or other similar measures against the Company by any supervisory, regulatory or judiciary entity.

Human Resources

The Company pays great attention to the human element that is the maker of all successes and responsible for maintaining them. The importance of human resources stems from being one of the most important elements in the production process. Therefore, it can be said that expansion in the production cannot be

only horizontal but vertical expansion is complementary. Good competent personnel are able to perform well and can achieve. The Company strives to attract skills and expertise in both management and operations in addition to retaining outstanding competencies. This human element plays a significant role in the success of the Company.

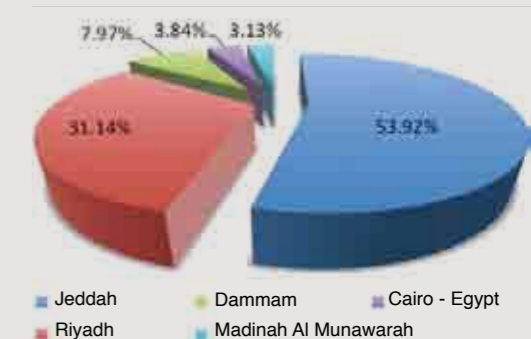
The Company aims to employ Saudi nationals and achieved Platinum to High Green status throughout 2013. It has managed to achieve continued increase in the Saudization rate particularly in attracting persons with special needs and females. A group of disabled young people was provided with the required training on all types of work they can perform. They demonstrated physical and mental readiness to work and perform especially in production and preparation.

Young Saudi women have demonstrated great successes in the Company particularly in the catering kitchen which was dominated by men. Females are aggressively engaged in the gift preparation and sales section through a project to employ Saudi women in separate sections for women. The Company management won the gamble that females master the etiquette arts through experimenting. They demonstrated talents to innovate and adapt with the work; and their production was comparable to that of men.

Geographical analysis of income

The following table highlights the income achieved in 2013

Region	Value	Percentage
Jeddah	1,006,953,299	53,92%
Riyadh	581,454,948	31,14%
Dammam	148,925,464	7,97%
Madinah Al Munawarah	71,639,589	3,84%
Cairo - Egypt	58,524,864	3,13%
	1,867,498,165	100%

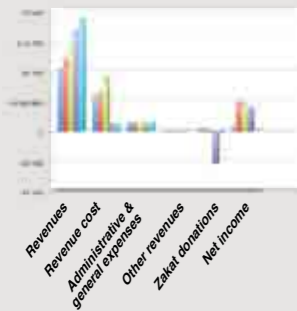




Company Financial Results

Statements of Income for the years 2009, 2010, 2011, 2012, and 2013

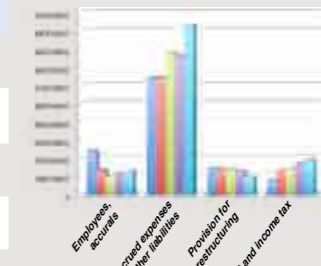
Account	2009	2010	2011	2012	2013
Total Revenues	1,031,847,767	1,193,161,075	1,465,271,088	1,687,392,692	1,867,498,165
Revenue cost	577,095,754	647,746,582	906,809,548	1,059,393,454	1,175,583,438
Administrative and general expenses	129,773,284	131,426,198	139,823,782	121,217,226	146,104,228
Other revenues	(2,074,744)	3,101,387	1,924,001	19,730,787	23,541,413
Zakat donations	26,812,765	34,680,474	38,219,602	45,355,099	(46,217,365)
Net income	322,903,985	382,409,208	420,561,759	487,051,225	569,351,912
Loss (profit) per share in Saudi Riyal	3,94	4,66	5,13	5,94	6,94



Due payments

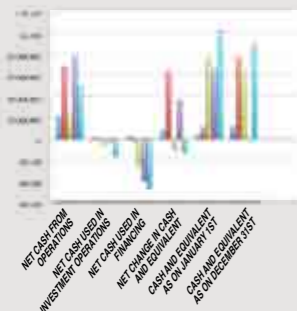
Lists of accrued expenses for the years 2009, 2010, 2011, 2012 and 2013

Account	2009	2010	2011	2012	2013
Employees, accruals	48,248,867	27,454,687	20,722,956	23,308,516	25,950,014
Accrued expenses and other liabilities	128,243,820	128,298,039	156,260,966	153,091,217	185,656,449
Provision for restructuring	29,010,986	28,082,899	28,035,806	25,937,949	19,120,725
Zakat and income tax	15,621,820	26,311,949	28,233,250	34,982,592	38,273,402
	221,125,493	210,147,574	233,253,008	237,320,274	269,000,590



Cash Flow Statements for the years 2009, 2010, 2011, 2012, and 2013

ACCOUNT	2009	2010	2011	2012	2013
NET CASH FROM OPERATIONS	210,856,328	682,293,224	214,255,491	786,183,121	500,445,200
NET CASH USED IN INVESTMENT OPERATIONS	(6,061,430)	13,092,710	58,728,299	20,196,793	(162,455,737)
NET CASH USED IN FINANCING	26,812,765	23,990,345	261,298,301	398,916,751	(467,027,158)
NET CHANGE IN CASH AND EQUIVALENT	79,474,809	645,210,169	105,771,109	367,069,577	(129,037,695)
CASH AND EQUIVALENT AS ON JANUARY 1ST	36,139,049	115,613,858	760,824,027	655,052,918	1,022,122,495
CASH AND EQUIVALENT AS ON DECEMBER 31ST	115,613,858	760,824,027	655,052,918	1,022,122,495	893,084,800



Company investments

The following table highlights the volume of the Company's investments in 2013

	investments	Kind of investment	Date of investment	Account	Date of Maturity
1	The Saudi British Bank (SABB)	Short-range	02/10/2013	150,000,000	1/1/2014
2	The Saudi American Bank (SAMBA)	Short-range	09/10/2013	375,781,458,34	28/1/2014
3	(SAMBA) - Sunbula Company	Short-range	25/07/2013	300,000,000	Opening
4	The Saudi Binladin Group Sukuk	Long-range	07/04/2013	100,000,000	7/10/2015
5	The Saudi British Bank (SABB) Sukuk	Long-range	17/12/2013	40,000,000	18/2/2020

Banking Debts

The Company has no outstanding loans as of December 31, 2013.

Zakat and Statutory Payments

The Company pays Zakat after the settlement of all outstanding issues and inquiries from the Department of Zakat and Income. The Company is governed by the Zakat and Income Regulations in force in the Kingdom of Saudi Arabia.

Assets and liabilities of the company

Lists of total assets and total liabilities for the years 2009, 2010, 2011, 2012 and 2013

Account	2009	2010	2011	2012	2013
TOTAL ASSETS	814,065,050	1,208,139,617	1,424,463,312	1,556,772,463	1,688,862,153
Total Current	372,813,938	384,479,297	443,460,835	495,073,860	530,233,141



Transactions with Related Parties

The Saudi Arabian Airlines is the largest shareholder in SACC. A major part of SACC business is with the Saudi Arabian Airlines (SAA) as the Company provides the meals for the passengers and crews of all flights of SAA. Moreover, SACC provides additional services such as preparing the menus. If the number of passengers is increased or decreased on board the SAA flights, the services provided by the Company will go up or down accordingly. In addition, the Company provides services for Ground Service Department of SAA, which mainly include providing meals for the staff of this section. The Company entered into agreements during 2013 with both the General Organization for Saudi Arabian Airlines (partner), the Newrest Group Holdings sl. (one of the end partners), Saudi Airlines Cargo Co., Ltd. (sister company), Saudi Airlines Ground Services Co., Ltd. (sister company), and the Saudi Real Estate Development Company Ltd. (sister company).

Income and expenses from related parties as at December 31-2013

The related party	Relationship	The value
Saudi Arabian Airlines Corporation («Saudia»)	partner	1,280,619,000
Saudi Ground Services Company	sister company	22,116,000
Saudi Airlines Cargo Company	sister company	26,948,000
Saudi Real Estate Development Company	sister company	(3,840,000)
*The management agreement between the Company and Newrest Group Holding S.L. («NEWREST»), one	one of the end partners	12,000,000

Accounts receivable from related parties as at December 31-2013

The related party	Relationship	The value
Saudi Arabian Airlines Corporation («Saudia»)	partner	328,749,690
Saudi Ground Services Company	sister company	15,408,492
Saudi Airlines Cargo Company	sister company	11,287,662

* The management agreement between SAAC and Newrest Group Holdings sl., which is an end shareholder, expired during the month of December 2013, and SAAC is currently negotiating to sign a new agreement with Newrest. As at 31 December 2013, the balance of management fees in the amount of SR 5,520,000 required to Newrest was included after deduction of the withholding tax in the amount of SR 480,000 under the accounts payable item. (2012: the amount of SR 10,200,000 after deduction of withholding tax in the amount of SR 1,800,000 was included under the accrued expenses and other liabilities account).

* The revenues and receivables of the Company are concentrated with SAA, a partner and a government agency.

Organizational Chart

The company is run by a team of trained cadres, who enjoy a high standard of knowledge and skills required to manage the company's operations through three administrations all of which are coordinated 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 reputation in world business.



BOD Members as on December 31st, 2013

Name	Nationality	Position	Status	Independency	Other shareholding Saudi companies having seats in the Board of Directors
Khalid Abdullah Al-Molhem	Saudi	Chairman	Non-executive	Dependent	Emaar, The Economic City-Emaar TASI- The Saudi British Bank-Riyadh Cement Company
Sami Abdulmohsen Al Hokair	Saudi	Member	Non-executive Dependent	Dependent	Al Hokair Group *
Shawgi Mohammed Mushtag	Saudi	Member	Non-executive	Dependent	None
Basel Mohammed Algadhib	Saudi	Member	Non-executive	Dependent	United Electronic Co. (Extra)- (Al Yusr Instalment Company -Abdulqader Al Muhaidib & Sons Company- Bawan Company, The First Real Estate Holding Company- Al Fozan Holding Company - Al Faisaliah Group -Abdullatif Alissa Group Holding Company)*
Jonathan Stent-Torriani	Swiss	Member	Non-executive	Dependent	None
Yousef Abdul Sattar El Maimani	Saudi	Member	Non-executive	Independent	The National Commercial Bank
Abdul Aziz Saif Al-Saif (Retired Major General)	Saudi	Member	Non-executive Dependent	Independent	None
Fahd Abdulmohsen Al Rasheed	Saudi	Member	Non-executive Dependent	Independent	Emaar The Economic City-Emaar-Ports Development*
Hasan Shakib Al Jabri	Saudi	Member	Non-executive Dependent	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)*

* (Not listed on the stock exchange)

B. BOD's Meetings

The Board of Directors held five meetings in 2013 as shown in the table below:

Date of Meeting	24/2/2013	8/4/2013	9/5/2013	24/9/2013	19/12/2013
Khalid Abdullah Al-Molhem Chairman	✓	✓	✓	✓	✓
Sami Abdulmohsen Al Hokair Member	✓	x	✓	✓	✓
Basel Mohammed Algadhib Member	✓	✓	✓	✓	✓
Jonathan Stent-Torriani Member	✓	✓	✓	✓	✓
Yousef Abdul Sattar El Maimani Member	✓	x	✓	✓	✓
Shawgi Mohammed Mushtag Member	✓	✓	✓	✓	✓
Abdul Aziz Saif Al-Saif (Retired Major General) Member	✓	✓	✓	✓	✓
Fahd Abdulmohsen Al Rasheed Memb	✓	✓	✓	x	x
Hasan Shakib Al Jabri Member	✓	✓	✓	✓	x

C. BOD's Benefits

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

Member's Name	Owne d shares	Shared owned by first degree relatives (if any)	Difference from 31/12/2012 to 31/12/2013
Khalid Abdullah Al-Molhem	1,000	Nil	0
Sami Abdulmohsen Al Hokair	1,000	Nil	0
Shawgi Mohammed Mushtag	1,000	Nil	0
Basel Mohammed Algadhib	1,000	Nil	0
Yousef Abdul Sattar El Maimani	1,000	Nil	0
Jonathan Stent-Torriani	1,000	Nil	0
Abdul Aziz Saif Al-Saif (Retired Major General)	1,000	Nil	0
Fahd Abdulmohsen Al Rasheed	1,000	Nil	0
Hasan Shakib Al Jabri	1,000	Nil	0

Description of shares owned by senior executives or by their spouses or minors

Member's Name	Owne d shares	Shared owned by first degree relatives (if any)	Difference from 31/12/2012 to 31/12/2013
Gerhard Marschitz CEO	Nil	Nil	0
Wajdy Mohamed Al-Ghabban Deputy Chief Executive Officer	Nil	Nil	0
Amr Mohammed Sager Chief Corporate Affairs & Secretary General	Nil	Nil	0
Tarek Mohamed Tharwat Chief Audit Executive	Nil	Nil	0
Mohamed Nabi General Manager Shared Services	Nil	Nil	0
Abdelwahab Ahmed Saati Chief Commercial Officer	Nil	Nil	0
Fahad Ali Khayat GM ICPI & Performance Improvement	Nil	Nil	0
Tariq Yahya Al-Idhe Manager of HR Policy & Procedures	Nil	Nil	0
Mohamed Huzayfa Hasan Chueb Head of Procurement & Supply Chain	Nil	Nil	0
Bruno Jean Charles Heriche Chief Operations Officer	Nil	Nil	0



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 members, including two non-executive 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 on actions taken in their regard. In addition, it examines the initial and annual financial statements prior to 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
Matthew Gendal	Member

Schedule of Audit Committee's meetings

Date of Meeting	15/1/2013	20/2/2013	13/4/2013	17/7/2013	23/10/2013
Hasan Shakib Al Jabri Chairman	✓	✓	✓	✓	✓
Shawgi Mohammed Mushtag Member	✓	✓	✓	✓	✓
Matthew Gendall Member	✓	✓	✓	✓	✓

• The Nomination and Remuneration Committee

The Nomination and Remuneration Committee was launched in October 2011. The Committee is composed of three 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 was 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
Yusef Abdul Sattar El Maimani	Chairman
Basel Mohammed Algadhib	Member
Fahd Abdulmohsen Al Rasheed	Member
Jonathan Stent-Torriani	Member

Schedule of Nomination and Remuneration Committee's meetings

Date of Meeting	24/9/2013	19/12/2013
Yusef Abdul Sattar El Maimani Chairman	✓	✓
Basel Mohammed Algadhib Member	✓	✓
Fahd Abdulmohsen Al Rasheed Member	x	x
Jonathan Stent-Torriani Member	✓	✓



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 27/05/1434 H. corresponding to 08/04/2013 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. The Company has a comprehensive policy on the implementation of Corporate Governance rules through the development of regulations and bylaws 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 subcommittees 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	✓			
IV: To facilitate the exercise by shareholders of their rights and access to information	✓			
V: Equity concerning the General Assembly meeting	✓			
VI: Voting Rights	✓			
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		✓		An item on the policies, standards and procedures for the Board membership was included in the agenda of the General Assembly of Company
XI: Responsibilities of the Board of Directors	✓			
XII: Formation of the Board of Directors	✓			
XIII: Committees of the Board and their Independence	✓			
XIV: Audit Committee	✓			
XV: Nominations and Remuneration Committee	✓			

Article number according to Corporate Governance Regulations	Full Compliance	Partial Compliance	Non-compliance	Explanation
XVI: Board Meetings and Agenda	✓			
XVII: Remuneration and Compensations of Board Members	✓			
XVIII: Conflict of Interest in the Board of Directors	✓			

Internal Audit

The Internal Audit 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 and ensure the efficiency and integrity of the financial and non-financial procedures and processes, and 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 Internal Audit Committee and reviews its reports on regular basis.

The scope of work of the Internal Audit Department includes the following:

- Develop the annual strategic plan for the work of the Internal Audit 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 his 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. The Internal Audit 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 Internal Audit, the Executive Officer of the Internal Audit 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 Internal Audit. Furthermore, the Internal Audit has no direct operational responsibility in any areas or activities that are reviewed. The Executive Officer of the Internal Audit shall annually confirm the independence of the Internal Audit to the Board of Directors.

The scope of the Internal Audit 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 Internal Audit 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 2013. There were no substantial findings of the annual review of the effectiveness of internal control procedures of the Company.



Dividends Policy

The Board of Directors makes recommendations to announce and pay any dividends prior to the approval of shareholders in the General Assembly meeting. The Company is not obliged to announce any dividends. 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% 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 annual net profits of the Company are distributed after the deduction of the overheads and other expenses as follows:

- Setting aside of 10% 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% of the paid-up capital.

The distribution of dividends is subject to certain restrictions as set forth in the Articles of Association. In the event of announcing dividends, they will be distributed in Saudi Riyals.

General Assembly

SAAC has held a successful General Assembly meeting during 2013, as shown below. The Company announced the scheduled dates for this General Assembly on the website of Tadawol, the Company's website and in the Official Gazette and local

newspapers twenty-five days in advance of the day scheduled for the meeting. The announcements showed the time, place and agenda. The Company also provided the shareholders with the opportunity to participate effectively and vote on the issues on the agenda. They were informed of the rules that govern the meeting and voting procedures through the General Assembly invitation. Well-prepared folders containing enough information for informed decision-making were distributed to the shareholders. The Company also informed the Capital Markets Authority of the results of this General Assembly immediately after the end of the meeting. The shareholders were also enabled to review the minutes of the meeting at the Company's offices or through the Company's website.

The General Assembly	Attendance	AGM decisions
Date of AGM 8/4/3013	72,2%	<ul style="list-style-type: none"> • Approval of the report of the Board of Directors for the fiscal year ended December 31st, 2012. • Approval of the Company's financial statements and the auditor's report for the fiscal year ended December 31st, 2012. • Approval to pay cash dividends for the fourth quarter of 2012 by 1.5 riyals per share. The total dividends for the fourth quarter of 2012 was SR 123 million, which represents 15% of the nominal value of the shares, and so the total dividends to be distributed for the fiscal year 2012 will be SR 369 million and the sum to be distributed for the year 2012 will be SR 4.5 per share accounting for 45% of the nominal value of the share. Eligibility to receive distributed dividends shall be for the shareholders \ registered with the Securities Depository Center - Tadawol - by the end of Monday's trading session of 04/08/2013. The date for payment of profits will be announced later. • Approval to appoint the external auditor and determine his fees by the Audit Committee to review the financial statements for the fiscal year 2013 and quarterly financial statements. • Approval of corporate governance regulations as recommended by the Board of Directors of the Company. • Approval of the regulations on the work of the Audit Committee as recommended by the Audit Committee of the Company. • Approval of the regulations on the work of the Nomination and Remuneration Committee as recommended by the Nomination and Remuneration Committee of the Company. • Discharge the members of the Board of Directors for the financial year ended December 31st, 2012.



Remunerations of BOD Members & five senior executives

Remunerations of BoDs' members and five senior executives

Details	Non-executive members of the Board	The five executives who received the highest bonuses and compensations
Salaries and remunerations	1,800,000	3,423,955
Allowances	183,000	456,633
Annual periodical remunerations	Nil	764,000
Incentives	Nil	-
Any other compensations or in-kind privileges paid out monthly or annually	Nil	-
Total	1,983,000,00	4,644,588

Board of Directors' Declaration

The Board of Directors confirms the following:

- That the accounts register has been prepared in the correct format and according to the Generally Accepted Accounting Principles (GAAP).
- That the internal control system has been prepared on sound basis and is being implemented effectively.
- That there are no doubts about the company's ability to go ahead with the performance of its activities.
- That the unified financial statements have been prepared according to the standards and the accounting systems issued by the Saudi Committee for Saudi Chartered Accountants and according to the related requirements of the Companies regulations and statute of the company with regard to the preparation and publication of financial details.
- That the company has not issued any bonds and consequently has not recovered or purchased or canceled any recoverable debt instruments.
- That the company does not have any transfer rights or any subscriptions based on debt transferable instruments to shares or selection rights or subscription rights memoranda or similar rights issued or given by the company during the year 2013.
- That there is no contract to which the company is a party and that there is or has been any substantial benefit in it to any board member or the Chief Executive Officer or the General Manager of Finance or to any person related to any one of them.
- That there are no arrangements or agreements through which any of the board members or any of the senior executive waives any salary or any compensation.
- That there are no arrangements or agreements through which any of the company's shareholders waives any profit rights.

Communication with Shareholders

SACC gives the utmost attention to the Communication with shareholders. It has taken many measures to guarantee the shareholders' rights to obtain information through the CMA "Tadawul" website and the company website saudiacatering.com. provides comprehensive information about company activities and business through the Annual Report, periodic financial statements and dividends distribution procedures. The company is also keen to communicate with its shareholders, answer all their queries and provide them the requested information in a timely manner.

Saudi Airlines Catering Company
(Saudi Joint Stock Company)

Financial Statements and Auditors' Report
Year Ended December 31, 2013

AUDITORS' REPORT

SAUDI AIRLINES CATERING COMPANY (SAUDI JOINT STOCK COMPANY)

BALANCE SHEET
AS OF DECEMBER 31, 2013
(Expressed in Saudi Riyals)

Deloitte

Deloitte & Touche
Bakr Abulhair & Co.
Public Accountants
P.O. Box 442
Jeddah 21411
Kingdom of Saudi Arabia
Tel: +966 (0) 2 657 2725
Fax: +966 (0) 2 657 2722
www.deloitte.com
License No. 96
Head Office: Riyadh

AUDITORS' REPORT

To the shareholders
Saudi Airlines Catering Company
Jeddah, Saudi Arabia

Scope of Audit

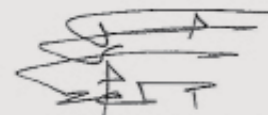
We have audited the balance sheet of SAUDI AIRLINES CATERING COMPANY (a Saudi Joint Stock Company) (the "Company") as of December 31, 2013, and the related statements of income, shareholders' equity and cash flows for the year then ended, and notes 1 to 24 which form an integral part of these financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia and appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the Company's bylaws as these relate to the preparation and presentation of these financial statements.

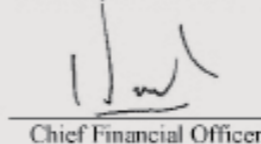
Deloitte & Touche
Bakr Abulhair & Co.

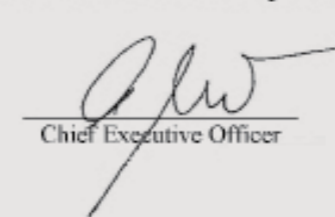


Al-Mutahhar Y. Hamiduddin
License No. 296

8 Rabi'II, 1435
February 8, 2014

	Note	2013	2012
ASSETS			
Current assets			
Cash and cash equivalents	3	893,084,800	1,022,122,495
Accounts receivable - trade	4	57,083,132	53,791,898
Due from related parties	10	355,445,844	256,147,161
Inventories	5	76,629,751	73,280,130
Prepaid expenses and other receivables		68,498,971	61,384,302
Total current assets		1,450,742,498	1,466,725,986
Non-current assets			
Held to maturity investment	6	140,000,000	-
Property, plant and equipment	7	98,119,655	90,046,477
Total non-current assets		238,119,655	90,046,477
TOTAL ASSETS		1,688,862,153	1,556,772,463
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable - trade		146,032,966	151,631,390
Dividends payable		2,792,541	689,006
Accrued expenses and other liabilities	8	269,000,590	237,320,274
Total current liabilities		417,826,097	389,640,670
Non-current liabilities			
End-of-service indemnities	9	112,407,044	105,433,190
Total non-current liabilities		112,407,044	105,433,190
Shareholders' equity			
Share capital	1	820,000,000	820,000,000
Statutory reserve	12	151,356,809	94,421,618
Retained earnings		187,272,203	147,276,985
Total shareholders' equity		1,158,629,012	1,061,698,603
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,688,862,153	1,556,772,463


Chief Financial Officer


Chief Executive Officer


Authorized Board of Directors' Member

The accompanying notes form an integral part of these financial statements

SAUDI AIRLINES CATERING COMPANY
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2013
(Expressed in Saudi Riyals)

	Note	2013	2012
Revenues:			
In-flight catering revenue		1,429,682,965	1,301,374,793
Sky sales revenue		188,967,459	176,886,061
Business lounge revenue		66,779,931	51,049,938
Non-airlines revenue		135,169,526	114,743,685
Other operating revenues	17	46,898,284	43,338,215
Total revenues	10, 20	1,867,498,165	1,687,392,692
Cost of revenues			
Cost of materials and goods		776,330,745	688,811,950
Personnel costs		181,053,375	169,609,121
Rent and maintenance of production units		82,549,635	71,995,548
Depreciation		12,841,142	13,506,914
Other operating costs	18	122,808,541	115,469,921
Total cost of revenues		1,175,583,438	1,059,393,454
Gross profit		691,914,727	627,999,238
General and administrative expenses	14	146,104,228	121,217,226
Operating income		545,810,499	506,782,012
Other revenues and (expenses), net	21	23,541,413	(19,730,787)
NET INCOME	16,20	569,351,912	487,051,225
Earnings per share from net income	16	6.94	5.94


Chief Financial Officer


Chief Executive Officer


Authorized Board of Directors' Member

The accompanying notes form an integral part of these financial statements

SAUDI AIRLINES CATERING COMPANY
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2013
(Expressed in Saudi Riyals)

	Note	Share capital	Statutory reserve	Retained earnings	Total
January 1, 2012	1	820,000,000	45,716,496	115,285,981	981,002,477
Net income for the year		-	-	487,051,225	487,051,225
Transfer to statutory reserve	12	-	48,705,122	(48,705,122)	-
Zakat and income tax	11	-	-	(45,355,099)	(45,355,099)
Dividends	13	-	-	(361,000,000)	(361,000,000)
December 31, 2012		820,000,000	94,421,618	147,276,985	1,061,698,603
Net income for the year		-	-	569,351,912	569,351,912
Transfer to statutory reserve	12	-	56,935,191	(56,935,191)	-
Zakat and income tax	11	-	-	(46,217,365)	(46,217,365)
Dividends	13	-	-	(426,204,138)	(426,204,138)
December 31, 2013		820,000,000	151,356,809	187,272,203	1,158,629,012


Chief Financial Officer


Chief Executive Officer


Authorized Board of Directors' Member

The accompanying notes form an integral part of these financial statements

	2013	2012
OPERATING ACTIVITIES		
Net income	569,351,912	487,051,225
Adjustments for:		
Depreciation	15,494,238	15,859,218
Reversal of allowance for doubtful debts	(5,290,157)	(3,487,883)
(Reversal of)/allowance for slow moving inventories	(1,283,061)	1,536,373
Loss from sale of property, plant and equipment	247,443	24,060,923
Provision for end-of-service indemnities	20,237,372	19,169,839
Investment income	(1,987,472)	-
Changes in operating assets and liabilities:		
Accounts receivable - trade	4,487,121	(4,056,044)
Due from related parties	(101,786,881)	261,539,879
Inventories	(2,066,560)	(9,276,386)
Prepaid expenses and other receivables	(6,486,319)	(31,218,861)
Accounts payable - trade	(5,598,424)	36,049,783
Accrued expenses and other liabilities	28,389,506	(2,682,076)
Cash generated from operations	513,708,718	794,545,990
End-of-service indemnities paid	(13,263,518)	(8,362,869)
Net cash from operating activities	500,445,200	786,183,121
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(24,137,851)	(20,366,343)
Proceeds from sale of property, plant and equipment	322,992	169,550
Held to maturity investment	(140,000,000)	-
Investment income received	1,359,122	-
Net cash used in investing activities	(162,455,737)	(20,196,793)
FINANCING ACTIVITIES		
Zakat and income tax paid	(42,926,555)	(38,605,757)
Dividends paid	(424,100,603)	(360,310,994)
Net cash used in financing activities	(467,027,158)	(398,916,751)
Net change in cash and cash equivalents	(129,037,695)	367,069,577
Cash and cash equivalents, January 1	1,022,122,495	655,052,918
CASH AND CASH EQUIVALENTS, DECEMBER 31	893,084,800	1,022,122,495
Additional disclosure for non-cash transactions		
Bad debts written-off	29,175	5,186,406
Inventory written-off	230,331	480,374
Unpaid declared dividends	2,792,541	689,006
Zakat and income tax charges debited to retained earnings	46,217,365	45,355,099
Accrued investment income classified to prepaid expenses and other receivables	628,350	-

Chief Financial Officer

Chief Executive Officer

Authorized Board of Directors' Member

The accompanying notes form an integral part of these financial statements

1. ORGANIZATION AND ACTIVITIES

Saudi Airlines Catering Company (the "Company") was registered as a Saudi limited liability company on 20 Muharram 1429 (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 January 1, 2008.

On 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 19 Rajab, 1429 (July 22, 2008).

On 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 29/1/1432 (January 4, 2011) and obtained the amended Commercial Registration on 10/3/1432 (February 13, 2011).

On 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 26 Jamad'I, 1432 (April 30, 2011).

During the period from 28 Rajab, 1433 (June 18, 2012) to 4 Shaban, 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 Tadawul in the Kingdom of Saudi Arabia on July 9, 2012. Following the sale of shares, the Company is owned as follows:

	Shares	Value
Saudi Arabian Airlines Corporation	29,274,000	292,740,000
Strategic Catering Company Limited	28,126,000	281,260,000
Public shareholders	24,600,000	246,000,000
	82,000,000	820,000,000

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 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.

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 new established 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

The following is a summary of significant accounting policies applied by the Company:

Use of estimates

The preparation of financial statements in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Revenue recognition

Revenues are recognized when goods are delivered and services are rendered to customers and are stated net of discounts.

Expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of revenues as required under accounting standards generally accepted in the Kingdom of Saudi Arabia. Allocations between general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a weighted average cost basis. An allowance is also established for items deemed to be slow moving or obsolete.

Financial assets and financial liabilities

The Company's financial assets comprise cash and cash equivalents, investment held to maturity, accounts receivable-trade and due from related parties. These financial assets are stated at their nominal values as reduced by an appropriate allowance for estimated irrecoverable amounts.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities which include accounts payable-trade and dividends payable are stated at their nominal values.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

Certain categories of financial assets, such as accounts receivable-trade, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced through the use of an allowance account with a corresponding charge to the statement of income. When a financial asset is not considered recoverable, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the statement of income.

Held to maturity investment

Investments which have fixed or determined payments that the Company has the positive intention and ability to hold to maturity are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Realized gain or loss or interest income on such investments is recognized in the statement of income.

Property, plant and equipment

Land is recorded at cost.

Property, plant and equipment other than land are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. The estimated useful lives of the principal classes of assets are as follows:

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

The carrying amount of all property, plant and equipment is reduced to recognize other than temporary diminution in value.

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

Impairment of non-current assets

At each balance sheet date, the Company assesses whether there are any indications, whether internal or external, of impairment in the value of non-current assets. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

A non-current asset is considered impaired if its carrying amount is higher than its recoverable amount. To determine impairment, the Company compares the non-current asset's carrying amount with the undiscounted estimated cash flow from the asset's use. If the carrying amount exceeds the undiscounted cash flow from the asset, the Company estimates the present value of the estimated future cash flows from the asset. The excess of the carrying amount over the present value of the estimated future cash flows from the assets is considered an impairment loss.

An impairment loss is recognized immediately in the statement of income. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior years. A reversal of an impairment loss is recognized immediately in the statement of income.

Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian Labor Law, are provided in the interim financial statements based on the employees' length of service.

Zakat and income tax

The Company is subject to the Regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat and income tax are provided on an accruals basis. The zakat charge is computed on the zakat base. Income tax is computed on adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating lease are charged to income on a straight-line basis over the term of the operating lease.

Dividends

Final dividends are recognized as liability at the time of their approval by the general assembly.

Interim dividends are recorded when approved by the Board of Directors.

Segmental analysis

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;
- Sky sales.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the accompanying financial statements.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and demand deposits with original maturities of three months or less.

	2013	2012
Cash on hand	1,307,593	2,115,533
Bank balances	891,777,207	1,020,006,962
	893,084,800	1,022,122,495

4. ACCOUNTS RECEIVABLE - TRADE

	2013	2012
Trade receivables	140,509,111	144,996,232
Less: Allowance for doubtful debts	(83,425,979)	(91,204,334)
	57,083,132	53,791,898

Balances from 5 customers represent 63% (2012: 68%) of total trade receivables.

5. INVENTORIES

	2013	2012
Catering (food, beverages and other items)	25,910,242	27,302,845
Sky sales items	43,530,961	40,382,534
Packing and other materials	7,904,549	8,222,884
Spare parts	3,809,098	3,410,358
Allowance for slow moving and obsolete inventories	(4,525,099)	(6,038,491)
	76,629,751	73,280,130

6. HELD TO MATURITY INVESTMENT

The held to maturity investment consists of investment in:

- The Saudi Binladin Group Sukuk Limited with a return of SIBOR plus a margin of 1.7 per cent calculated quarterly and it shall be liquidated on 7th October 2015 but Saudi Binladin Group Sukuk Limited has the ability to redeem the Sukuk on the periodic distribution date falling on 7th April 2015 by serving a call option notice. The Company has purchased the investment for an amount of SR 100,000,000.
- The Saudi British Bank (SABB) Sukuk ("Sukuk II") with a return of SIBOR plus a margin of 1.4 per cent calculated semi-annually. The Sukuk II shall be liquidated in 2020 but SABB has the ability 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.

7. PROPERTY, PLANT AND EQUIPMENT

	January 1	Additions	Disposals	Transfers	December 31
Cost:					
Land	33,786,058	-	-	-	33,786,058
Leasehold improvements	20,576,746	2,643,614	(20,825)	-	23,199,535
Equipment	46,297,670	12,093,709	(1,146,829)	1,381,907	58,626,457
Motor vehicles	40,878,858	2,518,651	(7,066,157)	-	36,331,352
Capital work-in-progress	1,587,269	6,881,877	-	(1,381,907)	7,087,239
Total Cost	143,126,601	24,137,851	(8,233,811)	-	159,030,641
Accumulated Depreciation:					
Leasehold improvements	9,742,303	2,502,041	(10,333)	-	12,234,011
Equipment	23,034,671	8,691,912	(1,081,203)	-	30,645,380
Motor vehicles	20,303,150	4,300,285	(6,571,840)	-	18,031,595
Total Depreciation	53,080,124	15,494,238	(7,663,376)	-	60,910,986
Net Book Value at January 1	90,046,477				
Net Book Value at December 31					98,119,655

Capital-in-progress represents the cost of high-loader vehicles purchased by the Company and still under customs clearance and the construction work for the extension of the Riyadh kitchen.

8. ACCRUED EXPENSES AND OTHER LIABILITIES

	2013	2012
Employees' accruals	25,950,014	23,308,516
Accrued expenses and other liabilities	185,656,449	153,091,217
Provision for restructuring	19,120,725	25,937,949
Zakat and income tax (note 11)	38,273,402	34,982,592
	269,000,590	237,320,274

Accrued expenses and other liabilities include services provided by Saudia but not invoiced amounting to SR 96,433,384 (2012: SR 71,790,601).

9. END-OF-SERVICE INDEMNITIES

	2013	2012
January 1	105,433,190	94,626,220
Provision for the year	20,237,372	19,169,839
Payment during the year	(13,263,518)	(8,362,869)
December 31	112,407,044	105,433,190

10. RELATED PARTY TRANSACTIONS

During the year, the Company transacted with the following related parties:

Name	Relationship
Saudi Arabian Airlines Corporation ("Saudia")	Shareholder
Newrest Group Holding S.L.	One of the ultimate shareholders
Saudi Airlines Cargo Company	Affiliate
Saudi Ground Services Company	Affiliate
Saudia Airlines Real Estate Development Company	Affiliate
Board of directors	Connected persons

The significant transactions and the related approximate amounts for the year ended December 31 are as follows:

	2013	2012
Catering and other services rendered to Saudia	1,285,149,000	1,177,176,000
Services and other expenses charged by Saudia	4,430,000	5,171,000
Net services charged and expenses re-allocated to Saudi Ground Services Company	22,116,000	40,687,000
Re-allocation of leasing charges	3,840,000	4,535,000
Net services rendered to/charged by Saudi Airlines Cargo Company	26,948,000	16,509,000
Management fees*	12,000,000	12,000,000
Board of directors' fees and expenses	1,983,000	2,001,000

*The management agreement between the Company and Newrest Group Holding S.L. ("Newrest"), one of the ultimate shareholders, has been terminated during December 2013 and the Company is currently negotiating a new agreement with Newrest. As of December 31, 2013, the balance of management fees due to Newrest of SR 5,520,000 net of withholding tax of SR 480,000 is included in accounts payable (2012: SR 10,200,000 net of withholding tax of SR 1,800,000 was included in accrued expenses and other liabilities).

Due from related parties as of December 31 are comprised of the following:

	2013	2012
Saudi Arabian Airlines Corporation - trade accounts ("Saudia") (net of allowance for doubtful debts of SR 11,593,077 in 2013 and SR 9,134,054 in 2012)	328,749,690	245,092,434
Saudi Ground Services Company	15,408,492	8,669,801
Saudi Airlines Cargo Company	11,287,662	2,384,926
	355,445,844	256,147,161

The Company's revenue and receivables are concentrated with Saudia which is a shareholder and Governmental Party.

The details of these transactions and balances are as follows:

	2013	2012
Revenue from Saudia	1,285,149,000	1,177,176,000
Percentage of revenue from Saudia	69%	70%
Saudia's receivable	328,749,690	245,092,434
Percentage of Saudia's receivables to the total receivables	80%	79%

11. ZAKAT AND INCOME TAX

The zakat base is comprised of the following:

	2013	2012
Non-current assets	238,119,655	90,046,477
Non-current liabilities	112,407,044	105,433,190
Shareholders' equity	1,061,698,603	981,002,477
Net income	569,351,912	487,051,225

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

The movement in zakat provision is as follows:

	2013	2012
January 1	32,462,965	24,514,069
Payments during the year	(32,309,505)	(24,808,674)
Over provision for the previous years	(448,067)	-
Provision for the year	36,193,107	32,757,570
December 31	35,898,500	32,462,965

The movement in income tax provision is as follows:

	2013	2012
January 1	2,519,627	3,719,181
Payments during the year	(10,617,050)	(13,797,083)
Over provision for the previous years	(783,100)	-
Provision for the year	11,255,425	12,597,529
December 31	2,374,902	2,519,627

The Company has finalized its zakat and income tax position for the year 2008.

The Company has submitted its zakat and income tax declarations for the years 2009, 2010, 2011 and 2012. The Company has paid the amounts due according to the declarations which are currently under review by the DZIT.

12. STATUTORY RESERVE

In accordance with the Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

13. DIVIDENDS

On September 24, 2013, the Board of Directors resolved to distribute interim dividends amounting to SR 102.5 million, which is equivalent to SR 1.25 per share, from the Company's interim profit.

On July 17, 2013, the Board of Directors resolved to distribute interim dividends amounting to SR 102.5 million, which is equivalent to SR 1.25 per share, from the Company's interim profit.

On April 8, 2013, the Board of Directors resolved to distribute interim dividends amounting to SR 102.5 million, which is equivalent to SR 1.25 per share, from the Company's interim profit.

In their ordinary general meeting assembly on April 8, 2013, the shareholders approved the distribution of dividends of SR 118.7 million which is equivalent to SR 1.45 per share from the Company's retained earnings as of December 31, 2012 which was paid during the year ended December 31, 2013. The shareholders also approved the payment of interim dividends resolved by Board of Directors on August 2, 2012 amounting to SR 164 million which was equivalent to SR 2 per share and which was paid in 2012.

On October 15, 2012, the Board of Directors resolved to distribute interim dividends amounting to SR 82 million, which is equivalent to SR 1 per share, from the Company's interim profit.

In their annual general meeting on March 7, 2012, the shareholders approved at the meeting, the additional distribution of SR 115 million from the Company's retained earnings as of December 31, 2011 which was paid during the year ended December 31, 2012.

14. GENERAL AND ADMINISTRATIVE EXPENSES

	2013	2012
Salaries and other benefits	73,729,975	60,992,892
Depreciation	2,653,096	2,352,304
Allowance for doubtful debts	(5,290,157)	(3,487,883)
Professional and technical fees	8,939,767	-
Rents	12,426,209	10,309,203
Marketing and promotional expenses	12,114,584	5,411,143
Utilities	7,071,439	9,014,400
Stationery and printing	485,617	615,293
Repair and maintenance	273,500	409,340
Travel expenses	3,768,944	2,708,474
Management fees	12,000,000	12,000,000
Board of directors' fees and expenses	1,983,000	2,001,000
Service agreement	7,905,588	6,234,902
Insurance	2,271,774	2,173,625
Others	5,770,892	10,482,533
	146,104,228	121,217,226

15. OPERATING LEASE ARRANGEMENTS

	2013	2012
Payments under operating leases recognized as an expense during the year	66,851,929	55,146,055

Operating lease payments represent rentals payable 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 and are renewable on an annual basis.

During 2010, the Company leased a central kitchen in Riyadh from the General Authority of Civil Aviation for a period of 10 years which started 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 the lessor. As per the lease agreement the lessor is entitled to 8% of the lessee's annual sales that exceeds SR 290,000,000 to be paid in the first month of the following year.

The Company re-allocates certain leasing charges to Saudia Airlines Real Estate Development Company for an annual amount of SR 3,840,000 (2012: to Saudi Ground Services Company-SR 4,533,232).

16. EARNINGS PER SHARE

	2013	2012
<i>EPS from net operations</i>		
Net income	569,351,912	487,051,225
Weighted average number of shares	82,000,000	82,000,000
Earnings per share	6.94	5.94
<i>EPS from continuing operations</i>		
Operating income	545,810,499	506,782,012
Weighted average number of shares	82,000,000	82,000,000
Earnings per share	6.65	6.18
<i>EPS from non-operating operations</i>		
Non-operating income/(loss)	23,541,413	(19,730,787)
Weighted average number of shares	82,000,000	82,000,000
Earnings/(loss) per share	0.29	(0.24)

17. OTHER OPERATING REVENUES

	2013	2012
Camp facilities sales (staff feeding & accommodation)	139,167	350,000
Exclusivity purchase income & services to suppliers	21,764,641	20,920,558
Transfer of airline equipment charges	24,994,476	22,067,657
	46,898,284	43,338,215

18. OTHER OPERATING COSTS

	2013	2012
Communications and utilities	12,519,336	11,855,177
Supplies and expandable items	28,920,034	26,132,016
Service agreement	55,517,321	53,251,609
Other operational costs	25,851,850	24,231,119
	122,808,541	115,469,921

19. COMMITMENTS AND CONTINGENCIES

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

	2013	2012
Commitments for future capital commitments	52,024,069	34,868,122

20. 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 allocated to the segments on a consistent basis. The Company's 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, 2013 and 2012 by business segments are detailed below:

	Catering	Sky sales	Total
2013			
Assets	1,620,345,353	68,516,800	1,688,862,153
Liabilities	476,775,221	53,457,920	530,233,141
Revenues	1,678,530,706	188,967,459	1,867,498,165
Net income	509,250,869	60,101,043	569,351,912
2012			
Assets	1,480,783,279	75,989,184	1,556,772,463
Liabilities	449,709,225	45,364,635	495,073,860
Revenues	1,510,506,631	176,886,061	1,687,392,692
Net income	431,316,802	55,734,423	487,051,225

21. OTHER REVENUES AND EXPENSES, NET

During the year ended December 31, 2013, the Company reversed SR 12 million of accrued security charges following successful negotiation with the supplier (2012: carrying value of SR 22.8 million relating to a building written-off).

22. RISK MANAGEMENT

a) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. This risk is managed by the Company by monitoring the maturity profile of its financial assets and liabilities to ensure that adequate liquidity is maintained or made available, as necessary to the Company.

The Company's financial liabilities primarily consist of accounts payable and other liabilities. The majority of the financial liabilities are expected to be settled within 12 months from the balance sheet date and the Company expects to have adequate liquid funds to do so.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's principal financial assets are cash, accounts receivable and due from related parties.

Credit risk arises from the possibility of asset impairment occurring because counter parties cannot meet their obligations in transactions involving financial instruments. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular segment of customers. The Company's credit risk is primarily attributable to its accounts receivables. The Company has established procedures to manage credit exposure by including credit approvals and credit limits and guarantees, where necessary. These procedures are mainly due to the Company's internal guidelines. An allowance for potential doubtful receivables is maintained at a level which, in the judgment of management, is adequate to provide for losses on delinquent receivables. Amounts due from related parties are principally due from Saudia, a majority shareholder and consequently management believes that its exposure to credit risk is limited on this amount.

The amounts presented in the balance sheet are net of allowance for doubtful receivables, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

23. FAIR VALUES

Except for its held to maturity investments, the fair value of the Company's financial assets and liabilities approximate their carrying amounts.

24. COMPARATIVE FIGURES

Certain figures for 2012 have been reclassified to conform with the presentation in the current year.





SAUDI AIRLINES
CATERING



الخطوط السعودية
للتامين

Kingdom of Saudi Arabia P.O.Box 9178 , Jeddah 21413
Tel : + 966 2 686 0011 Ext.3301 Fax : + 966 2 686 1864

saudiacatering.com