

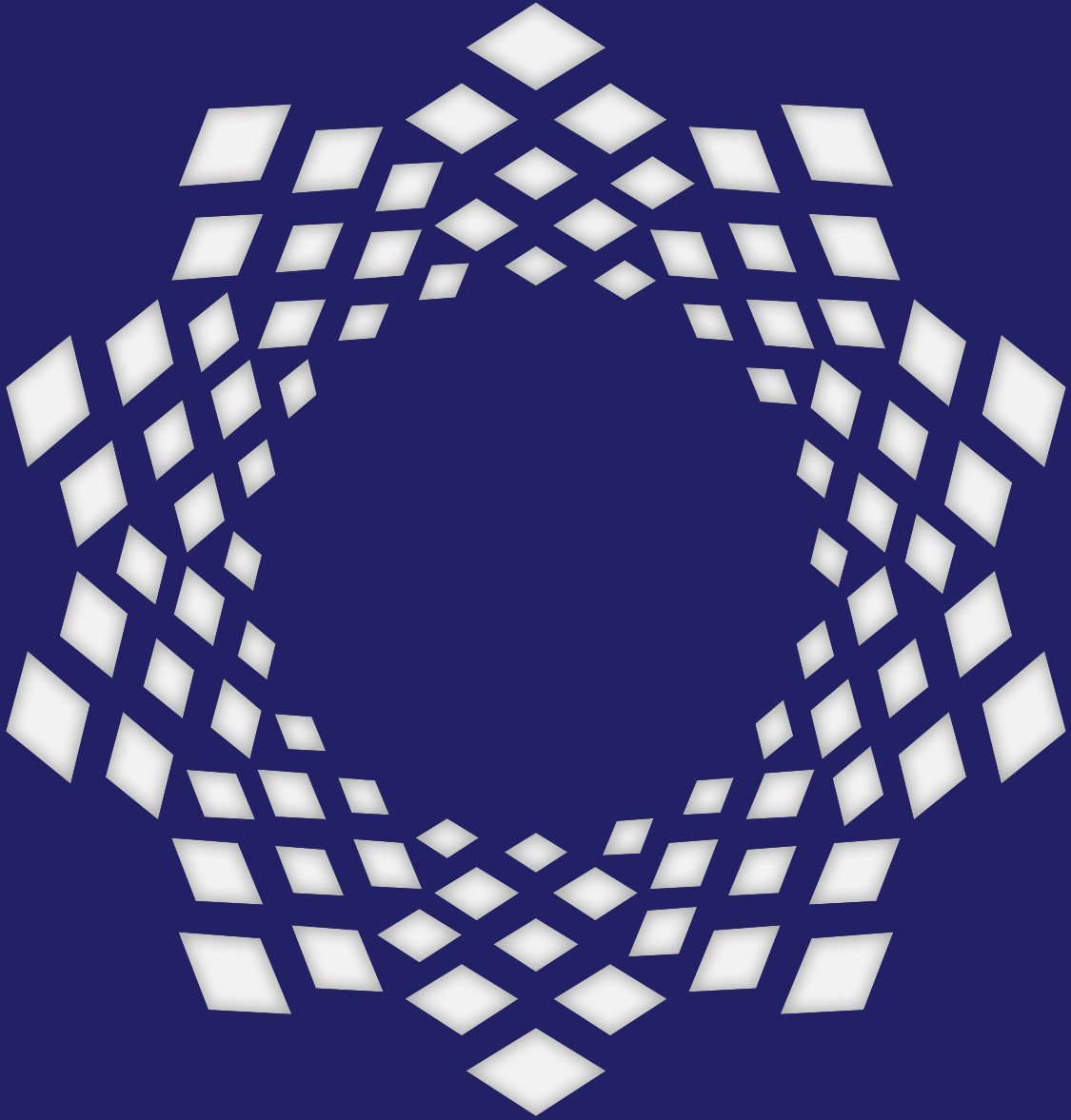
SAUDI AIRLINES
CATERING



الخطوط السعودية
للتمة بين



DELIVERING
OUR VISION



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STRATEGIC FOUNDATIONS

Our business is built on 10 strategic foundations that we have identified as providing a multi-faceted and sustainable platform for our development, growth and contributions to society.

These include our longstanding core business divisions of **In-Flight, Hajj and Umrah, Catering & Facilities, Lounges, Security, and Retail**, which are important emerging areas of opportunity; and the vital principles and support functions that underpin our operations – **Human Resources, Procurement, Saudization, and Technology**.

There are direct links between these pillars and the KSA Vision 2030 program. Our Hajj and Umrah services will help the country welcome more Hajj and Umrah visitors; human resources through our various divisions will provide new opportunities for women, youth and the disabled; adopting technology will contribute to the growth of e-commerce and e-services; and procurement and Saudization will support national companies and the development of local talent.

ABOUT SAUDI AIRLINES CATERING COMPANY (SACC)

Established in 1981 to provide catering services to flag carrier Saudi Arabian Airlines, Saudi Airlines Catering has over the last 35 years blossomed into a broad and diversified enterprise, offering a wide suite of food and beverage, retail, hospitality and support services to local and international clients.

RESULTS

SAR

6.60

EPS from net income before Zakat and income tax

SAR

541_M

Net profit before Zakat and income tax

SAR

2.26_B

Total revenue

24%

Net profit margins

DIVIDEND

99.2%

Dividend payout ratio 2016

MISSION

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

VALUES



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

STRATEGIES

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

OPERATIONS OVERVIEW

Our operations span the wide spectrum of support and hospitality services for airline and non-airline clients, and renowned customers and individual consumers.



CAIRO

3,000 meals

Cairo International Airport Catering Unit: Established 1984; produces an average of 3,000 meals per day

In-Flight	
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JEDDAH

39,000 meals

King Abdul Aziz International Airport Catering Unit: Established 1981; produces an average of 39,000 meals per day

In-Flight	12 Business lounges	20* Retail units
Laundry		

JEDDAH HQ

Operations present

* Includes: Retail Shops, La Boutique and Railway station shop

** Includes: Restaurant at Station and Onboard Restaurant

MEDINA

5,000 meals

Prince Mohammad Bin Abdulaziz International Airport Catering Unit: Established 2004; produces an average of 5,000 meals per day

- In-Flight
- CPU

1
Business lounge

RIYADH

36,000 meals

King Khalid International Airport Catering Unit: Established 1983; produces an average of 36,000 meals per day

- In-Flight
- Laundry
- CPU

9 16 2**
Business lounges Retail units Railways

DAMMAM

9,000 meals

King Fahd International Airport Catering Unit: Established 1999; produces an average of 9,000 meals per day

- In-Flight
- CPU

2 7 2
Business lounges Retail units Railways

TAIF

3 Retail units

MAKKAH

Haji and Umrah

ABHA

3 Retail units



We retain a leadership position and strong client relationships in core business lines that continue to deliver growth.



CHAIRMAN'S STATEMENT

Having the honor of serving as Chairman of the Board, I would like to commend the Company's management and employees for their ability to deliver robust returns for shareholders and continued operational improvements in a macroeconomic environment.

I have noted with particular pride this year the Company's growing alignment with the Kingdom's Vision 2030 strategy, which will pave the way for both SACC's and the nation's sustainable long-term growth.

This alignment is visible in the Company's increasing emphasis on serving the needs of the rising number of pilgrims to the Kingdom via its Hajj and Umrah catering services; in its focus on improving efficiency and client interaction through the electronic delivery of services; and in its efforts to welcome more women into employment.

All of these initiatives, as well as our growing presence in new business lines such as railway catering and security, will contribute to the Company's diversity and resiliency. At the same time, we retain a leadership position and strong client relationships in core business lines that continue to deliver growth. Revenues increased 121 percent from 2008 until 2016, while net income has also risen from SAR 270.0 million to SAR 541.1 million in 2008 to 2016.

A relentless focus on quality is the thread that links all our services and operations, and the recent establishment of a Continuous Improvement function demonstrates the commitment to enhancing this quality further, through carefully planned investments in technology, waste reduction and, most importantly, people.

It is my pleasure to present this Annual Report for 2016, which summarizes the Company's achievements and outlines its strategies for future growth. I would like to express my deepest thanks to all the partners and stakeholders who are supporting SACC in these efforts, as well as my fellow members of the Board and staff at all levels of the organization for their dedication. God willing, the years ahead will add to the Company's impressive tradition of accomplishment.

DR. YAHYA A. ALYAHYA
Chairman

TOTAL REVENUE (SAR)	NET INCOME (SAR)
2,256.7 _M	541.1 _M

CEO'S REVIEW

In a challenging environment, businesses are distinguished above all by their ability to innovate.

I am therefore pleased to note that 2016 has been a year of significant innovation for SACC, positioning us to seize on a number of exciting opportunities emerging as a result of the Government's strategic vision for the nation.

With the market opening up and our clients increasingly focused on cost efficiencies, margins in our traditional core business of airline catering have come under pressure. Yet, as our robust financial results attest, this business continues to expand, and our broader growth is already being supplemented by new business lines with significant potential.

We have moved aggressively into the vital trade of serving Hajj and Umrah pilgrims, the number of which will surge in the coming decade based on the Kingdom's Vision 2030. Building on this year's successful trial with the Makkah authorities to provide urgent food supplies, we will expand the provision of high-quality, hygienically prepared meals for the Hajj, and expand our retail F&B presence in Madina. Also in line with KSA Vision 2030's focus on increasing female participation in the workforce, many of these operations will be staffed entirely by women.

We will also expand our network of paid lounges, to further locations in Riyadh and Medina, as well as the facilities available for customers by making them feasible venues for short term stays.

Our Retail business will benefit from the expansion to regional airports and a new partnership with leading European duty free retail group Lagardere. Other areas of focus include building on the strong early performance of our state-of-the-art laundry facility in King Abdullah Economic City, and responding to new opportunities in security services and rail catering. We will link these complementary sectors to create complete end-to-end solutions that will allow us to forge even deeper and more extensive relationships with our clients.

Internally, we have created a new Continuous Improvement function tasked with developing our human resources and identifying new areas of possibility in operations. Organizational change as well as the judicious use of operational and office automation and staff training will enable us to achieve new efficiencies without impacting the quality of our services, or the support we provide our employees.

Much like the Government, we see transformation as the way forward, without ever losing sight of our roots as a company, our core business goals, or our duty to shareholders and the broader community. I would like to thank all of our stakeholders for their contributions to this journey, and have every confidence our staff and evolving business model will ensure SACC continues to thrive.

WADJY M. AL-GHABBAN
CEO

MEALS DELIVERED

34_M

FLIGHTS CATERED

205,000



“

We see transformation
as the way forward,
without ever losing
sight of our roots
as a company.

”



“

We continue to provide consistent shareholders' returns through 2016, and are confident of improving cost base flexibility to reflect changes in the economy.

”

CFO'S REVIEW

It is testament to the Company's financial strength that, factoring out the distortions associated with one-off provisions and accruals, we managed to post steady results for 2016 amid challenging economic conditions.

Similarly, we continue to enjoy higher profit margins than our industry peers, remain debt free, and have maintained both a healthy cash balance and consistent dividends to shareholders.

Significantly, this strength is based on increasingly broad foundations. As growth in the airline catering business moderates, contributions from new business lines such as retail and lounges are increasing. We also stand on the cusp of significant revenue opportunities linked to the KSA Vision 2030 strategy. As the country prepares to welcome more pilgrims, catering for Hajj and Umrah travellers will become a massive and logistically complex business, and SACC is the only firm in the local food industry capable of delivering a fully integrated, absolutely safe, solution to meet this demand.

As companies worldwide brace for the rollout of the more stringent International Financial Reporting Standard (IFRS), I am pleased to state the impact on SACC will be minimal, and that we have already adopted many elements of the IFRS framework. We are in the process of implementing a new finance system that will not only help us meet the additional compliance and disclosure obligations associated with new regulations, but also generate broader benefits for the business.

By combining key financial, HR and operational data we will be able to develop rigorous performance indicators for various aspects of the business and display these via dashboards to management and investors, enhancing visibility into the Company and enabling deeper levels of analysis and insight for decision-makers.

These new capabilities will play an important role in the Company's strategic focus on performance improvement, centralization of services and, in essence, doing more with less.

I see tremendous opportunities to boost efficiency and reduce duplication in areas such as rostering, procurement and waste management, contributing eventually to the Company's bottom line. Improvements in our financial systems and processes will allow us to counteract the pressure on profit margins in some business lines, and ensure SACC continues to deliver value to all its stakeholders going forward.

MATTI KIVEKAS
CFO

OPERATING CASH FLOW (SAR)

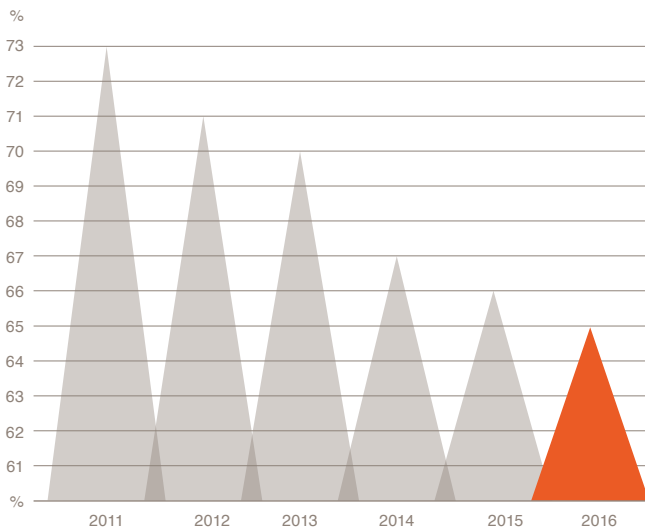
430.8_M

EPS

6.60

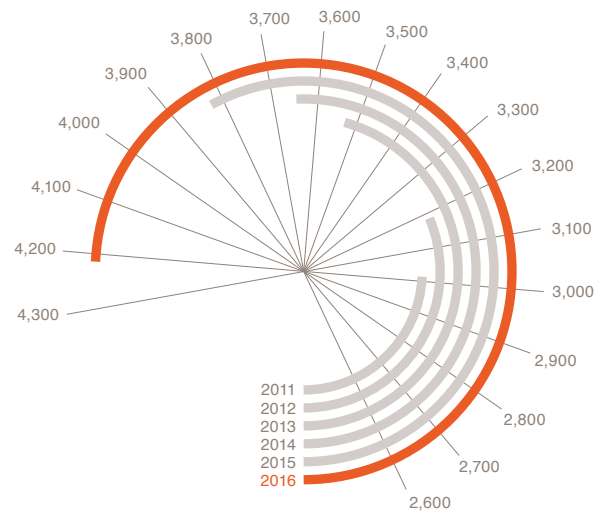
KPIs & KRIs

DEPENDENCY ON REVENUES FROM SAUDIA DECREASES

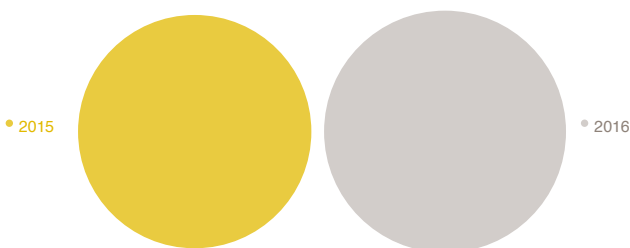


Includes Saudi Arabian Airlines (catering, menu planning and equipment sales), Al Fursan lounges, Saudia Cargo and Saudia Private Aviation

TOTAL NUMBER OF PERMANENT EMPLOYEES

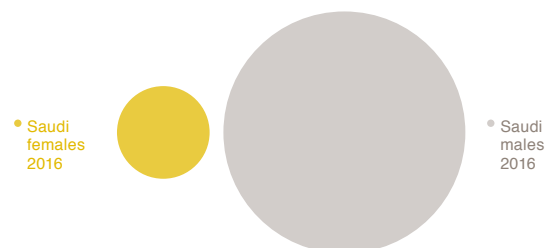


TOTAL NUMBER OF LOUNGE GUESTS



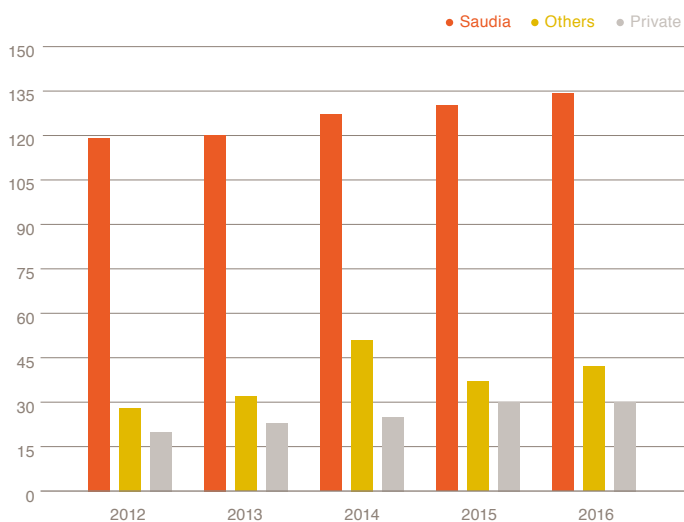
	2015	2016
Total number of lounge guests	1,954,000	2,092,000

SACC SAUDI STAFF GENDER SPLIT

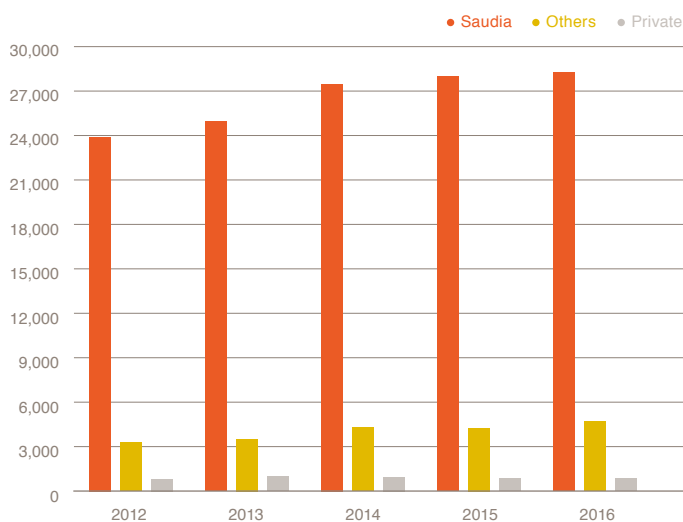


	2015	2016
Saudi males	870	1,137
Saudi females	93	192

NUMBER OF FLIGHTS SERVED BY SACC (IN THOUSANDS)

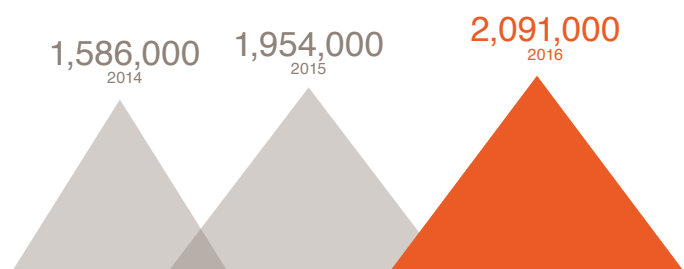


NUMBER OF MEALS (IN THOUSANDS)



LOUNGE GUESTS IN 000

	2014	2015	2016
Dammam	106	208	214
Jeddah	716	797	811
Medina	–	2	8
Riyadh	764	947	1,058
Total	1,586	1,954	2,091



BOARD OF DIRECTORS



DR. YAHYA A. ALYAHYA
Chairman

Mr. Alyahya holds a PhD in Industrial and Systems Engineering from The University of Michigan, Ann Arbor (83) and a Graduate of the UPM (75). He has more than 40 years of experience in academia, government and the private sectors. Most recently he was the Chief Executive Officer of Gulf International Bank (GIB) from 2009 – 2016. He continues to serve on the Board of the Bank, and Chairs the Board of its UK Subsidiary, Gulf International Bank (UK) Limited. He is also a Member of World Bank's International Centre for Settlement of Investment Disputes' (ICSID) Panels of Conciliators and of Arbitrators for the Kingdom of Saudi Arabia (2013 – 2017).

Mr. Alyahya was also, the Chairman of the Board of Shuaibah Water and Electricity Company (first IWPP in SA) and Shuaibah Expansion Project Company (SA) (2006 – 2016). He was also a Board Director

(2013 – 2016) and, Co-Chairman of the Emerging Markets Advisory Council (2013-2017) of the Institute of International Finance, Washington DC. (IIF).

Previously, Mr. Alyahya served on the Board of The World Bank Group as Executive Director representing Saudi Arabia from 1999 to 2006. During that period he served in many capacities, most notably as Dean of Executive Directors and Chairman of the Board Steering Committee (03-06); Chairman of the Personnel Committee and Member of the Budget Committee (02-03); Vice Chairman of the Audit Committee and Member of the Governance Committee (00-02). Prior to that Mr. Alyahya served as Advisor to the Governor, Saudi Arabian Monetary Authority (99); General Manager of E. A. Juffali & Bros. in Riyadh (94-99); Founder and Director General, The Institute of Banking, SAMA, in Riyadh (89-94); Professor of Industrial and Systems Engineering at King Saud

University, Riyadh (86-89) and the University of Michigan, USA (83-86); Lecturer on Matching Problems and Algorithms at the Indian Statistical Institute, Bangalore, India (82); and a Project Analyst at the Saudi Industrial Development Fund, Riyadh (75).

Mr. Alyahya has also served on the Boards and Board Committees of many organizations, most notably the Steering Committee of Saudi Real Estate Refinancing Company (SRERC) (2013), the Group of Twenty (G-20) High Level Panel on Infrastructure Investment (HLPPII) (2011); Sanabil Strategy Steering Group (2010); Oger Telecom (06-11); Saudi Re (first reinsurer in SA) (07-08); Gulf Investment Corporation (GIC) (06-08); National Commercial Bank (NCB) (08); Gulf International Bank (GIB) (99-01); Saudi Engineering Society (79-99); Audit Committee of AIBank AISaudi AIFaransi (97-99); and Saudi Agricultural Bank (92-95).



AYMAN T. AL-TAYYAR
Board Member

Ayman T. Al-Tayyar has over 22 years of experience in the banking sector, working in management roles from 1996-2001 and later holding the positions of senior manager personal banking (2001-2003) and senior executive manager (2004- 2006), SABB Head Office. Due to his continued development and expertise he joined NCB as executive vice president and headed the Islamic branch network in 2006. From 2012 to 2016 he has held the position of executive vice president and head of lease finance division. Currently, he has been tasked to lead the Private Banking Division. Mr. Al-Tayyar graduated from the University of Montana, USA, in 1993 with a Bachelor's Degree in business administration major in marketing. As part of his professional development he has attended many banking sector executive management training program at Harvard University, Stanford University, Darden Business School, London Business School and HSBC Executive Management program throughout his career at reputed institutions in the UK and the United States.



ABDULMOHSEN AL-YAHYA
Board Member

Abdulmohsen Al-Yahya has over 35 years of operational and management professional experience. He started his career as a Projects Manager in the military engineering works at the Ministry of Defense in 1981. In 1988 he established the Kudu Restaurants and stayed as founder and CEO for KUDU till April 2015 when he sold his share. In 2011 he was awarded the best CEO in Retail Business. In 2006 he was appointed a board member of Al-Khaleej Training and Education Company. He received a Bachelor's Degree in Civil Engineering from King Saud University, Riyadh in 1981.



SAMI ABDULMOHSEN AL HOKAIR
Board Member

Sami Al Hokair has over 27 years of professional experience in hotel hospitality management in Saudi Arabia. Upon graduating from King Saud University in Riyadh, Sami Al Hokair joined the Andalusia Group, where he held a number of positions, including General Manager between 1990 and 1994 and Managing Director between 1995 and 2009. In 2009, he established a new hotel brand "MENA Hotels and Resorts" under the Abdulmohsen Al Hokair Group. Since 2009, he has been responsible for managing 32 hotels in the KSA, and two hotels in Dubai. As at the date of this Prospectus, Sami Al Hokair sits on the board of Abdulmohsen Al Hokair Group for Tourism and Development Company in Saudi Arabia which is now a Saudi Stock Listed Company and is the MD & CEO of the Hotels and Entertainment Divisions of Al Hokair Group – JSC. In addition, he is the vice chairman of the board of Sahara Kingdom Company in Dubai, UAE.

BOARD OF DIRECTORS

Continued



FAHD ABDULMOHSEN AL-RASHEED
Board Member

Fahd Al-Rasheed is the Group CEO and Managing Director of Emaar the Economic City, a publicly listed company leading the development of King Abdullah Economic City, the largest private-funded new city development in the world and the fastest growing logistics and manufacturing hub in the region. Al-Rasheed is the Founding Chairman of the non-profit Red Sea Foundation, Vice Chairman of the Board of Trustees of Prince Mohamed Bin Salman College of Business and Entrepreneurship. He serves on the boards of several organizations, including King Abdullah Port, Harvard Kennedy School Dean's Council, Petromin, Saudi Airlines Catering Company, the New Cities Foundation, and the Foundation Board of the Global Shapers of the World Economic Forum. Prior to joining EEC, Al-Rasheed held the post of CFO and Deputy Governor of the Saudi Arabian General Investment Authority (SAGIA). Previous to his work in SAGIA, Al-Rasheed led strategic initiatives in investments and corporate finance for Saudi Aramco. Al-Rasheed holds a Bachelor's Degree in Business Administration from Washington University in St. Louis and an MBA from the Stanford Business School.



RAED IBRAHIM ALMUDAIHEEM
Board Member

Diversified Engineering & Managerial experience covering more than 28 years in both public and private sectors. In the beginning of his career he worked in diversified engineering activities within Power and Water sectors, then moved to private sector and acquired vast experience in building materials (trading and manufacturing), namely steel, cement, timber, gypsum, pre-cast and electrical transformers manufacturing. He participated in tens of conferences, training courses, seminars, economic forums in Management, Finance, Strategy and Leadership ext. in the Kingdom of Saudi Arabia and in many countries in the world. Moreover, Raed Almudaiheem is currently a board member of different companies in and out of Kingdom.



JONATHAN STENT-TORRIANI
Board Member

Jonathan Stent-Torriani worked for Gate Gourmet Group ("GGG") from 1991-1997 in various roles, including Managing Director for Operations Management, and Managing Director of GGG's operations in South Africa. He left GGG in 1997 to join Nance Group as Chief Executive Officer of its operations in Australasia before returning to GGG as President of the European Division from 2000-2004. He was the Chief Executive Officer for the Southern Europe region at Compass Group from 2004-2006. Jonathan Stent-Torriani is the co-founder, co-owner and has been co-chief executive officer of Newrest Group since 2006.



ABDULLAH J. TAIBAH
Board Member

Abdullah has over 28 years of experience in strategic and operation management through various posts in the region. Abdullah is now holding the position of CEO Qudra Energy, in the way of transforming the Company into an Energy Platform for ACWA Holding Group. In this assignment Abdullah was able to structure an energy group that is composed of Power, Renewable and Natural resources business lines, supported by engineering services platforms to cater for the growth in the Middle East. The renewable business is mainly focused on Solar solutions technology and installations in the CSP and PV technologies, while the Natural resources are focused on tonnage Industrial Gases while the Power business is focusing on winning EPCM projects for Thermal and CC technologies.



SHAWGI MOHAMMED MUSHTAG
Board Member

Shawgi Mushtag has more than 30 years of operational and management experience in the airline and catering industries. He joined Saudia in 1975 and has held various senior management positions at Saudia, including General Manager for marketing and training from 1987-1997, General Manager for Sky Sales from 1997-2005 and Vice President-Catering from 2005-2008. Shawgi Mushtag served as Executive Vice President – Privatisation at Saudia, during the period from 2008 to 2015.

SENIOR MANAGEMENT



WAJDY M. AL-GHABBAN
CEO

Mr. Wajdy Al-Ghabban graduated with a Masters of Business Administration from Robert Kennedy College, University of Wales, Switzerland with 29 years' service in Saudi Airlines Catering Co. holding various positions and was appointed as CEO in 2015. Affiliated with IFSA/ITCA and a member of the Gulf Airline Catering Working Group (GACWG) displays an expertise in the field of airline and non-airline catering, additional interests include software development for airline catering use, automation of production and ware wash systems, catering unit project design and execution, real estate development (construction/renovation of hotel and labor housing projects), budgeting and contract negotiation.



MATTI KIVEKAS
CFO/GM Shared Services

Matti brings extensive senior finance experience, most recently servicing as Chief Financial Officer with Fazer Food Services in Finland. Prior to this, Matti served as a CFO in Brazil and GM-Finance, Business control in India with Salcomp, VP Finance & IT with UPM-Kymmene in Singapore and Shanghai and has been in charge of finance and business control with Metso Automation in South America, Asia and South Africa.



SULTAN AL BOOQ
General Counsel & Corporate Secretary

Sultan holds a Master Degree (LL.M) in Comparative Legal Studies awarded from New York and a Bachelor of Law from King Abdulaziz University. Practicing international and corporate transactional law, he has worked extensively in matters involving intellectual property, corporate procedure and governance, regulatory compliance, and negotiations in multiple types of contracts. He has also negotiated and structured a number of KSA acquisitions and joint ventures.

Prior to joining Saudi Airlines Catering, Sultan was a senior legal counsel in Saudi Mining Company (Ma'aden), where he led corporate governance development and compliance. From 2005 to 2008, Sultan was the official attorney in charge with Microsoft IP legal cases in the western region of Saudi Arabia in association with Muhammed Aldhabaan Law firm and Eversheds.



TAREK THARWAT
Chief Audit Executive

Tarek has over 23 years of professional experience in Internal Control, Inspection and both operational and financial audit. Worked as external auditors in Deloitte & Touche Egypt, then moved to the French chemical group "Rhodia" in Egypt as a group Chief Accountant then promoted to the Group Credit Manager. Then in 2003 joined Abdul Latif Jameel "ALJ"; the dealer of Toyota in KSA; as Internal Audit Supervisor then transferred to Algeria as Internal Audit Manager where he set up the Internal Audit function for North Africa and the overseas network. Tarek also joined Orascom Construction Industries "OCI" in Egypt as Corporate Internal Audit Manager responsible for the cement division in Egypt and the overseas network then joined Saudi Binladin Group as Chief Internal Auditor for the Public Buildings and Airports Division "PBAD".



JACOB HENDRIK ROEST
Chief Operation Officer – Airlines

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



ABDULWAHAB SAATI
Chief Commercial Officer

Mr Abdelwahab Saati joined SACC in Riyadh during 1991 and since then he has worked in various managerial positions within the organization. Abdelwahab has extensive experience of over 24 years in the field of Airlines In-Flight Catering, with a very strong orientation in the field of Marketing & Sales Business Development handling all Saudia, Local & Foreign Airlines and Private Aviation. In his current position as Chief Commercial Officer he is tasked with Other Airlines and Skysales Department and is now developing the corporate retail segment within the SACC strategic vision.

SENIOR MANAGEMENT

Continued



MARTIAL VÉRINE
COO Support Service

Martial brings around 20 years of experience gained through working in multi-segment catering positions within the hospitality & catering sector. Prior to his appointment as Regional Director for Catering International & Services (CIS) in 2010 overseeing Central and East Africa, he was appointed as the General Manager for Newrest In-Flight Catering in Tunisia in 2005 followed by General Manager for Newrest Algeria in 2009. Martial's experience also includes working for leading brands such as Eurest and Sodexo to name a few.



DR. FAHAD ALI KHAYAT
General Manager (IC & PI)

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



SALEH SEFERJI
Chief HR and Development

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



MOHAMED HUZAYFA CHUEB

Chief Procurement & Supply Chain Officer

Mohamed Huzayfa has 17 years of experience as an International Retail Manager in Carrefour; one of the world's leading hypermarkets and also as the Senior Executive Procurement & Supply Chain officer with company oversight, committed to cost-effective management of resources and quality performance. He also has an overall global experience in working in GCC countries, Saudi Arabia, UAE and Bahrain to name a few.



JUSTIN PHILLIPS

Chief Marketing & Communications Officer

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

STRATEGY OVERVIEW

Our new strategic vision is driving our transformation from a dedicated In-Flight caterer into a multi-functional, multi-service enterprise.



Our strategy will be executed through three main initiatives: **Operational Excellence**, which emphasizes the enhancement of services, increasing our use of automation, and boosting our innovation and R&D capabilities to identify future revenue opportunities; **Sustainable Growth**, which focuses on developing targeted products and solutions for high-potential sectors, and strategic acquisitions; and **Agile Structure**, dedicated to enhancing the planning, monitoring and management of key business processes.

Our targets include the following goals connected to our **Strategic Foundations**:



IN-FLIGHT

Improving service quality and efficiency to capture the potential of continued airline fleet and passenger growth; securing our contract with core client Saudia beyond 2020; marketing and aligning resources to build relationships with new carriers and private aviation clients



HAJJ AND UMRAH

Acting as a strategic partner to local authorities and service providers to lead the shift towards the provision of safe, hygienic frozen meals to Hajj and Umrah pilgrims; developing state-of-the-art services and retail concepts that will benefit from growth in the country's tourism sector

◆ **CATERING & FACILITIES**
 Building on our expertise servicing businesses and industries with remote and complex operations, such as mining and energy; expanding the provision of support services to the military; realizing the catering and retail opportunities presented by the planned expansion of the national rail network

◆ **LOUNGES**
 Continually upgrading services and facilities in existing lounges; expanding our network and variety of lounge offerings to include more pay-in and non-airport locations



◆ **PROCUREMENT**
 Expanding our network of quality local suppliers; applying technology to maximize the transparency and cost efficiencies of the Company's supply chains



◆ **TECHNOLOGY**
 Exploring the potential of technology to enhance our business processes, the delivery of services and interaction with clients across all our business lines

◆ **HUMAN RESOURCES**
 Providing the opportunities and conditions needed to attract top-tier talent; creating a supportive working environment for women and the disabled; developing a formal structure to measure and reward performance

◆ **SAUDIZATION**
 Developing links with local educational institutions to create a pipeline of young local talent; equipping Saudi executives with the skills and experience needed to transition into key leadership roles



◆ **SECURITY**
 Extending our capabilities to cement our presence as a provider of security services in and beyond airport facilities

◆ **RETAIL**
 Developing our duty-paid business both land and airside at key airports; leveraging our new alliance with Lagardere to improve the customer experience and quality of products and services throughout SkySales; developing our mobile and e-commerce platforms to reach a digitally native generation of consumers; expanding our network of non-food and food outlets

BUSINESS MODEL

While SACC has seen significant changes since our inception in 1981, our fundamental mission remains the same: to help our clients develop and deliver hospitality concepts and services of the highest standards, based on our core values of commitment to quality, transparency in our operations, teamwork, and complete dedication to our customers.



In 2016, we refined our strategic vision to reflect new realities. Lower oil prices and the economic slowdown have impacted airline fleet expansion and services, and will constrain future growth in our In-Flight catering business. Many indicators are already pointing to a near-term recovery. However, we must acknowledge that a return to the high GDP growth era of a few years ago is unlikely, and that we will face more competition in our core division in the years ahead.

Our response is a heightened focus on selective diversification, which will ensure we are not overly dependent on a single revenue stream and are positioned in areas aligned with emerging demographic and economic trends, as well as the KSA Vision 2030 development platform.

These areas represent a significant revenue opportunity and will ensure we continue to deliver value to our employees, customers and shareholders. The country's youthful population, the Government's commitment to spending and indicators such as consumer sentiment, all point to a positive long-term economic outlook. Our strategy targets a double-digit percentage increase in the contribution of non-airline activities to Company revenues over the next three years and is based on the conditions and opportunities emerging in each of our business sectors:

IN-FLIGHT

Our core division responsible for providing catering and support services to airlines serving the Kingdom's airports, In-Flight catering is facing some pressure as some airlines scale back services expenditure and fleet expansion plans. However, Saudi Arabia remains one of the world's top passenger growth markets and will benefit immensely from the rising number of religious visitors and tourists anticipated in the KSA Vision 2030 plan. Our experience and customer relationships will allow us to take advantage of this growth and the opportunities associated with ongoing airport privatizations.

RETAIL

Through our SkySales brand we manage an extensive In-Flight and ground retail operation. While In-Flight sales have seen recent declines due to changing regulations, consumer sentiment remains robust and spending is already showing signs of recovery. We see our growing online retail presence as a significant opportunity to tap into the rising purchasing power of an increasingly young, cosmopolitan and well-traveled population.

CATERING & FACILITIES

This division oversees the provision of catering and support services to non-airline clients, including industrial sites and oil rigs, some of which have slowed along with the economy. However, the remote site sector remains strong and several key KSA Vision 2030 initiatives will spur growth in this segment of the business, including the new focus on the army and massive planned investment in the state rail sector, where we are already a major supplier. We have also created a new frozen meal category to play a strategic role in the provision of safer and higher-quality meal services to the rising number of pilgrims visiting the country for Hajj and Umrah.



OUR OPERATIONS

We deliver world-class services to a wide range of clients across our three business lines:



IN-FLIGHT

High-quality In-Flight catering; airport and non-airport lounges and F&B facilities



RETAIL

On-board, ground and online shopping experiences



CATERING & FACILITIES

Hajj and Umrah catering; business and industry catering and support services; remote site catering; laundry services; security



IN-FLIGHT

RENEWED FOCUS ON
QUALITY AND VALUE AT THE
HEART OF THE BUSINESS



We are confident that the strategic initiatives we have identified will ensure In-Flight remains the main contributor to SACC's business.



As the division providing catering and support services to the airlines operating flights to and throughout the Kingdom, In-Flight has traditionally been our core business and is the source of much of the know-how and deep expertise that we bring to complementary sectors.

The medium-term outlook for Saudi Arabia's airline industry remains promising. However, against a backdrop of moderating economic growth, many of our clients are facing cost constraints and are relying on us to support them with a more efficient range of catering solutions, while maintaining the high level of quality that has defined our Company from the beginning.

This has inevitably resulted in some pressure on margins. In-Flight revenues nonetheless in 2016 remained broadly stable and a key contributor to the overall business, representing 79.0 percent of sales.

We continue to enjoy strong relationships with our major clients, achieving a virtually 100 percent retention rate. We have also identified multiple potential new client bases and revenue prospects as the number of airlines serving the Kingdom grows, and the country gears up for a massive increase in religious tourists – the vast majority of whom will arrive by air – under the KSA Vision 2030 revitalization plan.

DOING MORE WITH LESS

In response to emerging economic realities and the demands of our customers, our focus going forward will be firmly on reducing costs and extracting maximum value from our existing resources and processes. We have identified a significant opportunity to lower our production costs through the application of continuous improvement methodologies. We have embarked on a major effort to improve labor, material and production needs forecasting, and to raise awareness of the need for efficiency in the development of new products.

Enhancing the IT systems that govern processes such as the purchasing and receiving of materials will play a major role in making these processes more transparent and measurable. By improving our technology, reducing unnecessary inventory and equipment, streamlining the number of products we offer clients and moving to a leaner, "just in time" production model. The results of this initiative will begin to bear fruit in 2017, and are already visible in key production facilities such as our Jeddah catering unit.



A CULTURE OF IMPROVEMENT

We expect this initiative to have multiple positive side effects. We will achieve these new levels of efficiency without impacting the customer experience or the consistency or quality of our services, which we have always recognized as our key source of competitive advantage. In fact, a more data-driven supply chain process will help us develop more transparent pricing models, paving the way for deeper partnerships with our clients.

A reassessment of our labor resources will also enable us to create more opportunities for female workers, in line with SACC's strategy and the Government's focus on increasing the number of women in employment.

LOUNGES: AN EXPANDING FOOTPRINT

Our rapidly developing lounge business has continued to go from strength to strength, witnessing remarkable expansion over the last year in terms of both locations and the range of services offered. Turnover from lounges continued its upward trend and the business accounted for 7.4 percent including Saudia City Motel and AM1 Building in RUH of total revenues in 2016, compared to 5.9 percent the previous year. SACC has highlighted this area for further growth in the year ahead.

We have continued to upgrade the Al Fursan lounges we operate throughout the Kingdom's airports on behalf of Saudi Arabian Airlines, equipping them with new furniture and multimedia equipment to enhance the experience of travelers. In 2017, we expect to open the first Al Fursan lounge overseas, in Cairo, and are evaluating additional locations in important international hubs.

Importantly, we have also made significant progress in the development of our standalone Wellcome Lounge line, which offers visitors paid

access to a range of high-end refreshments and facilities. These have enjoyed high passenger traffic and we have extended the Wellcome Lounge network in the main airports in Riyadh and Medina.

NEW CONCEPTS AND VISIONS

Overseeing these lounges independently, gives us a freer hand to test new concepts and create new innovations for passengers. We have for example introduced full sleeping and private washroom facilities, providing all the comfort of a business hotel at a fraction of the cost. Also, in the Wellcome Lounge in Riyadh we are offering spa services – pedicures, manicures and dry massages – that are among the first of their kind in the country, appealing to passengers on an entirely new level. We have also developed a retail presence through our Lounge Cafes, which now span two locations in Riyadh and three in Jeddah, offering a relaxing environment, beverages and hot meals to economy class passengers at attractive rates.

These initial forays will serve as platforms for entirely new business lines. We are evaluating opportunities to establish Wellcome Lounges, and offer complementary health and hospitality management services, outside airports, and expect progress in this regard in 2017 as the slowing economy creates new rental opportunities in some areas. In addition, many of the front-line, customer-facing positions in our lounge operations will be staffed by women, ensuring we play a role in the realization of the new vision for the nation.

We are confident that the strategic initiatives we have identified – including our improvement program and the increasingly diverse lounges sector – will ensure In-Flight remains the main contributor to SACC's business in terms of revenues, new opportunities and selective diversification.



RETAIL

SKYSALES AND
GROUND SHOPS



In 2017, our retail sector will demonstrate even greater alignment with the KSA Vision 2030 goals.



REDEFINING THE SHOPPING EXPERIENCE

Since taking over the operation of the SkySales In-Flight retail brand in 1985, SACC has worked to continuously expand both the channels and range of products available to customers, creating a broad yet integrated shopping platform that reflects our Company's diversity. Supported by emerging technologies, economic trends and our own transformation efforts, retail is poised to play a leading role in our future growth strategy.

With slowing GDP growth impacting consumer sentiment in the Kingdom, our retail turnover increased in 2016 with the retail business expanding by 12.5% from the previous year. We continued to outperform the overall retail sector and saw growth because of expansion into new business ventures.

Rather than scaling back, we have continued to invest and explore opportunities that will position us to support and benefit from a return to economic stability in the years ahead, as well as the dynamic developments promised by the KSA Vision 2030 initiative – not least a surge in religious visitors and tourists.

A YEAR OF ACHIEVEMENT

In 2016 we sealed a partnership with leading European duty-free group Lagardere that has already produced dividends, including concessions to operate over 2,000 square meters of prime retail space in Riyadh's King Khalid International Airport and further locations in other airports in the offing. We have expanded our premium brand relationships, and are keenly eyeing opportunities for additional, strategically located retail spaces that may arise from the economic downturn.



On the ground and on-board, we are pursuing a strategy to cultivate both the luxury and mass ends of the retail market, introducing further competitions and incentive programs to entice and build loyalty with consumers across the board.

Spending on premium branded goods remains robust, and the mass market is a huge opportunity that we will service with product ranges that are affordable but of exceptional quality, and that reflect the increasingly global lifestyles of young Saudi consumers. While new tax policies may impact the retail sector, it must be pointed out that Saudi consumer spending is already in recovery mode and the country's retail potential is recognized globally.

FROM ON-BOARD TO ONLINE

The other core element of our strategy is to realize the promise of e-commerce. Over the next few years we will relaunch and refine our online and mobile shopping channels with an expanded catalog, a social media presence that will help us connect with the country's youth, and logistics and warehousing capabilities that will enable us to swiftly anticipate and address customer demands.

Through our increasingly digital orientation, as well as our push for higher rates of Saudization, and to place more female employees in our retail locations, in 2017 our retail sector will demonstrate even greater alignment with the KSA Vision 2030 goals.

Our other priority is to utilize the resources and expertise we have developed to support activities in related business areas, with an eye to long-term growth. These include building on our exclusive sales contract for the Kingdom's expanding rail network; cementing an alliance to develop shops in high-end hotels nationwide; launching a competitive corporate and wedding gifts service; and evaluating opportunities to expand in the region.

338,000

Total items sold on-board

35

Ground shops



CATERING & FACILITIES

B&I, REMOTE & OFFSHORE,
CAMP MANAGEMENT,
LAUNDRY AND SECURITY



We now move into a period of growth, built on improved presence and experience in emerging sectors, to create both revenue opportunities and delivery of SACC's diversification strategy.



Overseeing the catering, laundry, site management and other support services we provide to non-airline clients, the Catering & Facilities division exemplifies SACC's organization-wide drive to improve efficiency, control costs and make positive contributions to the KSA Vision 2030 economic transformation program.

Over the past year by comprehensively restructuring our operations with a focus on cost savings, standardizing processes and divesting non-profitable contracts, we have managed to return to profitability even in the context of lower absolute sales. The Catering & Facilities sector accounted for 9.1 percent of SACC's total revenues in 2016, down by 18.3 percent from previous year, mainly on accord of cessation of a contract to export economy class meals.

Going forward, rather than simply signing on more clients, our focus will be on securing high-quality contracts in sectors where our expertise and production resources enable us to command higher margins, particularly catering and facilities management for remote and offshore sites. This will be supported by a dynamic and highly targeted business development strategy that will see more senior sales executives deployed in each of the regions where we work, to act as effective liaisons for existing customers and introduce our offerings to new ones.

REMOTE AND RAIL

Despite a relatively subdued outlook for the energy and commodities industry, several major offshore development and minerals projects are underway in regions throughout Saudi Arabia that will present opportunities for us to secure wide-ranging service provision agreements, based on our unmatched logistics capabilities and strong track record of facilities management in remote and inaccessible areas.

We are also excited by the prospects emerging in the rail sector, which is at the heart of the new national transportation strategy. Drawing on our experience as a catering provider for the Dammam-Riyadh line, we are in an excellent position to provide F&B and related services to travelers on the new planned links such as the Haramain High Speed Rail Project.



Ground-breaking laundry services

Our state of the art laundry in King Abdullah Economic City (KAEC) commenced operations in mid-2016, and is unquestionably the leading facility of its kind in the country. It is strategically located to handle the needs of nearby industrial facilities, corporate institutions and the hospitality sector, including Jeddah and Makkah. As the city gears up to receive more pilgrims and hotels grow more aware of the cost and quality gains that can be realized by moving to an outsourced laundry model.

Business, Industry and Catered services

In the year ahead, we will develop our customer bases in selected areas where we can build on existing relationships and past experience, such as educational, corporate and medical institutions. Having addressed recent labor constraints, we will be better able to meet client demands for on-site services, and also plan to explore new business lines such as catering and support for weddings, corporate functions and other special events.

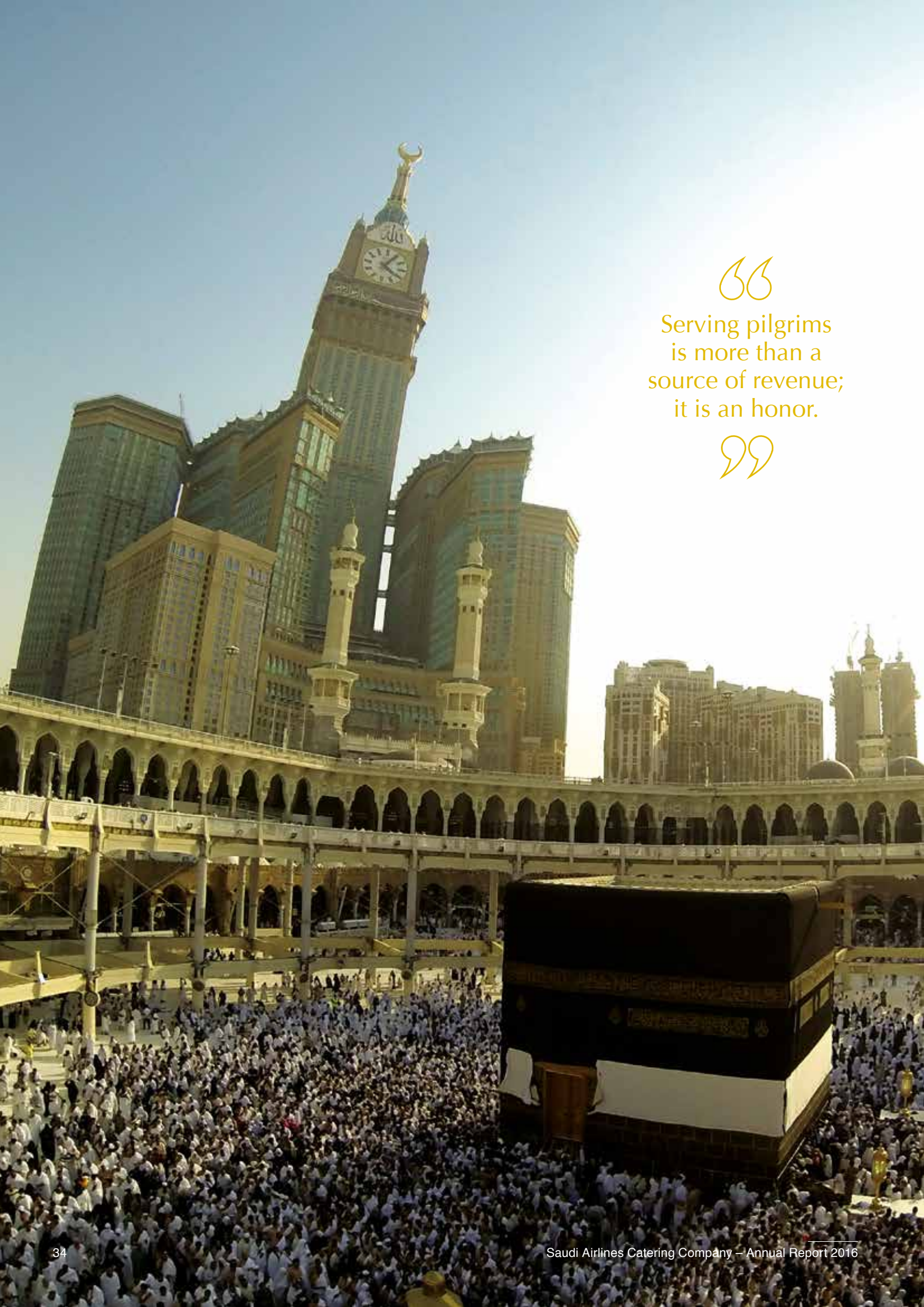
Internal improvements

Conscious of the need to play our part in supporting SACC's overarching strategy and the KSA Vision 2030 economic goals, we have taken concrete steps throughout our operations to welcome more female employees, for example, our newly built KAEC laundry plant has facilities such as a nursery.

We are determined to do more to harness the potential of technology, and will move this year towards a centralized point of sale (POS) system that will allow us to better track stock and meal inventory and other critical information at the regional level.

We are also planning to launch online pre-ordering of the meals we provide in certain sectors such as rail, ultimately improving our management of suppliers, the delivery of our products and our responsiveness to customer demands.

27_M
CPU capacity



Serving pilgrims
is more than a
source of revenue;
it is an honor.



HAJJ AND UMRAH

KSA Vision 2030 has outlined ambitious plans to increase the number of religious visitors to the Kingdom, and the opportunity that will result from attending to the needs of these pilgrims cannot be overstated. By increasing the capacity of the holy sites of Makkah and Medina, improving visa application procedures and enhancing transportation infrastructure the country aims to welcome 30 million Umrah visitors annually by 2030, up from 8 million in 2015.

Achieving this goal will depend on consistently providing these visitors with high-quality, safe food, beverage and related services, often in logistically challenging conditions – a responsibility that SACC's Hajj and Umrah segment, an extension of our Catering & Facilities division, stands ready to fulfill.

While we have identified the Hajj and Umrah sector as a key source of future growth, it must be emphasized that serving pilgrims is more than a source of revenue; it is a mission. By supporting pilgrims on the most important journey of their lifetimes, we are contributing to their religious development, the image of our company and the nation, and the Government's vision for the country.

INFRASTRUCTURE AT THE READY

This is an area in which we already have significant experience. With the Government increasingly aware of the hygienic and safety risks posed by improvised on-site cooking arrangements, we have been working with the local authorities in Makkah and Medina since 2013 to supply meals to hundreds of thousands of pilgrims.

Leveraging our core production units, we have been able to create tasty, nutritious and satisfying meals for visitors of a wide variety of nationalities, and have also developed an emergency meal center and food trucks with state of the art equipment that can be dispatched to deliver hot meals anywhere on an as-needed basis.

Based on the positive feedback and strong support from authorities, local organizations at key religious sites and foreign missions, we expect to serve even more pilgrims in the months ahead, and also to extend the provision of F&B solutions to facilities such as hotels in pilgrimage destinations.

HIGHLIGHTING LOCAL TREASURES

We are also working closely with local partners to develop retail and hospitality concepts that will further enhance the experience of religious visitors and add value to the country's tourism sector.

We have already successfully tested several of these concepts, and plan to apply them across the board in 2017, conscious all the while of the need to deliver guests the highest standards of service and to showcase the best of our country to a wide and growing pool of international travelers.



SAUDIZATION

Along with talent acquisition, retention and development, Saudization is a core responsibility of the HR department. Pursuing a policy of Saudization ensures SACC plays a part in the development of the national economy, contributes to the well-being of Saudi women and youth, and maintains alignment with the KSA Vision 2030.

In 2016 we maintained a Saudization rate of approximately 29.5 percent, significantly higher than the preceding year and our own targets, putting us in the upper bands of the Government's rating system.

We have achieved this rate through several strategic initiatives, including the establishment of a team tasked specifically with sourcing local talent. One of the main contributors to the rise in Saudi talent at SACC has been our increased emphasis on creating career opportunities for Saudi women.

A PRECIOUS NATURAL RESOURCE

To further advance this cause, we have developed a special committee that will specifically address issues related to female employees. The committee is comprised of representatives from all key

functions – such as training, recruiting and marketing – and female staff members from each department. We are also forging partnerships with local institutes and civic groups involved in women's causes to solicit their views and expertise.

This Committee will ensure women have a voice within SACC and will also act to improve conditions for female workers, for instance by providing training for managers on creating a female-friendly environment and fostering new development opportunities.



HELPING YOUTH FACE THE FUTURE

Youth are the other key pillar of our Saudization program. We are pursuing agreements with local tourism institutions, under which, with government support, we will train and recruit graduating students, to groom the next generation of catering industry leaders. We will equip these students with skills based on the highest international standards, adding to the allure we already have for career-minded young people as the leading company of our kind in the domestic market.

The continuation of the Management Training Program (MTP) recruits high potential Saudi nationals and incorporates their formal learning with our technical and skills training to develop future leaders within the business.

These activities form part of our corporate social responsibility program, and demonstrate our determination to give back to society. But they are also strategically significant to the business. By cultivating a strong local talent base and remaining the employer of choice for highly skilled Saudis, we further enhance our reputation and safeguard our future competitiveness.

SAUDIZATION RATE

29.5%

At end of 2016



HUMAN RESOURCES

In creating an environment that ensures we attract and retain the best talent, and providing a clear structure to help our employees achieve their full potential, SACC's Human Resources department is laying the foundations for the Company's long-term prosperity. Much like the country as a whole, we are working harder to draw on the possibilities of technology and the skills of the Saudi people to fulfill our core mission.

HR achieved several important goals over the past year, including lowering the Company-wide attrition rate; attaining a "high green" Saudization rating that exceeded the industry average; and making progress on the establishment of special internal committees tasked with improving job conditions for female and disabled workers – two groups that will be a major future focus of our recruitment and development efforts.

MARRYING TALENT AND TECHNOLOGY

Establishing clear key performance indicators (KPIs) for employees throughout our various departments, and creating a transparent system to measure these, is an integral part of the performance management process. To this end, we have implemented, and are steadily enhancing, an Oracle-based HR system capable of housing and automating virtually all HR data and processes, a shift from the largely paper-based approach used previously.

Through this system KPIs are linked directly with, and tracked against, corporate objectives and cascaded throughout the organization. This ensures our employees' goals are aligned with SACC's strategic vision. The system also allows us to connect performance appraisals with training initiatives, to identify where these initiatives may be able to address performance gaps and to gauge return on investment after employees have completed training programs.

4,216
*Total number
of permanent staff*



The benefits of more technology-driven HR services are immense for both managers and employees. Tasks such as performance appraisals and leave applications can be completed quickly and easily online, or even on mobile devices, boosting convenience and overall morale.

Working closely with SACC's Continuous Improvement department we are giving managers access to comprehensive dashboards that provide a snapshot of important HR-related indicators in their divisions, from productivity levels to the number of female workers. There is also far more transparency in processes such as talent acquisition, with managers able to file requests and verify progress towards completion virtually instantaneously.

A SERVICE-ORIENTED MINDSET

The HR department is rolling out these changes because we see the Company as our client, and we will assess our own performance no less rigorously than that of employees.

We have implemented a "five-minute service" pledge that dictates employees should have to wait no longer than five minutes for assistance with any HR-related requests, and have deployed terminals and self-service kiosks throughout the organization to enhance accessibility of HR services. We have also instituted quick online surveys to gauge employee satisfaction with these services.

To build a stronger talent base for the future, we have made succession planning for key positions another major priority. Throughout the Company, we are working to identify a "second line" of management to minimize the risks associated with the departure of senior staff. We have split our Talent Acquisition division into two teams focused on sourcing the best local and overseas talent, respectively, to cultivate a more specialized approach to recruitment.

Once they join SACC, employees can be assured they have not only signed on to the leading firm in the industry, but will also be offered a clear development path, opportunities to enhance their skills, and unrivalled incentives, such as special allowances and medical insurance for elderly parents. We offer these conditions with pride, as contributing to the well-being of our employees is one of the best investments we can make to our future competitiveness.

PROCUREMENT

In KSA Vision 2030, our country's leaders have rightly pointed out the importance of technology in tackling inefficiency and enabling transformation – a view that SACC shares and has put into practice throughout our procurement processes.

Since officially launching our e-bidding system for suppliers in 2015, we have continuously upgraded its functionality and user-friendliness. In addition to flexibility and an improved user interface, system enhancements have given us more accurate reports, visibility into the status of raw materials and benchmarking abilities. The data generated by the system allows us to easily evaluate and compare bids on a "like for like" basis according to established indicators, facilitating informed and highly transparent decision-making.

Most importantly, by making us accessible to a broader range of suppliers, technology has helped us forge new supplier relationships and heightened competition in bidding, driving an overall 7-8 percent reduction in raw material costs. We are steadily expanding e-bidding into non-food supplies such as disposables, stationery, uniforms and hardware, where we expect to realize even more impressive cost savings.

NEW WINDOWS INTO SUPPLY CHAIN/OPERATIONS

Technology has also played a major part in the centralization of procurement, which has currently surpassed our original target to top 80 percent in food items. This has contributed to both efficiency in the production process and consistency in the quality of our products. In addition, we have begun to embed technology deep into our supply chains, working with strategic logistics vendors to track shipments of important materials online in real time. This allows for the early flagging of delays and has helped us consolidate freight costs and reduce losses.

Monitoring of our inventory has also been radically improved by our e-supply chain system. Previously, shortfalls in raw materials often arose suddenly and had to be addressed on an ad hoc basis, which sometimes resulted in a rush to secure supplies, giving cost or quality issues. However we are now alerted up to two weeks in advance of likely shortages of critical stock, providing the basis for a more proactive approach to inventory management. We are also using our vendor alliances to further our capabilities in areas such as warehousing and logistics.

MAKING LOCAL CONTRIBUTIONS

Conscious of the Kingdom's vision for the nation, and the central role of procurement in realizing SACC's cost control goals and upholding the company's standards, we will continue to invest in our technology platform to incorporate additional raw materials and encourage higher rates of supplier participation.

We are also determined to build more relationships with local suppliers, as a means to support the domestic economy and the development of local businesses. As we diversify our supplier base and improve our communications and connections with key vendors, we are confident that we will realize further cost and quality gains, and that it will ultimately be our customers who benefit.



AWARDS & CERTIFICATES

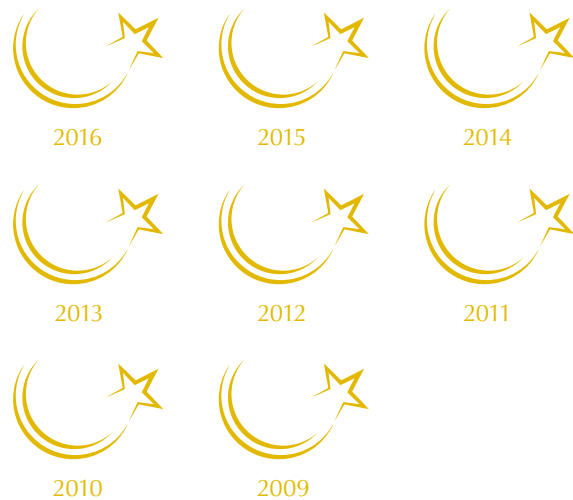
Consistency, quality,
service and innovation.

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

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

In 2016, the Dammam unit again received appreciation through MADINA and was the recipient of the Silver Award, this completes eight consecutive years of recognition for our quality and standards and is unrivaled in the region. This demonstrates the systems and processes utilized by SACC deliver consistently excellent results.

MADINA Excellence in Catering Quality Awards.





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



**Hazard analysis & critical
control points (HACCP)**
Provision of catering for In-Flight and
non-airline facilities, Cairo & KSA



ISO 9001:2008
quality management systems
Catering for In-Flight, non-airlines,
support services and SkySales, Cairo & KSA



ISO 22000:2005 food safety
Catering for In-Flight, non-airlines, support
services and SkySales, Cairo & KSA



OHSAS 18001:2007
Catering for In-Flight, staff feeding,
support services and SkySales, Cairo & KSA

QSAI Award:2016
Quality & Safety Alliance In-Flight Catering



OPERATIONAL PERFORMANCE

2016 has seen considerable focus on efficiency and in 2017 we expect to realize the benefits of these projects.

HISTORY

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

The Company was registered with the Commercial Registration holding No. 4030175741 and capital of SAR 100,767,000 was divided into 1,007,670 shares, with a value of SAR 100 per share. As a result of privatization Saudi Airlines Co. transferred all assets, staff and the majority of contracts relating to the catering unit to the new Company. The Company was converted from a limited liability company to a joint stock company under the decision of the Minister of Commerce and Industry No. 68 Q dated 22/2/1432 Hijra (January 26, 2011).

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

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

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

QUALITY STANDARDS

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

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

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

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

The Company puts health & safety and hygiene first, therefore it has been rigorous in its application of quality control standards of raw materials, production processes, health status for staff, temperature control and maintaining a hygienic environment.

The regular laboratory tests that the Company performs ensure high-quality, safe meals for all clients, noting that all the food that the Company prepares is Halal compliant.

Operational performance

Continued

MAIN ACTIVITIES

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

1. IN-FLIGHT

The In-Flight is responsible for:

- Providing catering and supplementary services to Saudi Airlines and its subsidiaries. These services are also provided to the majority of airline companies that operate flights from the main airports across the Kingdom.
- The management of airline equipment – on-board.
- Menu planning services for airlines.
- Management of Regional Catering Units and CPU in Riyadh.
- Provision of Royal, Private and VIP Aviation hospitality.
- Operating business lounges.

A. In-Flight Catering

SACC pays special attention to its clients from a broad base of airline companies. This section includes all activities related to the industry of air transport. Before the establishment of retail and support services and during the early days of SACC's history, catering services were exclusively provided to airline companies. The In-Flight catering sector dedicated to airlines remains the core business of the Company, providing the majority of revenue, contributing by 66.8 percent, 64.8 percent, 61.6 percent, 58.7 percent and 57.6 percent to the Company's revenues in 2012, 2013, 2014, 2015 and 2016 respectively.

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

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

B. Airline Equipment Sales

Through our extensive purchasing and scale we are able to provide food and beverage equipment sales to aircraft traveling to and from the Kingdom. Our expertise in sourcing the right equipment to serve your passengers their meals and beverages served in peak condition is a key part of the total catering solution we offer. The airline equipment section's contribution to revenue is 12.7 percent, 14.1 percent, 14.6 percent, 13.5 percent and 13.9 percent in 2012, 2013, 2014, 2015 and 2016 respectively.

C. Airport Lounges

The airport lounges' contribution to revenue is 3.0 percent, 3.6 percent, 4.2 percent, 5.9 percent and 7.4 percent in 2012, 2013, 2014, 2015 and 2016 respectively. SACC continued efforts to further enhance its business on December 15, 2015, open Lounge Coffee shop at KAIA, South Terminal (Domestic Public area) and the following day December 16, 2015, opened another coffee shop at the same terminal (International Public area), which are currently running under the trade mark of Lounge Café, managed by Alfursan Lounge Team.

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

Adding to the roll out of the Lounge Café, a public-facing airport offer that serves freshly made bakery, meals and snacks as well as beverages, the Company has developed a new concept for KSA in the Wellcome Lounge.

Wellcome Lounge

The concept was developed to capture passengers not eligible for existing Saudi customers utilizing Alfursan business and first-class lounge facilities. The Wellcome Lounge concept allows passengers of any travel class to pay on entry and receive a comprehensive food and beverage offer together with spa facilities, children's play area, state-of-the-art connectivity and work spaces and, in a new and significant development, the ability to rent short-term bedroom facilities, fully soundproofed to allow those passengers with longer stopover periods to catch up on rest and sleep. This concept is being rolled out through 2016 and into 2017 in selected airports throughout the Kingdom. The first Wellcome Lounge opened in RUH airport in November 2016.

2. RETAIL

Ever since 1984, SACC has been supervising the service of SkySales, being one of the best services on-board. The Company buys products from suppliers and then, through the SkySales magazine, passengers select their preference on-board. They can also select SkySales on Flynas, boutiques distributed throughout selected hotels and recently on trains. SACC trains Saudi Airlines stewards and stewardesses on promoting SkySales products. To improve the process of monitoring of procurement and increase the efficiency of sales, the Company utilized a new administrative system for SkySales in 2017.

During 2016, the Company expanded its footprint across KSA in the retail sector, subsequently the SkySales outlets are now in operation at:

- King Abdulaziz International Airport, Jeddah
- King Khalid International Airport, Riyadh
- King Fahd International Airport, Dammam
- Prince Mohammad Bin Abdulaziz International Airport, Medina
- Cairo International Airport, Egypt
- Taif Regional Airport
- Abha Regional Airport

Retail outlets under the Company's Retail Trax brand opened on the railway services between Riyadh and Dammam as well as the station at Hafouf.

Retail revenues accounted for 10.5 percent, 10.1 percent, 9.8 percent, 10.6 percent and 11.9 percent of the Company's total revenues in 2012, 2013, 2014, 2015 and 2016 respectively.

Retail is responsible for:

- On-board sales.
- Retails in GACA facilities within KSA under SkySales brand.

During 2016, SACC signed two agreements with Lagardere Travel Retail, a French company, and Arabian ground handling logistic company after awarding the tender for the project of operating and managing the duty free shops in terminals (1 and 2) at King Khalid International Airport in Riyadh and King Fahd International Airport in Dammam.

3. CATERING & FACILITIES (FORMERLY SUPPORT SERVICES)

In 2008, the Company established a new sector for Support Services. In 2015, it was renamed as Catering & Facilities. This sector has become increasingly important to our diversification and growth strategy. This sector continues to see strong year-on-year growth and is increasing its contribution to the Company's revenues, with 4.2 percent, 7.2 percent, 8.3 percent, 11.3 percent and 9.1 percent for 2012, 2013, 2014, 2015 and 2016 respectively. The Company has experienced significant growth in this sector and, as a continued strategy during 2016, SACC focussed on its core operational competencies in high value outsourced opportunities wherever possible. The development of the Newrest Saudia brand (created under SACC's existing CR) gives added presence to its position in the market and utilizes the knowledge and expertise of Newrest global operations.

Catering & Facilities has a dedicated operational structure including supportive functions to ensure the needs of this sector and its clients have specialist HR, business development, Finance and procurement.

The strategy of this sector focuses on targeting the major sectors in the support services market:

1. Remote Site & Camp Management – businesses operating in remote and offshore areas of the Kingdom including oil, gas, construction and utilities. The management of accommodation camps in both remote and major cities providing both internal and external staff accommodation.
2. Business and industry – companies, factories and large organizations including manufacturing, banking, education and telecoms.
3. Rail – provision of food and beverages to both on-board and in station, including VIP hospitality.
4. Laundry – with existing facilities in Riyadh and, in 2016, the opening of the new state-of-the-art commercial facility in KAEC serving the KAEC/Jeddah/Makkah area. The KAEC facility has the capability to service 30 tonnes daily and commenced services to the hospitality sector in 2016.
5. Hajj and Umrah catering – as a B2B catering service provider and, in 2016, following the investment in mobile feeding trucks, the Company committed to providing food service solutions to businesses in Makkah and Medina to improve the quality and safety to the visitor and pilgrims to the Two Holy Cities.
6. Security – in 2016 the Company was awarded its first contract for security services with Saudia Cargo within the current airport facilities as approved by GACA.

Operational performance

Continued

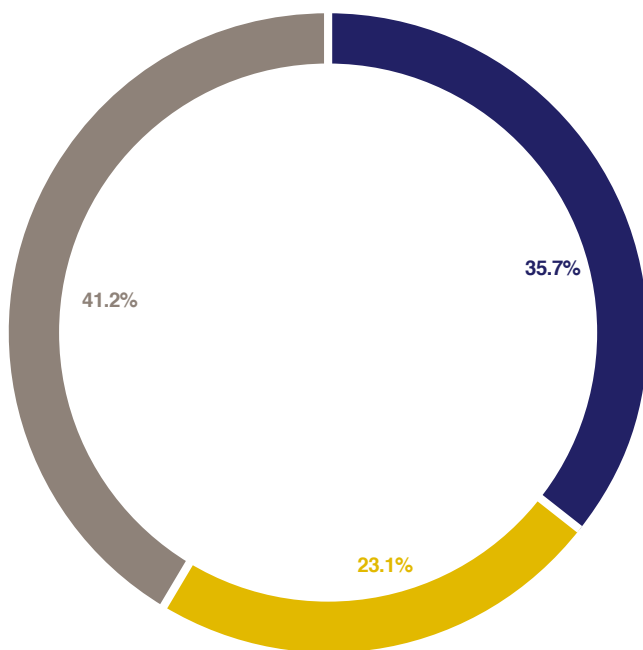
In addition to catering services, Catering & Facilities provides accommodation services, laundry, security, waste collection, pest control, landscaping and technical services. As a B2B catering provider to Hajj and Umrah companies and businesses located in the Two Holy Cities, this emerging business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

SHAREHOLDERS' CAPITAL (SAR) SHARES RATIO

Shareholders	Capital (SAR) as of Jan 01, 2016	Number of shares	Capital (SAR) as of Dec 31, 2016	Number of shares	%	Change %
Saudi Airlines Company	292,740,000	29,274,000	292,740,000	29,274,000	35.7	0
Strategic Catering Co. Ltd.*	203,759,180	20,375,918	189,497,140	18,949,714	23.1	-7
The Public	323,500,820	32,350,082	337,762,860	33,776,286	41.2	4
Total	820,000,000	82,000,000	820,000,000	82,000,000	100.0	0

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

SHAREHOLDERS' CAPITAL DISTRIBUTION



- Saudi Arabian Airlines Company
- SCC Ltd
- The Public

SACC ACHIEVEMENTS

In 2016, the Company realized the following achievements:

- Appointment of Mr. Jacob Hendrik Roest as Chief Operations Officer – In-Flight Catering COO.
- Lounge Café opening in JED NORTH TERMINAL – DEPARTURE.
- New site opening in KAEC for commercial laundry under SAUDI LAUNDRY SERVICES.
- Opening of new MEDINAH CATERING UNIT.
- Opening of Dammam NEW ACCOMMODATION COMPLEX.
- Wellcome Lounge – New to market pay on entry airport lounge open in both RUH TERMINAL 1 & RUH TERMINAL 2.
- Investment and agreement to provide mobile feeding during Hajj through new Hajj and Umrah catering MOBILE CATERING TRUCK.
- Internal investment to improve services to clients through RUH MAIN STORES EXPANSION PROJECT.
- Launching of SACC first magazine "ATTAMWEEN", featuring SACC functions and achievements of the past 35 years in the industry.

- New Alfursan lounge opening at RUH TERMINAL 5.
- New JV with Lagardere to support retail development in new airports throughout the Kingdom.
- SkySales ABHA regional airport – airside and landside DOMESTIC.
- SkySales TAIF regional airport – airside DOMESTIC and INTERNATIONAL and landside DOMESTIC.
- SkySales YANBU regional airport – airside DOMESTIC and INTERNATIONAL and landside DOMESTIC.
- Retail Trax, new retail outlets at Riyadh/Dammam/Hofuf train stations.

SACC STRATEGY

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

The strategy focuses on:

- Maintaining our leadership position of the Company in the sector of catering for airlines in Saudi Arabia through the offering of high-quality, value-for-money services.
- Developing catering and facilities by targeting new clients such as large companies and organizations, rail sector and companies operating in remote areas of the Kingdom.
- Participating in supporting the Kingdom's efforts of providing services related to Hajj and Umrah. Currently, the Company provides B2B catering services to the visitors of the Two Holy Mosques based on applications received from different parties during the season of Hajj and Umrah.
- Continuing support for the Saudization Program within the Company with a special focus on recruiting Saudi females, a trend that the Ministry of Labor supports, and providing them with the necessary training.
- Increasing the efficiency of working capital by improving the conditions for dealing with suppliers and collection of receivables from all clients by their due dates.
- Working continuously with Newrest, the Company's technical advisor, and its global network to learn best practice and leverage their insight in the supply of catering and support services, enabling SACC to enhance its products, services and improve its efficiency.

Operational performance

Continued

MAJOR RISK AREAS

SACC is exposed to various risks through the normal course of its activities. No business can be conducted without accepting a certain level of risk, and any expected gains from business activities are to be assessed against the involved risks.

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

Actions need to be taken to avoid, mitigate, transfer, or monitor identified risks. SACC's management processes offer a set of reactive, proactive, protective, and preventive tools that are used not only to protect it against threats, but also to turn some of the risks into opportunities.

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

STRATEGIC RISK FACTORS

STRATEGIC RISKS

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

1. Business environment risks

Business cycles in the economy, and in customer industries, influence the demand for SACC's products, as well as its financial condition and operating result. Some sectors of our business could be impacted by adverse changes in economic conditions and employment levels.

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

2. Market and customer risks

SACC's business relies on securing and retaining a diverse range of clients in various industry segments. Despite the diversification, SACC's business is dependent on its relationship with Saudia and any adverse development concerning Saudia may have a negative impact on SACC.

We have strategies that strengthen our long-term relationships with our clients and consumers based on quality, value and innovation. We continue to implement our diversification strategy by developing our businesses so that we are not reliant on one particular sector, geography or group of clients.

3. Global political risk

The airlines industry is global and is hence dependent on political and economic development, not only in KSA, but worldwide. SACC's businesses are largely dependent upon the airlines industry and may be impacted adversely by negative global events and trends.

We try to anticipate and contribute to important changes in public policy when possible.

4. Competition

SACC operates in various businesses and some of them are highly competitive. The levels of concentration vary by segment. Some markets are relatively concentrated with one to three key players. Others are fragmented offering opportunities for consolidation. Aggressive pricing by our competitors could cause a reduction in our revenues and margins.

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

PEOPLE RISKS

1. Recruitment

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

We aim to mitigate this risk by efficient, time-critical resource management, mobilization of existing, experienced employees within the organization and through offering training and development programs.

2. Retention and motivation

Retaining and motivating the best people with the right skills, at all levels of the organization, is key to the long-term success of the Group.

We have established training, development, performance management and reward programs to retain, develop and motivate our best people. We continually develop communication channels that help us to monitor, understand and respond to our employees' needs better.

OPERATIONAL RISK FACTORS

1. Hazard risks

Occupational health and safety systems, travel safety instructions, and crises management guidelines are aimed at protecting SACC employees. Appropriate insurances are in place for all personnel.

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

We manage these risks through established management procedures and loss prevention programs. The risks that we are unable to influence through our own efforts are transferred whenever possible to insurance companies. We use appropriate insurance policies to cover indemnity risks related to personnel, assets, and business interruptions, as well as third-party and product liability. All our insurance policies are subject to terms and conditions.

2. Service delivery and contractual compliance

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

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

FINANCIAL RISK FACTORS

SACC's activities expose it to a variety of financial risks: market risk (cash flow and interest rate risk), credit risk and liquidity risk. The Board has put in place appropriate structures to ensure risk governance and monitoring across the Company. SACC's overall financial risk management focuses on the unpredictability of financial markets and the clients' payment behavior and seeks to minimize potential adverse effects on the Company's financial performance. Financial risk management is carried out by a HQ finance and Group controlling, which identify, evaluate and take actions on financial risks where appropriate. The principles of overall financial risk management, as well as policies covering specific areas such as credit risk and the investment of excess liquidity exist and are formally documented.

1. Cash flow and interest rate risk

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

2. Credit risk

Credit risk reflects the risk that a counterparty will default on its contractual obligations, resulting in financial loss to SACC.

The credit risk arising from cash and cash equivalents and deposits with banks and financial institutions are limited because the counterparties are banks and financial institutions which, in general, have an investment grade rating assigned by international credit rating agencies.

We have a policy for 100 percent of all receivables, which are more than 90 days overdue. Due to proper monitoring and appropriate provisioning, management does not expect any additional losses from non-performance by clients.

3. Liquidity risk

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

We maintain flexibility in funding by maintaining sufficient availability of cash and cash equivalent instruments. We don't have any credit facilities in place. We monitor risk to a shortage of funds by reviewing short-term cash forecasts on a continuous basis and by undertaking mid-term cash forecasts during the year.

INFORMATION TECHNOLOGY AND CYBER SECURITY RELATED RISKS

Information technology and cyber security risks related to SACC's internal operations are continuously identified, and mitigation activities are continuously executed in network security, endpoint protection, access risk management and vulnerability management. The SACC IT monitors the internal threat exposure level with vulnerability scanning capabilities, and provides a coordinated response to identified cyber security incidents. Furthermore, development of SACC's information security capabilities are closely monitored by the top management.

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

We actively identify and treat cyber security risks. Cyber security strategy work and implementation will continue during the coming years.

Operational performance

Continued

EMPLOYEE STATISTICS

	Male	Male (Sp.Needs)	Female	Female (Sp.Needs)	Total Weight	Total % Actual Staff
Saudi Staff	1,100	37	187	5	1,455	1,329
Non-Saudi Staff	2,886	0	1	0	2,887	2,887

GEOGRAPHICAL ANALYSIS OF INCOME

The following table highlights the income achieved in 2016:

Region	Value (SAR)	Percentage
Jeddah	227,086,488	42.0
Riyadh	272,322,807	50.3
Dammam	46,545,467	8.6
Medinah Al Munawarah	15,434,922	2.8
Cairo – Egypt	63,640,302	11.8
Makkah	(5,696,856)	(1.0)
HQ	(78,194,265)	(14.5)
Total	541,138,865	100.0

FINES AND PENALTIES

During 2016, the Company did not receive any financial fines or any violations relating to precautionary procedures from any supervisory, regulatory or judicial authority.

HUMAN RESOURCES

The Human Resources and Development function provides vital support in sourcing and developing our people, support and processes in relation to food production and services. The future success of the Company depends on attracting employees with the right competencies and expertise across a wide range of tasks, operations and functions. The retention, reward and career opportunities are benchmarked to ensure we are competitive in the marketplace while providing personal and professional growth. Developing our future talent is a key strategy in our ongoing diversification, ensuring our personnel are ready for tomorrow's opportunities. The Company is committed to the key principles of Saudization and to continually review practices, services and organizational capability to support Saudi nationals across all functions and grades.

Our approach in developing opportunities for female colleagues exists across many seniority levels and business units to provide multiple options for work and career progression. As an employer who offers positions and support to colleagues with disabilities we remain committed to providing a safe working environment and, working together, to ensure our colleagues can fully contribute to the business and provide personal achievement in their roles.

COMPANY FINANCIAL RESULTS (SAR)

Statements of Income for the years 2012, 2013, 2014, 2015 and 2016:

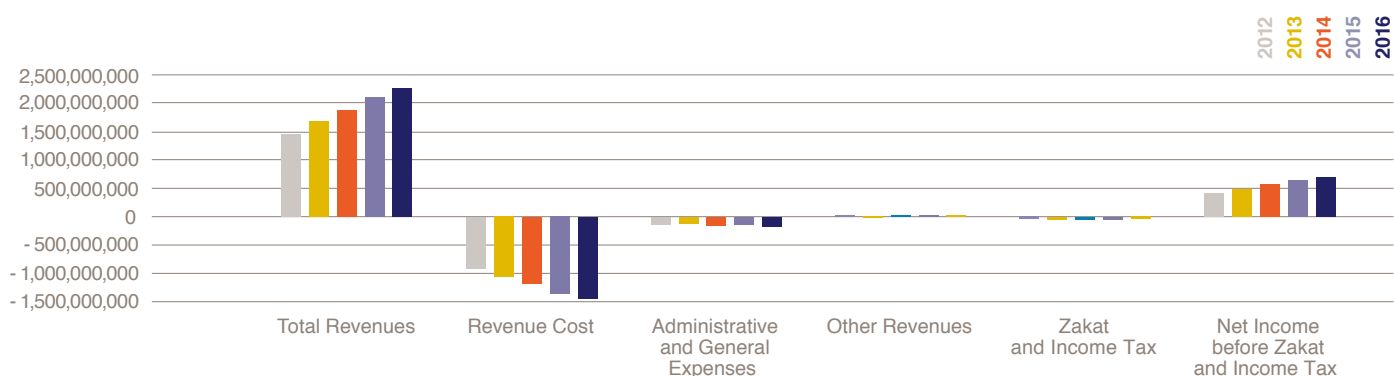
Account	2012	2013	2014	2015	2016
Total Revenues	1,687,392,692	1,867,498,165	2,135,940,070	2,260,800,461	2,256,650,268
Revenue cost	(1,059,393,454)	(1,175,583,438)	(1,361,365,704)	(1,436,259,260)	(1,500,678,362)
Administrative and General Expenses	(121,217,226)	(146,104,228)	(141,249,564)	(155,629,333)	(221,714,501)
Other Revenues	(19,730,787)	23,541,413	20,608,030	29,589,086	6,881,460
Zakat and Income Tax	(45,355,099)	(46,217,365)	(46,201,746)	(41,840,694)	(33,505,845)
Net income before Zakat and Income Tax	487,051,225	569,351,912	653,932,832	698,500,954	541,138,865
Profit (Loss) per share in SAR before Zakat and Income Tax	5.94	6.94	7.97	8.52	6.60

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

Operational performance

Continued

COMPANY FINANCIAL RESULTS CHART



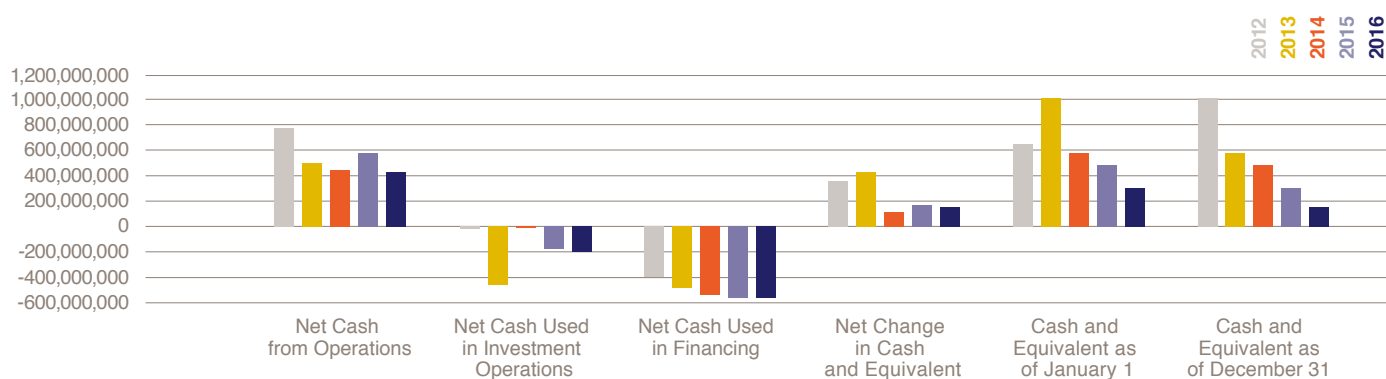
THE MATERIAL DIFFERENCES IN THE OPERATING RESULTS OF YEAR ENDED DECEMBER 31, 2015 COMPARED WITH 2016

Account	2015	2016	% change
Total Revenues	2,260,800,461	2,256,650,268	(0.2)
Revenue cost	(1,436,259,260)	(1,500,678,362)	4.5
Administrative and General Expenses	(155,629,333)	(221,714,501)	42.5
Other revenues	29,589,086	6,881,460	(76.7)
Zakat and Income Tax	(41,840,694)	(33,505,845)	(19.9)
Net income before Zakat and Income Tax	698,500,954	541,138,865	(22.5)
Profit (Loss) per share in SAR before Zakat and Income Tax	8.52	6.60	(22.5)

CASH FLOW STATEMENTS FOR THE YEARS 2012, 2013, 2014, 2015 AND 2016

Account	2012	2013	2014	2015	2016
Net Cash from Operations	775,999,073	500,360,200	442,520,911	580,633,188	430,761,723
Net Cash Used in Investment Operations	(20,196,793)	(462,455,736)	(8,937,564)	(188,013,169)	(18,881,251)
Net Cash Used in Financing	(398,916,751)	(467,027,158)	(539,873,345)	(564,897,658)	(564,417,542)
Net Change in Cash and Equivalent	356,885,529	(429,122,695)	(106,289,998)	(172,277,639)	(152,537,070)
Cash and Equivalent as of January 1	655,052,918	1,011,938,447	582,815,753	476,525,754	304,248,115
Cash and Equivalent as of December 31	1,011,938,447	582,815,753	476,525,754	304,248,115	151,711,045

CASH FLOW STATEMENTS CHART



ASSETS AND LIABILITIES OF THE COMPANY (SAR)

Lists of total assets and total liabilities for the years 2012, 2013, 2014, 2015 and 2016:

Account	2012	2013	2014	2015	2016
Total assets	1,556,772,463	1,695,405,084	1,809,313,494	1,848,220,612	1,905,324,434
Total liabilities	495,073,860	536,776,572	583,606,574	530,060,246	644,234,887

COMPATIBILITY WITH INTERNATIONAL ACCOUNTING STANDARDS

The Capital Market Authority (CMA) in Saudi Arabia has announced that all listed companies must issue their financial statements in IFRS format effective from 2017 onwards. To ensure full compliance with IFRS, SACC initiated a transition project, which included GAP analysis, financial application evaluation and training for the financial staff. The first training was held in December 2015 and immediately after that GAP analysis started. The results of the GAP analysis have been presented to the Board of Directors during 2016 and the required changes in financial policies, chart of accounts and financial systems have been finalized. The Company is ready to present the Q1/2017 financial statements and Q1/2016 comparatives in IFRS format as required by CMA.

DUE PAYMENTS (SAR)

Lists of accrued expenses for the years 2012, 2013, 2014, 2015 and 2016:

Account	2012	2013	2014	2015	2016
Employees, accruals	23,308,516	25,950,014	29,831,466	30,378,918	38,012,927
Accrued expenses and other liabilities	153,091,217	185,656,449	197,527,942	106,123,165	204,690,235
Provision for restructuring	25,937,949	19,120,725	13,747,775	–	–
Zakat and income tax	34,982,592	38,273,402	40,295,776	35,109,943	18,822,229
Total	237,320,274	269,000,959	281,402,962	171,612,026	261,525,391

COMPANY INVESTMENTS (SAR)

Investments	Kind of investment	Date of investment	Account	Date of maturity
1 Sunbula Company – (SAMBA)	Short range	25/07/2013	84,721,772	Open
2 The Saudi British Bank (SABB) Sukuk	Long range	17/12/2013	40,000,000	18/02/2020

BANKING DEBTS

The Company has no outstanding loans as of December 31, 2016.

ZAKAT AND STATUTORY PAYMENTS

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

RELATED PARTY TRANSACTIONS

Saudi Airlines (SAA) is the largest Shareholder in the Company. A large portion of the Company's business is conducted with SAA. The Company provides meals to passengers and crews on board SAA flights.

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

The agreement adopts the principle of development and growth of revenues and profits for the Company in general and for every section of business it runs in particular. The agreement will adopt specific objectives and outcomes for these sections. Additionally, it will focus on financial and quality results, the best utilization of assets and development of human resources. The agreement, moreover, adopts the principle of gaining technical support for future potential business including railway catering, noting that Newrest Holding S.L is one of the leading companies in Europe specializing in catering services on trains.

The agreement ran for three years starting from January 1, 2014.

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

In 2016, a new member joined the SACC Board of Directors' team, namely Abdulmuhsen Al-Yaya, who owns shares in Gulf West Co., being the food supplier of SACC, having an annual contract value of 5,156,162 shares.

Summary of Related Party Transactions

The related parties	Relationship	Expected value in 000 SAR	Duration of the contract	Board member representing
Saudi Airlines Co.	Main Shareholder owning more than 5% from capital shares	7,478,000	Effective from 01/01/2015 and ending on 31/12/2019	Saleh Bin Nasser Al-Jasser
Saudi Ground Services Co.	Affiliate company to Saudi Airlines Co.	237,910	Effective from 01/01/2015 and ending on 31/12/2019	Saleh Bin Nasser Al-Jasser
Saudi Airlines Cargo Co	Affiliate company to Saudi Airlines Co.	48,443	Effective from 01/01/2014 and ending on 31/12/2016	Saleh Bin Nasser Al-Jasser
Saudi Real Estate Development Co.	Affiliate company to Saudi Airlines Co.	7,659	Effective from 01/01/2016 and ending on 31/12/2016	Saleh Bin Nasser Al-Jasser
*Newrest Group Holding	Shareholder through SCCL, one of the main Shareholders owning more than 5% from capital shares	(41,984)	Effective from 01/01/2014 and ending on 31/12/2016	Jonathan Stent-Torriani
Al Hokair Group	Shareholder through SCCL, one of the main Shareholders owning more than 5% from capital shares	1,104	Effective from 15/08/2014 and ending on 14/08/2017	Sami Abdul Mohsen Al Hokair

* CEO, CFO are not related parties representatives.

Eng. Saleh Al-Jasser represented Saudi Airlines during the period of his membership from January 01 until January 25, 2016.

Operational performance

Continued

Income and expenses in SAR from related parties during 2016

The related parties	The Value (SAR)
Saudi Airlines Co.	1,446,822,000
Saudi Ground Services Co.	48,443,000
Saudi Airlines Cargo Co.	14,179,000
Saudi Real Estate Development Co.	(7,659,000)
Newrest Group Holding S.L.	(17,515,976)
Al Hokair Group	144,615
Gulfwest Company Limited	986,202

Accounts receivable in SAR from related parties during 2016

The related parties	The Value (SAR)
Saudi Airlines Co.	561,458,670
Saudi Ground Services Company	30,370,678
Saudi Airlines Cargo Company	29,993,080
Al Hokair Group	–

On June 27, 2016, the Board member Mr. Abdulmohsen Al-Yahya informed the SACC Board about his relationship with the Gulf West Co., one of the potential suppliers to SACC, as such this was notified to CMA accordingly.

ORGANIZATIONAL CHART

The Company retains the services of experienced specialists relating to key operational and supportive function activities. The Company maintains a high standard of knowledge and skills required to manage the Company's operations through several administrations, all of which are co-ordinated by the CEO.

BOARD OF DIRECTORS (BOD)

A. Members of the Board of Directors

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

Board members as of December 31, 2016

Name	Nationality	Position	Status	Additional Board duties in Saudi companies	Total meetings attended
Yahya Abdullhah Alyahya	Saudi	Chairman	Independent	(GIB Capital, Shuaibah Expansion Project Co., Shuaibah Water & Electricity Co.*)	5
Shawgi Mohammed Mushtag	Saudi	Member	Non-Executive	None	5
Fahd Abdulmohsen Al Rasheed	Saudi	Member	Independent	Emaar The Economic City (Petromin Co, Ports Development Co.*)	5
Sami Abdulmohsen Al Hokair	Saudi	Member	Non-Executive	Al Hokair Group (Strategic Catering Co.*)	3
Abdullah Jameel Taibah	Saudi	Member	Independent	Emaar The Economic City (Alessa Co*)	4
Raed Ibrahim Almudaiheem	Saudi	Member	Independent	Northern Region Cement Co., Bawan Company (Masdar Building Materials, Northern Region Cement Co Jordan, Al Badia cement Syria, SUEZ Cement Co, United Mining Industries Co*)	5
Jonathan Stent-Torriani	Swiss	Member	Non-Executive	(Strategic Catering Co.*)	5
Abdulmohsen Abdulaziz Al Yahya	Saudi	Member	Non-Executive	Alkhaleej Training and Education Co.	4
Ayman Tarik Al-Tayyar	Saudi	Member	Independent	None	5

Board members serving during 2016

Saleh Nasser Al Jasser	Saudi	Ex-chairman	Non-Executive	National Shipping Company (Saudi Airlines, Civil Aviation Holding Co., Saudi Postal Co.*)	0
Hassan Shakeeb Al Jabri	Saudi	Member	Independent	(Dar Al Tamleek-Ebdaa Bank, Saudi Foras Investment Company, Ahmad Muhammad Salem Bashen & Co, Arab Roots Group, SEDCO Capital, SEDCO International Fund, SEDCO Capital Luxembourg*)	0
Abdulaziz Saif Al Saif	Saudi	Member	Independent	None	0

In line with Company by-law, the SACC Board is formed of nine Board members. Due at the end of the current Board session on January 25, 2016, the following Board members: Saleh Al Jasser, Abdulaziz Al Saif and Hassan Al Jabri left the Board and the following Board members Dr. Yahya Al Yahya, Sami Al Hokair, Shawgi Mushtag, Jonathan Stent-Torriani, Fahad Al Rasheed, Raed Almudaiheem, Abdullah Taibah, Abdulmohsen Abdulaziz Al Yahya and Ayman Al-Tayyar were appointed by the AGM for the new session starting from January 26, 2016, which will end on January 25, 2019.

On January 28, 2016, Dr. Yahya was unanimously appointed by the Board as Chairman.

Operational performance

Continued

B. BOD's Meetings

The Board of Directors held five meetings in 2016 as shown in the table below:

Name/Date of Meeting	28/01/2016	28/04/2016	27/06/2016	26/10/2016	06/12/2016	Total meetings
Yahya Abbdullah Alyahya	✓	✓	✓	✓	✓	5
Sami Abdulmohsen Al Hokair	✓	x	✓	✓	x	3
Jonathan Stent-Torriani	✓	✓	✓	✓	✓	5
Shawgi Mohammed Mushtag	✓	✓	✓	✓	✓	5
Fahd Abdulmohsen Al Rasheed	✓	✓	✓	✓	✓	5
Raed Ibrahim Almudaiheem	✓	✓	✓	✓	✓	5
Abdullah Jameel Taibah	✓	✓	✓	x	✓	4
Ayman Tarik Al-Tayyar	✓	✓	✓	✓	✓	5
Abdulmohsen Abdulaziz Al Yahya	x	✓	✓	✓	✓	4
Saleh Bin Nasser Al-Jasser	x	x	x	x	x	0
Abdulaziz Saif Al Saif	x	x	x	x	x	0
Hassan Shakeeb Al Jabri	x	x	x	x	x	0

Due at the end of the current Board session on January 25, 2016, the following Board members Saleh Al Jasser, Abdulaziz Al Saif and Hassan Al Jabri did not attend any Board meeting, since the first Board meeting in 2016 was held on January 28, 2016.

C. BOD's Benefits

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

Name	Shares owned as of Jan 01, 2016	Shares owned as of Dec 31, 2016	Change %	Shares owned by spouses and minors
Yahya Abbdullah Alyahya	100	100	0	Nil
Saleh Bin Nasser Al-Jasser	1,000	1,000	0	Nil
Sami Abdulmohsen Al Hokair	1,000	1,000	0	Nil
Shawgi Mohammed Mushtag	1,000	1,000	0	Nil
Jonathan Stent-Torriani	1,000	1,000	0	Nil
Abdulaziz Saif Al Saif	1,000	1,000	0	Nil
Fahd Abdulmohsen Al Rasheed	14,000	14,000	0	Nil
Hassan Shakeeb Al Jabri	1,000	1,000	0	Nil
Raed Ibrahim Almudaiheem	1,000	1,000	0	Nil
Abdullah Jameel Taibah	1,000	1,000	0	Nil
Ayman Tarik Al-Tayyar	165	1,165	606.09	Nil
Abdulmohsen Abdulaziz Al Yahya	10,000	17,904	46.9	Nil

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

Name	Shares owned as of Jan 01, 2016	Shares owned as of Dec 31, 2016	Change %	Shares owned by spouses and minors
Wajdy Mohammed Al-Ghabban CEO	Nil	Nil	0	Nil
Matti Kivekas CFO	Nil	Nil	0	Nil
Sultan Al Booq General Counsel	Nil	Nil	0	Nil
Tarek Mohamed Tharwat Chief Audit Executive	Nil	Nil	0	Nil
Abdelwahab Ahmed Saati Chief Commercial Officer	Nil	Nil	0	Nil
Fahad Ali Khayat GM ICPI & Performance Improvement	Nil	Nil	0	Nil
Mohamed Huzayfa Hasan Chueb Head of Procurement & Supply Chain	Nil	Nil	0	Nil
Saleh Seferji Chief HR & D, Human Resources	Nil	Nil	0	Nil
Justin Phillips Chief Marketing & Communications	Nil	Nil	0	Nil
Martial Vérine COO Catering & Facilities	Nil	Nil	0	Nil
Jaap Roest COO-IFC	Nil	Nil	0	Nil

BOD'S COMMITTEES

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

Operational performance

Continued

AUDIT COMMITTEE

The Audit Committee is composed of three Non-Executive members, and 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 remuneration; verification of their independence; follow-up of their duties; and studying the Audit plan with the Auditors. The Committee studies the Auditors' notes to the Company's Financial Statements and follows up presenting them to the Board, expresses opinion thereon and makes recommendations to the Board of Directors in 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.

Due to the fact that the New Saudi Arabian Companies Law came by virtue of the need for prior approval of the General Assembly regarding the appointment of members of the Audit Committee and the fact that the committee was appointed before the new law came into effect, appointment of the new members of the Committee will be approved during the next General Assembly meeting.

Members of the Audit Committee

Name	Position
Raed Ibrahim Almudaiheem	Chairman
Ayman Tarik Al-Tayyar	Member
Khalid Ali Otain	Member

In line with the second Board session starting from January 26, 2016, the new Audit Committee members were appointed during a SACC Board meeting held on the January 28, 2016 and Eng. Raid Al Mudaiheem was appointed as Audit Committee Chairman.

Schedule of Audit Committee's meetings

Name/Date of meeting	19/01/2016	21/02/2016	17/04/2016	17/07/2016	16/10/2016	24/11/2016	Total meetings
Raed Ibrahim Almudaiheem	x	✓	✓	✓	✓	✓	5
Ayman Tarik Al-Tayyar	x	✓	✓	✓	✓	✓	5
Khalid Ali Otain	x	✓	x	✓	✓	x	3
Hasan Shakib Al Jabri	✓	x	x	x	x	x	1
Shawgi Mohammed Mushtag	✓	x	x	x	x	x	1
Matthieu Jeandel	✓	x	x	x	x	x	1

The following Audit Committee members, Mr. Hasan Al Jabri, Mr. Shawgi Mushtag and Mr. Matthieu Jeandel attended only one meeting due to the end of the Audit Committee session.

NOMINATION AND REMUNERATION COMMITTEE

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 previously convicted in a felony involving moral turpitude; undertaking the annual review of the skill requirements for the Board of Directors; and preparing the description of skills and qualifications required for the Board membership including determination of the time that the Board member should dedicate to the business of the Board. The Committee also reviews the structure and formation of the Board, makes recommendations concerning changes that can be made and identifies the weaknesses and strengths of the Board with recommendations on how to address them to serve the interests of the Company. On an annual basis, the Committee ensures the independence of the independent members and that there are no conflicts of interest if the member holds membership of 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 presented to the Board of Directors.

Nomination and Remuneration Committee members

Name	Position
Fahad Abdulmohsen Al Rasheed	Chairman
Jonathan Stent-Torriani	Member
Abdullah Jameel Taibah	Member

In line with the second Board session starting from January 26, 2016, the new Nomination and Remuneration Committee members were appointed during the SACC Board meeting held on January 28, 2016 and Fahad Al Rasheed was appointed as Nomination and Remuneration Chairman.

Schedule of Nomination and Remuneration Committee's meetings

Date of Meeting	15/02/2016	06/12/2016	Total meetings
Fahad Abdulmohsen Al Rasheed	✓	✓	2
Jonathan Stent-Torriani	✓	✓	2
Abdullah Jameel Taibah	✓	✓	2

CORPORATE GOVERNANCE

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

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

not the issuer, taking into account that the issuer has no access to the investors' voting policy, The Company also is not committed to apply the article 12 Clause (I) as the issuer (Company) has no judicial person in its Board of Directors. The Company has a comprehensive policy on the implementation of Corporate Governance rules through the development of regulations and by-laws to be adhered to by managers and employees in order to protect the interests of the Company and other relevant parties. The Board of Directors, with help from its sub-committees such as the Audit and Risk Committees, provides continuous support to promote compliance with Corporate Governance rules while ensuring continuous review and control of the effective implementation thereof.

The following table highlights the governance items that have been implemented and the 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		✓	As mentioned above
VII: Shareholders' Rights in Dividends	✓		
VIII: Policies and Procedures Relating to Disclosure	✓		
IX: Disclosure in the Report of the Board of Directors	✓		
X: Basic Functions of the Board of Directors	✓		
XI: Responsibilities of the Board of Directors	✓		
XII: Formation of the Board of Directors		✓	As mentioned above
XIII: Committees of the Board and their Independence	✓		
XIV: Audit Committee	✓		
XV: Nomination and Remuneration Committee	✓		
XVI: Board Meetings and Agenda	✓		
XVII: Remuneration and Compensation of Board Members	✓		
XVIII: Conflict of Interest in the Board of Directors	✓		

INTERNAL AUDIT (I.A.)

The I.A. Department regularly reviews the internal control system of various departments of the Company. This audit is based on the annual plans approved by the Audit Committee to ensure the effectiveness of the system and its ability to protect the Company's assets, ensure the efficiency and integrity of the financial and non-financial procedures and processes, compliance of 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 continually supervises the work of the I.A. Committee and reviews its reports on a regular basis.

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

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

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

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

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

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

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

The scope of the I.A. also includes the examination and evaluation of the validity and efficiency of the governance systems, risk management and internal procedures of the Company in addition to checking the quality of performance of responsibilities assigned to managers in order to achieve the Company's goals.

The I.A. Committee has not discovered any irregularities or any obvious weaknesses in the internal control system of the Company or in any of its various operations in 2015. There were no substantial findings of the Annual Review of the effectiveness of internal control procedures of the Company.

To ensure the independence of the I.A., the Executive Officer of I.A. technically and professionally reports to the Audit Committee and reports administratively to the CEO of SACC.

No manager of the Company may interfere with any internal affairs of the I.A. Furthermore, I.A. has no direct operational responsibility in any areas or activities that are reviewed. The Executive Officer of the I.A. shall annually confirm the independence of the I.A. to the Board of Directors.

DIVIDEND POLICY

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

The Board of Directors intends to adopt a policy for dividend distribution that provides for the distribution of about 60 to 80 percent of the Company's net annual profits, taking into account the Company's objectives, the aforementioned commercial, legal and organizational considerations, in addition to the Company's financial position and level of income at present.

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

Setting aside of 10 percent of the net profit to form the statutory reserve. The Ordinary General Assembly may discontinue the reserve deduction may be discontinued once the statutory reserve reaches an amount equal to 30 percent of the capital.

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

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

SACC distributed SAR 537.1 million for the year of 2016, which equals 65.5 percent of the net income before Zakat and income tax.

During 2016, Company distributed the below dividends (SAR):

Q1	Q2	Q3	Q4 Proposed	Total
143.5m	143.5m	143.5m	106.6m	537.1m

GENERAL ASSEMBLY MEETING

Two successful meetings of SACC General Assembly were held during 2016 in the Catering Unit in King Abdulaziz International Airport in Jeddah, as shown below. The Company announced the scheduled dates for this General Assembly meeting on the Tadawul website, the Company's website, the Official Gazette and local newspapers at least 25 days prior to the scheduled date for the meeting. The announcements highlighted the meeting's time, place and agenda. In addition, the Company allowed the Shareholders to effectively participate and vote on topics listed on the agenda and informed them of the meeting's rules and voting procedures through the invitation to the General Assembly meeting. It also distributed well-prepared files containing relevant information to help the Shareholders make their decisions. The Company also informed the Ministry of Commerce and Industry and the Capital Market Authority on the results of its meeting immediately after the conclusion of the meeting. The Shareholders were allowed access to the meeting's minutes inside the Company's offices or through its website.

FIRST GENERAL ASSEMBLY MEETING

Having met the required quorum, the results of the Ordinary General Assembly meeting held on January 12, 2016 corresponding to 02/04/1437. All resolutions of the meeting were as follows:

- Expressing the consent for the appointment of Eng. Raid Bin Ibrahim Al-Mudaihim as a replacement for the Board member Mr. Basel Al Ghadeeb who resigned on May 25, 2015G and the appointment of Mr. Abdullah Jameel Taibah as a replacement for the Board member Mr. Yousef Al Maimani who resigned on February 16, 2015G. These appointments will be effective until the end of the remaining session period, the date of which will be on 15/04/1437H corresponding to January 25, 2015G.
- Electing and appointing of the new Board members for the next Board term starting from 16/04/1437H corresponding to January 26, 2016G and ending on 19/05/1440H corresponding to January 25, 2019G. As a result of the cumulative vote, the following members have been selected:
 - Shawgi Mushtag
 - Raid Al Mudaihim
 - Fahad Al Rasheed
 - Sami Al Hokair
 - Jonathan Stent Toriani
 - Abdullah Taibah
 - Yahia Al Yahia
 - Abdulmuhsain Al Yahia
 - Ayman Al Tayar

SECOND GENERAL ASSEMBLY MEETING

The Company has also held another General Assembly Meeting during 2016 in the King Abdulaziz International Airport Catering unit in Jeddah on May 5, 2016 corresponding to 28/07/1437 at 16:00. All resolutions of the meeting were as follows:

1. Approval of the Annual Report for the financial year ending December 31, 2015.
2. Approval of the Financial Statements of the Company for the year ended December 31, 2015.
3. Approval for the External Audit report for the year ended December 31, 2015.
4. Approval for the contract extension of the External Auditor KPMG Al Fozan and Partners based on the recommendation by the Audit Committee for the Financial Audit of the Company on quarterly and annually for the year 2016.
5. Discharge the member of the Board of Directors from liability for the year ended December 31, 2015.
6. Approval of the Board resolution # (35) dated May 6, 2015 and Board resolution # (41) dated August 3, 2015 and # (46) dated October 20, 2015 and (52) dated March 3, 2015 for the year 2015 for dividends distribution with total amount valued at SAR 571 million, which represents 69.63 percent of the share capital after Zakat and before income tax.
7. Approval of the financials authority to the Board members to approve the Quarterly and Annual Dividends distribution for the year 2016.
8. Approval of the Board members' remuneration for the period from January 1, 2015 till December 31, 2015 with the total amount of (SAR 1,800,000) which represent (SAR 200,000) for each member.
9. Approval of the transactions with related parties for the following:
 - Saudi Arabian Airlines, one of the Company's main Shareholders, with a total amount for 2015 stand at SAR 1,459,600,000. The contract is a five-year Gregorian contract, and will be renewed annually without any conditional details regarding the local market.
 - Saudi Ground Services Co. (SGS), an affiliated company to Saudi Arabian Airlines one of the Company's main Shareholders, with a contract total amount for 2015 valued at SAR 47,582,000. The contract is for a one-year renewal, annually without any conditional details regarding the local market.

- Saudia Cargo, an affiliated company of Saudi Arabian Airlines, one of the Company's main Shareholders, with a contract total amount for 2015 valued at SAR 15,949,000. The contract is for one year, renewed annually without any conditional details regarding the local market.
- Saudi Airlines Real Estate Development Co. (SARED) an affiliated company to Saudi Arabian Airlines, one of the Company's main Shareholders, with total contract amount for 2015 valued at SAR 10,192,000. The contract is for one year, renewed annually without any conditional details regarding the local market.
- Newrest, Shareholder through the Strategic Catering Co., one of the Company's main Shareholders, and due to the membership of Mr. Jonathan Stent-Torriani as the Company Board member, with a total contract amount for the year 2015 valued at SAR 13,994,840. The contract is for three years.
- Al Hokair Group, Shareholder through the Strategic Catering Co., one of the Company's main Shareholders, and due to the membership of Mr. Sami Abdulmohsin Al Hokair as the Company Board member, with a total contract amount for 2015 valued at SAR 367,949. The contract is for three years.

REMUNERATION OF BOD'S MEMBERS AND FIVE SENIOR EXECUTIVES

As per a Company by-law, the Board of Directors shall be entitled to remuneration in their capacity as members of the Board of Directors pursuant to the terms and conditions determined by the Ordinary General Assembly.

The annual periodical remuneration is stated at the amount of SAR 200,000 to each Board member, and the attendance allowance is for SAR 3000 for each Board meeting attended.

The Board of Directors shall also be entitled to get any other allowances and compensation such as transportation and accommodation fees.

BOARD OF DIRECTORS' DECLARATION

The Board of Directors approved the following:

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

There were no redemptions, purchases or cancellations by the Company of any of its recoverable debt instruments.

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

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

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

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

Details (SAR)	Non-executive & Independent members of the Board	The five executives who received the highest bonuses and compensations
Salaries and remunerations	Null	3,965,600
Allowances		521,071
Annual periodical remunerations (BOD fees)	1,800,000	
Incentives	Null	
Any other compensations or in-kind privileges paid out monthly or annually	366,265	2,152,078
Total	2,166,265	6,638,265

The CEO and CFO, according to the organizational structure, are considered among the Senior Executives and were included in the top five executives who received the highest bonuses.

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

The external Auditor's Report doesn't contain any reservations on the relevant annual Financial Statements.

There is no arrangement or recommendation by the Board to change the Company's external Auditor.

COMMUNICATION WITH THE SHAREHOLDERS

SACC maintains regular communication with the Shareholders. The Company has taken a group of measures to ensure their rights of access to information through the Tadawul website and SACC website, www.saudiacatering.com. SACC provides full and comprehensive information about its activities and businessmen through its Annual Report, periodic financial statements and dividends procedures.

The Company also endeavors to maintain links with its Shareholders, answer their queries and provide them with the required information on a timely basis.

INVESTOR RELATIONS

At SACC Investor Relations, we strive to be a world-class investor relations team. Our commitment as a key resource to the financial community and SACC leadership is to be a reliable, responsive and transparent source of valuable information. We are dedicated to uphold our core values of integrity and high ethical standards in our relationships with our stakeholders. Our investor relation program ensures transparency in all communications while complying fully with the continuous and consistent disclosure obligations stipulated by the Kingdom's Capital Market Authority. We also ensure a timely flow of information through various channels such as the website, Tadawul announcements and conference attendance. In addition, we offer access to our Investor Relations team by phone and email, and host special events for analysts and investors including an Investor Day and earning calls. We follow a policy of proactive communication with the market and inform our stakeholders of all key developments that will have an impact on the business. We hold dialog with the investor community and advise the Company's Senior Management about market perceptions. Our dialog with Shareholders has become increasingly important as our individual and institutional investors are always looking for up-to-date information on Company developments, our business plans, achievements and challenges.

ROLE OF SHAREHOLDERS

Our General Assembly is the platform where Shareholders exercise their voting rights. Shareholders' consent is required for key decisions such as the approval of the Financial Statements, Board of Directors report on the Company's activities, the review and approval of the Board of Directors' recommendation on dividend payments, the election of Board members, amendments to the Articles of Association, appointment of external Auditors and raising registered capital. Each Shareholder is entitled to one vote.

INITIATIVES PLANNED TO IMPROVE TRANSPARENCY OR COMMUNICATIONS WITH INVESTORS IN 2016

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

We plan to provide an informative FAQs (frequently asked questions) page on our SACC website, which aims to deliver meaningful answers to investors' common enquiries. For those who may need to seek information beyond the FAQs page, a direct email will be provided and dedicated specifically for issues concerning investors. This email will be easy to find on the SACC website and users will be acknowledged with a timeframe of when they will expect to receive an answer from SACC.

To foreign investors, we understand that feeling secure about the Company's process and benefits on an intentional scale is important. We therefore seek to provide a page devoted solely to information relevant to foreign investors including, but not limited to, rights and exemptions they may face in the Kingdom of Saudi Arabia.

From a technical perspective, we may decide to design a mobile application that provides investors with essential access to the Company's news and important data.



FINANCIAL STATEMENTS

For the year ended December 31, 2016

with

INDEPENDENT AUDITORS' REPORT

Saudi Airlines Catering Company
(A Saudi Joint Stock Company)

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

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

We have audited the accompanying financial statements of Saudi Airlines Catering Company ("the Company") which comprise the balance sheet as at December 31, 2016 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended and the attached notes 1 through 26 which form an integral part of the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with the Regulations for Companies and Company's bylaws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

AUDITORS' RESPONSIBILITIES

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

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

1. present fairly, in all material respects, the financial position of the Saudi Airlines Catering Company as at December 31, 2016, and of its results of operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company; and
2. comply with the requirements of the Regulations for Companies and the Company's bylaws with respect to the preparation and presentation of the financial statements.

FOR KPMG AL FOZAN & PARTNERS

Certified Public Accountants

Ebrahim Oboud Baeshen

License No. 382

Jeddah, 2 Jumada Al-Thani 1438H

Corresponding to 1 March 2017

BALANCE SHEET
AS AT DECEMBER 31, 2016
 (Expressed in Saudi Arabian Riyals)

Saudi Airlines Catering Company
 (A Saudi Joint Stock Company)

	Notes	2016	2015
ASSETS			
Current assets:			
Cash and cash equivalents	4	151,711,045	304,248,115
Investments	7	84,721,772	205,170,874
Trade receivables	5	730,691,867	553,395,599
Inventories	6	149,070,060	142,376,394
Prepayments and other current assets	8	143,101,215	130,168,505
Total current assets		1,259,295,959	1,335,359,487
Non-current assets:			
Margin deposits with banks	23	42,258,676	14,807,413
Investments	7	40,000,000	40,000,000
Property and equipment	9	563,769,799	458,053,712
Total non-current assets		646,028,475	512,861,125
Total assets		1,905,324,434	1,848,220,612
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade payables	10	207,990,908	209,933,379
Dividend payable		3,167,828	2,881,530
Accrued expenses and other current liabilities	11	242,703,157	136,502,083
Accrued Zakat and income tax	19	27,100,352	35,109,943
Total current liabilities		480,962,245	384,426,935
Non-current liabilities:			
Employees' end of service benefits	12	155,656,500	137,162,600
Accrued long-term bonus		7,616,142	8,470,711
Total non-current liabilities		163,272,642	145,633,311
Total liabilities		644,234,887	530,060,246
Shareholders' equity			
Share capital	13	820,000,000	820,000,000
Statutory reserve	14	340,714,074	286,600,187
Retained earnings		100,375,473	211,560,179
Total shareholders' equity		1,261,089,547	1,318,160,366
Total liabilities and shareholders' equity		1,905,324,434	1,848,220,612

The accompanying notes 1 to 26 form an integral part of these financial statements.

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER, 2016
(Expressed in Saudi Arabian Riyals)

Saudi Airlines Catering Company
(A Saudi Joint Stock Company)

	Notes	2016	2015
Inflight catering revenue		1,578,603,654	1,635,052,624
Retails revenue (formerly Skysales)		269,159,400	239,341,916
Business lounge revenue		155,416,911	133,155,933
Non-airlines revenue		198,531,405	206,840,345
Other operating revenue	15	54,938,898	46,409,643
Total revenue		2,256,650,268	2,260,800,461
Cost of revenue:			
Cost of materials and goods sold		(918,011,500)	(937,109,018)
Personnel cost		(244,424,716)	(222,524,834)
Rent and maintenance of production units		(119,850,897)	(73,917,851)
Depreciation		(32,507,287)	(20,483,405)
Other operating cost	16	(185,883,962)	(182,224,152)
Total cost of revenue		(1,500,678,362)	(1,436,259,260)
Gross profit		824,541,201	755,971,906
General and administrative expenses	17	(221,714,501)	(155,629,333)
Operating income		534,257,405	668,911,868
Other non-operating revenues and expenses, net		6,881,460	29,589,086
Net income		541,138,865	698,500,954
Earnings per share:			
Operating income	21	6.52	8.16
Non-operating income	21	0.08	0.36
Net income	21	6.60	8.52

The accompanying notes 1 to 26 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER, 2016
(Expressed in Saudi Arabian Riyals)

Saudi Airlines Catering Company
(A Saudi Joint Stock Company)

	Notes	2016	2015
Cash flows from operating activities:			
Net income		541,138,865	698,500,954
Adjustments for:			
Depreciation	9	39,317,676	24,661,054
Allowance (reversal) of provision for doubtful debts	17	26,629,082	(16,225,207)
Allowance for slow moving and obsolete items	6	870,298	1,853,627
Loss on disposal of property and equipment		160,741	256,423
Unrealised gain on held-for-trading investments	7	(4,550,898)	(1,658,065)
Provision for employees' end of service benefits	12	25,279,947	30,006,786
Provision for accrued long-term bonus		2,810,000	3,753,745
Investment income		(1,331,976)	(2,827,313)
		630,323,735	738,322,004
Changes in operating assets and liabilities			
(Increase) / decrease in trade receivables		(203,925,350)	12,542,863
Increase in inventories		(7,563,965)	(57,476,449)
(Increase) / decrease in prepayments and other current assets		(12,913,986)	20,341,781
Increase in letter of guarantee		(27,451,263)	(4,640,302)
(Decrease) / increase in trade payables		(1,942,471)	35,078,354
Increase / (decrease) in accrued expenses and other current liabilities		106,201,078	(104,605,100)
		482,727,778	639,563,151
Payment of accrued long-term bonus		(3,664,570)	(2,138,680)
Zakat and income tax paid	19	(41,515,436)	(47,026,527)
Employees' end of service benefits paid	12	(6,786,047)	(9,764,756)
Net cash from operating activities		430,761,725	580,633,188
Cash flows from investing activities:			
Purchase of property and equipment	9	(145,211,024)	(291,586,825)
Proceeds from sale of held-for-trading investments	7	125,000,000	–
Proceeds from maturity of held-to-maturity investments		–	100,000,000
Proceeds from disposal of property and equipment		16,520	113,027
Investment income received		1,313,251	3,460,629
Net cash used in investing activities		(18,881,253)	(188,013,169)

STATEMENT OF CASH FLOWS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER, 2016
 (Expressed in Saudi Arabian Riyals)

Saudi Airlines Catering Company
 (A Saudi Joint Stock Company)

	Notes	2016	2015
Cash flows from financing activities:			
Dividend paid	18	(564,417,542)	(564,897,658)
Net decrease in cash and cash equivalents		(152,537,070)	(172,277,639)
Cash and cash equivalents as at beginning of the year		304,248,115	476,525,754
Cash and cash equivalents as at end of the year	4	151,711,045	304,248,115
Non-cash supplemental information:			
Zakat and income tax charged to shareholder accounts		33,505,845	41,840,694

The accompanying notes 1 to 26 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER, 2016
(Expressed in Saudi Arabian Riyals)

Saudi Airlines Catering Company
(A Saudi Joint Stock Company)

	Notes	Share capital	Statutory reserves	Retained earnings	Total
Balance at January 1, 2016		820,000,000	286,600,187	211,560,179	1,318,160,366
Net income for the period		–	–	541,138,865	541,138,865
Transfer to reserves	14	–	54,113,887	(54,113,887)	–
Zakat and income tax	19	–	–	(33,505,845)	(33,505,845)
Dividends	18	–	–	(564,703,839)	(564,703,839)
Balance at December 31, 2016		820,000,000	340,714,074	100,375,473	1,261,089,547
Balance at January 1, 2015		820,000,000	216,750,092	188,956,828	1,225,706,920
Net income for the period		–	–	698,500,954	698,500,954
Transfer to reserves	14	–	69,850,095	(69,850,095)	–
Zakat and income tax	19	–	–	(41,840,694)	(41,840,694)
Dividends	18	–	–	(564,206,814)	(564,206,814)
Balance at December 31, 2015		820,000,000	286,600,187	211,560,179	1,318,160,366

The accompanying notes 1 to 26 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Saudi Arabian Riyals)

Saudi Airlines Catering Company
(A Saudi Joint Stock Company)

1. ORGANIZATION AND PRINCIPLE ACTIVITIES

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

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

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

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

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

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

The main objectives of the Company are provision of cooked and non-cooked food to private and public sectors, provision of retails (formerly Skysales), operation and management of duty free zones in Saudi Arabian airports and ownership, operation and management of restaurants and groceries at airports and other places, ownership, operation and management of central laundries.

The Company mainly provides catering services to Saudi Arabian Airlines (Saudia) and other foreign airlines in the airports of Jeddah, Riyadh, Dammam and Madinah in Saudi Arabia and to Saudia's flights operating from Cairo International Airport.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
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Saudi Airlines Catering Company
(A Saudi Joint Stock Company)

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

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

The registered head office of the Company is located at the following address:

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

2. BASIS OF PREPARATION

a) Statement of compliance

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

b) Basis of measurement

The financial statements have been prepared under the historical cost convention, except for held-for-trading investment which is stated at their fair value using accrual basis of accounting and going concern assumption.

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

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

i. Impairment of trade receivables

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

ii. Allowance for slow moving inventories

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

NOTES TO THE FINANCIAL STATEMENTS
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iii. **Useful lives of property and equipment**

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

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

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

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

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

vi. **Going concern**

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) **Cash and cash equivalents**

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

b) **Trade receivables**

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

c) **Inventories**

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is principally based on the weighted average method, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Provision is made where necessary for obsolete and slow moving inventories.

d) **Investments**

i) **Held-for-trading investments**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
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ii) Held-to-maturity investments

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

e) Property and equipment

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

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

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

Leasehold improvements	2-30 years
Equipment	3-15 years
Motor vehicles	7-10 years

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

f) Impairment of assets

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

g) Accounts payable and accruals

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

h) Provisions

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

i) Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the statement of income. The liability is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, using the projected unit credit method. The Company used an independent actuary to ensure the adequacy of provision for employees' end of service benefits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016
(Expressed in Saudi Arabian Riyals)

Saudi Airlines Catering Company
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Revenue recognition

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

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

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

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

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

k) Expenses

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

l) Operating lease

Payment under operating lease is recognized in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

m) Zakat and income tax

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

n) Segment reporting

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

- Catering, which includes business lounges, non-airlines customers and others
- Retails (formerly Skysales)

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.

o) Foreign currency transactions

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

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

p) Dividends

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016
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Saudi Airlines Catering Company
(A Saudi Joint Stock Company)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31 comprise the following:

	2016	2015
Cash in hand	1,441,133	1,806,039
Cash at bank – current accounts	150,269,912	302,442,076
	151,711,045	304,248,115

5. TRADE RECEIVABLES

a) Trade receivables at December 31 comprise the following:

	Note	2016	2015
Related parties, net	20	621,822,428	449,931,201
Cash at bank – current accounts		174,586,634	139,766,614
		796,409,062	589,697,815
Provision for doubtful debts (other customers)		(65,717,195)	(36,302,216)
		730,691,867	553,395,599

The Company does not have any collateral over receivables and the vast majority are, therefore, unsecured. Unimpaired trade receivables are expected, on the basis of past experience to be fully recoverable.

The ageing analysis of trade receivable is as follows:

	Up to three months	Above three and up to six months	Above six months	Total
December 31, 2016	276,573,098	139,797,236	314,321,533	730,691,867
December 31, 2015	220,912,545	44,814,302	287,668,752	553,395,599

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

	2016	2015
Balance at beginning of the year	36,302,216	53,196,829
Additions	36,217,522	14,774,074
Reversals	(6,802,543)	(31,668,687)
Balance at end of the year	65,717,195	36,302,216

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016
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Saudi Airlines Catering Company
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6. INVENTORIES

a) Inventories at December 31 comprise the following:

	2016	2015
Catering items	24,465,968	29,995,221
Retails items (formerly Skysales)	114,227,533	104,902,508
Packing and other materials	14,900,949	11,533,060
Spare parts	3,798,394	3,873,825
	157,392,844	150,304,614
Provision for slow moving and obsolete items	(8,322,784)	(7,928,220)
	149,070,060	142,376,394

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

	2016	2015
Balance at beginning of the year	7,928,220	6,169,063
Additions	4,544,816	3,375,569
Write-off	(475,734)	(94,470)
Reversals	(3,674,518)	(1,521,942)
Balance at end of the year	8,322,784	7,928,220

7. INVESTMENTS

Investments at December 31 comprise of the following:

	2016	2015
Current assets		
Held-for-trading investment	7.1 84,721,772	205,170,874
Non-current assets		
Held-to-maturity investment	7.2 40,000,000	40,000,000
	124,721,772	245,170,874

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

	2016	2015
Balance at beginning of the year	205,170,874	203,512,809
Disposal of held-for-trading investment	(125,000,000)	-
Unrealized gain on held-for-trading investment	4,550,898	1,658,065
Balance at end of the year	84,721,772	205,170,874

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016
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Saudi Airlines Catering Company
(A Saudi Joint Stock Company)

8. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	2016	2015
Prepayments	88,509,663	94,244,584
Unbilled receivables	42,933,873	26,372,844
Margin deposits with banks	4,177,770	3,983,516
Advances to suppliers	1,245,189	570,914
Advances to employees	3,659,829	3,117,415
Accrued income	53,628	34,904
Others	2,521,263	1,844,328
	143,101,215	130,168,505

9. PROPERTY AND EQUIPMENT

The movement in property and equipment during the year ended December 31, 2016 is analyzed as below:

	Land	Leasehold improvements	Equipment	Motor vehicles	Capital work-in-progress	Total
Cost:						
Balance at January 1, 2016	33,786,058	38,260,036	104,773,988	76,057,118	296,757,239	549,634,439
Additions	–	996,357	5,713,552	573,502	137,927,613	145,211,024
Disposals	–	(1,713,675)	(13,046,995)	(8,032,229)	–	(22,792,899)
Transfer from capital work-in-progress	–	228,416,698	38,779,585	32,523,981	(299,720,264)	–
Balance at December 31, 2016	33,786,058	265,959,416	136,220,130	101,122,372	134,964,588	672,052,564
Accumulated depreciation:						
Balance at January 1, 2016	–	18,979,597	50,713,363	21,887,767	–	91,580,727
Charge for the year	–	10,535,741	19,970,719	8,811,216	–	39,317,676
Disposals	–	(1,713,675)	(12,890,900)	(8,011,063)	–	(22,615,638)
Balance at December 31, 2016	–	27,801,663	57,793,182	22,687,920	–	108,282,765
Net book value:						
At December 31, 2016	33,786,058	238,157,753	78,426,948	78,434,452	134,964,588	563,769,799
At December 31, 2015	33,786,058	19,280,439	54,060,625	54,169,351	296,757,239	458,053,712

The capital work-in-progress represents mainly construction works on the Wellcome Lounge at King Khalid International Airport (Terminals 1, 2 and 5) in Riyadh.

NOTES TO THE FINANCIAL STATEMENTS
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Saudi Airlines Catering Company
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10. TRADE PAYABLES

Trade payables at December 31 comprise the following:

	2016	2015
Related parties (Note 20)	6,272,066	15,559,769
Other parties	201,718,842	194,373,610
	207,990,908	209,933,379

11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	2016	2015
Employees related accruals	38,012,927	30,378,918
Accrued expenses and other liabilities	204,690,230	106,123,165
	242,703,157	136,502,083

12. EMPLOYEES' END OF SERVICE BENEFITS

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

	2016	2015
Balance at beginning of the year	137,162,600	116,920,570
Charge for the year	25,279,947	30,006,786
Payments during the year	(6,786,047)	(9,764,756)
Balance at end of the year	155,656,500	137,162,600

13. SHARE CAPITAL

The share capital of the Company amounting to SR 820 million (2015: SR 820 million) is divided into 82 million (2015: 82 million) shares of SR 10 each (2015: SR 10 each). At December 31, the shareholders and their percentage interests in the share capital of the Company are as follows:

Shareholder	2016		
	No. of shares	Value in SR	%
Saudi Arabian Airlines Corporation	29,274,000	292,740,000	35.70
Strategic Catering Company Limited	18,949,714	189,497,140	23.11
General public	33,776,286	337,762,860	41.19
	82,000,000	820,000,000	100

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13. SHARE CAPITAL (CONTINUED)

Shareholder	No. of shares	2015.	
		Value in SR	%
Saudi Arabian Airlines Corporation	29,274,000	292,740,000	35.70
Strategic Catering Company Limited	20,375,918	203,759,180	24.85
General public	32,350,082	323,500,820	39.45
	82,000,000	820,000,000	100

During the year ended December 31, 2016, Strategic Catering Company Limited sold 1,426,204 of its shares to the general public.

14. STATUTORY RESERVE

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

15. OTHER OPERATING REVENUE

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

	2016	2015
Camp facilities sales	15,928,082	491,125
Exclusive purchase income and services to suppliers	1,710,398	15,913,969
Transfer of airline equipment charges	37,300,418	30,004,549
	54,938,898	46,409,643

16. OTHER OPERATING COST

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

	2016	2015
Communication and utilities – net	18,394,886	12,065,113
Supplies and expendable items	36,854,010	37,212,922
Service agreement	84,591,746	79,072,006
Other operational cost	46,043,320	53,874,111
	185,883,962	182,224,152

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17. GENERAL AND ADMINISTRATIVE EXPENSES

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

	2016	2015
Personnel costs	108,109,941	97,878,396
Depreciation	6,810,389	4,177,649
Allowance (reversal) for doubtful debts (Note 5)	26,629,082	(16,225,207)
Professional and technical fee	3,837,361	5,546,183
Rent	19,047,718	11,295,019
Marketing and promotional	9,009,456	13,373,738
Utilities	7,555,550	4,503,207
Stationery and printing	479,898	340,988
Repairs and maintenance	77,879	224,421
Travelling	5,159,646	5,561,983
Management fee	15,343,249	12,671,840
Board of Directors' fee	2,166,265	1,589,868
Service agreement fee	7,137,118	4,463,399
Insurance	3,865,170	3,086,794
Others	6,485,779	7,141,055
	221,714,501	155,629,333

18. DIVIDENDS

On March 3, 2016, the Board of Directors resolved to distribute interim dividend amounting to SR 143.5 million, which is equivalent to SR 1.75 per share after Zakat and before income tax deduction, from the Company's interim profit.

On May 9, 2016, the Board of Directors resolved to distribute interim dividend amounting to SR 143.5 million, which is equivalent to SR 1.75 per share after Zakat and before income tax deduction, from the Company's interim profit.

On July 19, 2016, the Board of Directors resolved to distribute interim dividend amounting to SR 143.5 million, which is equivalent to SR 1.75 per share after Zakat and before income tax deduction, from the Company's interim profit.

On October 17, 2016, the Board of Directors resolved to distribute interim dividend amounting to SR 143.5 million, which is equivalent to SR 1.75 per share after Zakat and before income tax deduction, from the Company's interim profit.

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19. ZAKAT AND INCOME TAX

a) Zakat and income tax provision

The movement summary in Zakat provision is as follows:

	2016	2015
Balance at beginning of the year	32,624,846	36,298,829
Charge for the year	26,716,426	32,624,849
Adjustment related to prior years	(4,569,900)	(2,707,918)
Payments during the year	(28,054,946)	(33,590,914)
Balance at end of the year	26,716,426	32,624,846

The movement in income tax provision is as follows:

	2016	2015
Balance at beginning of the year	2,485,097	3,996,947
Charge for the year	10,182,979	11,889,065
Adjustment related to prior years	1,176,340	34,698
Payments during the year	(13,460,490)	(13,435,613)
Balance at end of the year	383,926	2,485,097

b) Zakat component

The Zakat base is comprised of the following:

	2016	2015
Non-current assets	646,028,475	512,861,125
Non-current liabilities	163,272,642	145,633,311
Shareholders' equity	1,318,160,366	1,225,706,920
Net income	541,138,865	698,500,954

c) Zakat assessments

The Company has submitted its Zakat and income tax declarations for the years 2009 to 2015. The Company has paid the amounts due according to the declarations, which are currently under review by the GAZT.

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20. RELATED PARTY TRANSACTIONS

a) Related parties include the Company's shareholders and their relatives up to the fourth generation, associated and affiliated companies and directors and key management personnel of the Company. Terms and conditions of these transactions are approved by the Company's management.

b) Significant related party transactions for the year ended December 31 and balances arising therefrom are described as under:

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			2016	2015	2016	2015
Due from related parties included in trade receivables:						
Saudi Arabian Airlines Corporation	Shareholder	Trade/operations	1,446,822,000	1,459,600,000	561,458,670	393,551,551
Alhokair Group Joint Stock Company	Shareholder	Trade/operations	–	–	–	367,949
Saudi Airlines Cargo Company	Affiliate	Trade/operations	14,179,000	15,949,000	29,993,080	21,772,503
Saudi Ground Services Company	Affiliate	Trade/operations	48,443,000	47,582,000	30,370,678	34,239,198
					621,822,428	449,931,201

Due to related parties included in trade payables:

Newrest Group Holding S.L.	Shareholder	Trade/operations	17,515,976	13,994,840	204,726	52,904
Alhokair Group Joint Stock Company	Shareholder	Trade/operations	144,615	–	63,035	–
Gulfwest Company Limited	Affiliate	Trade/operations	986,202	–	1,483,379	–
Saudi Airlines Real Estate Development Company	Affiliate	Trade/operations	7,659,000	10,192,000	4,520,926	15,506,865
					6,272,066	15,559,769

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

Name	Nature of transactions	Amount of transactions	
		2016	2015
Key management personnel	Remuneration	6,638,749	6,923,362
Board of Directors	Annual fee	2,166,265	1,965,000

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21. EARNINGS PER SHARE

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

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

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

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

22. OPERATING LEASES

	2016	2015
Payments under operating leases recognized as an expense	106,138,953	74,627,686

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

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

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

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

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

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

	2016	2015
Not later than one year	105,375,503	65,437,983
Later than one year and less than five years	204,583,401	164,913,946
Later than five years	115,300,144	87,400,000
	425,259,048	317,751,929

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23. COMMITMENTS AND CONTINGENCIES

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

	2016	2015
Capital commitments	94,794,681	88,110,813
Letters of guarantee (See below)	42,258,676	14,807,413

Letters of guarantee are issued by a bank on behalf of the Company to a supplier and promises to meet any financial obligations to the supplier in the event of default and this requires the Company to place cash with the bank. As at December 31, 2016, the Company fully paid the amount against letters of guarantee, hence no further financial charges are payable.

24. SEGMENTAL INFORMATION

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

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

1. Catering including business lounges, non-airlines customers and others
2. Retails (formerly Skysales)

The Company's assets, liabilities and results of operations as of and for the year ended December 31, 2016 and 2015 by business segments are detailed below:

	Catering	Retails (formerly Skysales)	Total
2016			
Assets	1,768,860,985	136,463,449	1,905,324,434
Liabilities	595,740,161	48,494,726	644,234,887
Revenue	1,987,490,868	269,159,400	2,256,650,268
Net income	492,282,953	48,855,912	541,138,865
2015			
Assets	1,714,721,807	133,498,805	1,848,220,612
Liabilities	457,930,954	72,129,292	530,060,246
Revenue	2,021,458,544	239,341,917	2,260,800,461
Net income	630,834,736	67,666,218	698,500,954

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25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit risk is the risk that one party will fail to discharge an obligation to a financial instrument and will cause the other party to incur a financial loss. The Company seeks to limit the credit risk with respect to the customers through by monitoring outstanding receivables. Cash and cash equivalents are placed with national and international banks with sound credit ratings. Accounts receivable are mainly due from Saudia and other foreign airlines and are stated at their estimated realizable values. The six largest customers account for 50% of outstanding trade receivables at December 31, 2016.

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

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

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

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

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised to issue by the Board of Directors on 1 March 2017 corresponding to 2 Jumada Al-Thani 1438H.



February
KAIA NORTH TERMINAL



April
SAUDI LAUNDRY SERVICES



April
MEDINAH AL FURSAN LOUNGE



May
**MEDINAH
NEW CATERING UNIT**

6,150 sqm
New built-up area



May
**DMM NEW ACCOMMODATION
COMPLEX**

30,000 sqm
Land area

August
RUH TERMINAL 1



October
RUH TERMINAL 5



August
RUH TERMINAL 2



August
MOBILE CATERING TRUCK



October
KKIA MAIN STORES
EXPANSION PROJECT

1,800 sqm
Expansion area



November
TAIF AIRPORT
 SkySales retail – Regional Airports

Locations:
 Airside – Domestic Departure
 Airside – International Departure
 Landside



November
ABHA AIRPORT
 SkySales retail – Regional Airports

Locations:
 Airside – Domestic Departure
 Landside – Domestic



December
DAMMAM TRAIN SHOP
 SkySales retail – Saudi Railways Operations (SRO)



December
HOFUF TRAIN SHOP
 SkySales retail – Saudi Railways Operations (SRO)



December
RIYADH TRAIN SHOP – RETAIL TRAX
 SkySales retail – Saudi Railways Operations (SRO)



December
YANBU AIRPORT
 Locations:
 Airside – Domestic & International Departure
 Landside



SACC COMPANY HIGHLIGHTS

35

35 years' experience in airline catering,
retail sales and business services

4,216

4,216 employees, of which 1,533 are
Saudi Nationals (1,337 males and 196 females)

2.26B

Total Revenue
SAR 541 million net income before Zakat and income tax

107%

The number of Saudi females has increased by 107% in 2016,
compared to 2015

HAB certified food production

Platinum Status employer for Saudization

A new partnership has established with the renowned
LAGARDERE Group in the field of duty-free business.
The business started through concessions at KAIA and KKIA.



SAUDI AIRLINES
CATERING



الخطوط السعودية
للتجهين

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