

**SAUDI AIRLINES CATERING COMPANY  
(SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM FINANCIAL STATEMENTS  
AND INDEPENDENT ACCOUNTANTS'  
REVIEW REPORT  
FOR THE THREE MONTH AND SIX MONTH  
PERIODS ENDED JUNE 30, 2013**

**SAUDI AIRLINES CATERING COMPANY  
(SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT  
ACCOUNTANTS' REVIEW REPORT  
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2013**

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the shareholders  
Saudi Airlines Catering Company  
Jeddah, Saudi Arabia

### Scope of Review

We have reviewed the interim balance sheet of SAUDI AIRLINES CATERING COMPANY (a Saudi Joint Stock Company) (the "Company") as of June 30, 2013 and the related interim statements of income for three month and six month periods and shareholders' equity and cash flows for the six month period then ended, and notes 1 to 13 which form an integral part of these interim financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the Standard of Review on Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Review Results

Based on our review, we are not aware of any material modifications that should be made to the interim financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Deloitte & Touche  
Bakr Abulkhair & Co.




Al-Mutahhar Y. Hamiduddin  
License No. 296  
1 Ramadan, 1434  
July 10, 2013


**SAUDI AIRLINES CATERING COMPANY**  
(SAUDI JOINT STOCK COMPANY)

**INTERIM BALANCE SHEET**  
**AS OF JUNE 30, 2013**  
(Expressed in Saudi Riyals)

	Note	June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		840,776,984	666,010,073
Accounts receivable -- trade		64,118,202	67,493,550
Due from related parties	5	383,050,630	607,538,899
Inventories		82,565,752	68,266,140
Prepaid expenses and other receivables		66,753,530	59,804,858
<b>Total current assets</b>		<b>1,437,265,098</b>	<b>1,469,113,520</b>
<b>Non-current assets</b>			
Held to maturity investment	3	100,000,000	-
Property, plant and equipment		90,824,572	110,113,070
<b>Total non-current assets</b>		<b>190,824,572</b>	<b>110,113,070</b>
<b>TOTAL ASSETS</b>		<b>1,628,089,670</b>	<b>1,579,226,590</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable - trade		134,359,937	114,770,046
Dividends payable	6	1,750,446	-
Accrued expenses and other liabilities		258,110,554	271,288,968
<b>Total current liabilities</b>		<b>394,220,937</b>	<b>386,059,014</b>
<b>Non-current liabilities</b>			
End-of-service indemnities		109,323,594	103,562,032
<b>Total non-current liabilities</b>		<b>109,323,594</b>	<b>103,562,032</b>
<b>Shareholders' equity</b>			
Share capital	1	820,000,000	820,000,000
Statutory reserve	12	125,295,011	70,620,994
Retained earnings		179,250,128	198,984,550
<b>Total shareholders' equity</b>		<b>1,124,545,139</b>	<b>1,089,605,544</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,628,089,670</b>	<b>1,579,226,590</b>

  
Chief Financial Officer

  
Chief Executive Officer


  
Authorized Board of Directors' Member

The accompanying notes form an integral part of these unaudited interim financial statements


**SAUDI AIRLINES CATERING COMPANY**  
(SAUDI JOINT STOCK COMPANY)

**INTERIM STATEMENT OF INCOME**  
**FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2013**  
(Expressed in Saudi Riyals)

	Note	Three month period from April 1 to June 30		Six month period from January 1 to June 30	
		2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)
<b>Revenues:</b>					
In-flight catering revenue		366,301,386	321,178,676	711,310,998	617,063,760
Sky sales revenue		47,923,707	43,312,576	95,263,777	85,524,286
Business lounge revenue		17,197,538	13,425,164	33,007,823	25,657,551
Non-airlines revenue		23,947,068	18,391,093	45,780,053	34,479,125
Other operating revenues	8	19,713,975	17,971,974	41,243,642	35,331,546
<b>Total revenues</b>	5, 11	<b>475,083,674</b>	<b>414,279,483</b>	<b>926,606,293</b>	<b>798,056,268</b>
<b>Cost of revenues</b>					
Cost of materials and goods		187,491,022	155,173,162	374,405,942	310,169,732
Personnel costs		45,988,069	39,602,140	89,905,931	84,138,506
Rent and maintenance of production units		21,420,569	18,647,705	42,175,928	36,144,788
Depreciation		3,186,064	3,720,355	6,377,624	7,607,319
Other operating costs	5,9	28,601,032	20,339,179	55,548,219	41,758,426
<b>Total cost of revenues</b>		<b>286,686,756</b>	<b>237,482,541</b>	<b>568,413,644</b>	<b>479,818,771</b>
<b>Gross profit</b>		<b>188,396,918</b>	<b>176,796,942</b>	<b>358,192,649</b>	<b>318,237,497</b>
<b>General and administrative expenses</b>		<b>31,042,697</b>	<b>34,377,704</b>	<b>61,789,878</b>	<b>71,126,898</b>
<b>Operating income</b>		<b>157,354,221</b>	<b>142,419,238</b>	<b>296,402,771</b>	<b>247,110,599</b>
<b>Other revenues and expenses, net</b>		<b>10,630,343</b>	<b>704,206</b>	<b>12,331,162</b>	<b>1,934,376</b>
<b>NET INCOME</b>		<b>167,984,564</b>	<b>143,123,444</b>	<b>308,733,933</b>	<b>249,044,975</b>
<b>Earnings per share from net income</b>	7	<b>2.05</b>	<b>1.75</b>	<b>3.77</b>	<b>3.04</b>

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board of Directors' Member

The accompanying notes form an integral part of these unaudited interim financial statements



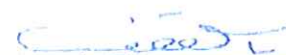
**SAUDI AIRLINES CATERING COMPANY**  
(SAUDI JOINT STOCK COMPANY)

**INTERIM STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2013**  
(Expressed in Saudi Riyals)

	Note	Share capital	Statutory reserve	Retained earnings	Total
January 1, 2012	1	820,000,000	45,716,496	115,285,981	981,002,477
Net income for the period		-	-	249,044,975	249,044,975
Transfer to statutory reserve	12	-	24,904,498	(24,904,498)	-
Zakat and income tax	4	-	-	(25,441,908)	(25,441,908)
Dividends	6	-	-	(115,000,000)	(115,000,000)
June 30, 2012		820,000,000	70,620,994	198,984,550	1,089,605,544
Net movement from July 1, 2012 to December 31, 2012		-	23,800,624	(51,707,565)	(27,906,941)
Net income for the period		-	-	308,733,933	308,733,933
Transfer to statutory reserve	12	-	30,873,393	(30,873,393)	-
Zakat and income tax	4	-	-	(24,690,675)	(24,690,675)
Dividends	6	-	-	(221,196,722)	(221,196,722)
June 30, 2013		820,000,000	125,295,011	179,250,128	1,124,545,139

  
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Chief Financial Officer

  
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Chief Executive Officer

  
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Authorized Board of Directors' Member

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**SAUDI AIRLINES CATERING COMPANY**  
(SAUDI JOINT STOCK COMPANY)

**INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2013**  
(Expressed in Saudi Riyals)

	2013 (Unaudited)	2012 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Net income	308,733,933	249,044,975
Adjustments for:		
Depreciation	7,658,610	8,742,587
(Reversal of)/allowance for doubtful debts	(9,470,251)	3,762,199
(Reversal of)/allowance for slow moving inventories	(2,505,539)	(599,767)
Gain from disposal of property, plant and equipment	(80,548)	(2,203)
Provision for end-of-service indemnities	11,452,035	13,333,858
Changes in operating assets and liabilities:		
Accounts receivable - trade	(1,694,455)	(22,811,941)
Due from related parties	(126,065,067)	(92,047,696)
Inventories	(6,780,083)	(2,126,256)
Prepaid expenses and other receivables	(5,369,228)	(29,639,417)
Accounts payable - trade	(17,271,453)	(811,561)
Accrued expenses and other liabilities	33,118,946	44,494,343
Cash generated from operations	191,726,900	171,339,121
End-of-service indemnities paid	(7,561,631)	(4,398,046)
<b>Net cash from operating activities</b>	<b>184,165,269</b>	<b>166,941,075</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(8,957,986)	(9,273,914)
Proceeds from sale of property, plant and equipment	601,829	190,285
Held to maturity investment	(100,000,000)	-
<b>Net cash used in investing activities</b>	<b>(108,356,157)</b>	<b>(9,083,629)</b>
<b>FINANCING ACTIVITIES</b>		
Zakat and income tax paid	(37,019,341)	(31,900,291)
Dividends paid	(220,135,282)	(115,000,000)
<b>Net cash used in financing activities</b>	<b>(257,154,623)</b>	<b>(146,900,291)</b>
<b>Net change in cash and cash equivalents</b>	<b>(181,345,511)</b>	<b>10,957,155</b>
Cash and cash equivalents, January 1	1,022,122,495	655,052,918
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<b>840,776,984</b>	<b>666,010,073</b>
<b><u>Additional disclosure for non-cash transactions</u></b>		
Bad debts written-off	13,725	-
Inventory written-off	100,059	-
Unpaid declared dividends	1,750,446	-
Zakat and income tax liabilities debited to retained earnings	24,690,675	25,441,908

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board of Directors' Member

The accompanying notes form an integral part of these unaudited interim financial statements



**SAUDI AIRLINES CATERING COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2013**  
**(Expressed in Saudi Riyals)**

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**1. ORGANIZATION AND ACTIVITIES**

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

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

On December 26, 2010 the shareholders resolved to amend the Articles of Association to reflect the sale of 3% of Saudia's shares in the Company to Saudi Airlines Company Limited, Saudia Private Aviation Company Limited and Saudia Real Estate and Development Company Limited which are wholly owned subsidiaries of Saudia. Furthermore, the shareholders decided to convert the Company from a limited liability company to a closed joint stock company and divide the capital of the Company which amounted to SR 100,767,000 into 10,076,700 ordinary shares of SR 10 each instead of 1,007,670 shares of SR 100 each. The Company obtained the approval of the Minister of Commerce and Industry for the above sale and conversion on 29/1/1432 (January 4, 2011) and obtained the amended Commercial Registration on 10/3/1432 (February 13, 2011).

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

During the period from 28 Rajab, 1433 (June 18, 2012) to 4 Shaban, 1433 (June 24, 2012), the Company sold 24.6 million shares through an initial public offering representing 30% of the Company's share capital at SR 54 per share including the nominal value amounting to SR 10 per share and an issue premium of SR 44 per share. Thus, the Company converted into a public joint stock company and commenced trading on the Tadawul in the Kingdom of Saudi Arabia on July 9, 2012. Following the sale of shares, the Company is owned as follows:

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

The Company obtained the amended commercial registration reflecting the public offering and in the process of obtaining the amended by-laws.

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

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



**SAUDI AIRLINES CATERING COMPANY  
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(Expressed in Saudi Riyals)**

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On August 2, 2012, the board of directors resolved to establish a limited liability company with a share capital of SR 30 million to be mainly owned and controlled by the Company. The new established company will be under the name of Saudi Airlines Catering Services ("SAC Services") and will include "business and industry" catering activity which is currently part of the Company's operation.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying interim unaudited financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The accounting policies adopted by the Company for the preparation of these interim unaudited financial statements are consistent with those used for the preparation of the annual statutory financial statements.

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

**Use of estimates**

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

**Revenue recognition**

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

**Expenses**

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

**Inventories**

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

**Financial assets and financial liabilities**

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

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

**Impairment of financial assets**

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

**SAUDI AIRLINES CATERING COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
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**(Expressed in Saudi Riyals)**

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

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

**Held to maturity investment**

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

**Property, plant and equipment**

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

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

**Impairment of non-current assets**

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

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

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

**Foreign currency transactions**

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

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2013**  
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**End-of-service indemnities**

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

**Zakat and income tax**

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

**Leasing**

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

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

**Segmental analysis**

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

- Catering, which includes business lounges, non-airlines and others;
- Sky sales.

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

**3. HELD TO MATURITY INVESTMENT**

The held to maturity investment represents investment in the SBG Sukuk Limited with return of SIBOR plus a margin of 1.7 per cent calculated quarterly. The Sukuk shall be liquidated on 7<sup>th</sup> October 2015 but SBG Sukuk Limited has the ability to redeem the Sukuk on the periodic distribution date falling on 7<sup>th</sup> April 2015 by serving a call option notice. The Company has purchased the investment for an amount of SR 100,000,000.

**4. ZAKAT AND INCOME TAX**

The Company has charged directly to its retained earnings the zakat and income tax liabilities for the period amounting to SR 24,690,675 (2012: SR 25,441,908).

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

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2013**  
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**5. RELATED PARTY TRANSACTIONS**

<u>Name</u>	<u>Relationship</u>
Saudi Arabian Airlines Corporation ("Saudia")	Stockholder
Newrest Group Holding S.L.	One of the ultimate stockholders
Saudi Airlines Cargo Company	Affiliate
Saudi Ground Services Company	Affiliate
Board of Directors	Connected persons

The significant transactions and the related approximate amounts are as follows:

	<u>2013</u> <u>(Unaudited)</u>	<u>2012</u> <u>(Unaudited)</u>
Catering and other services rendered to Saudia	641,025,000	537,552,000
Services and other expenses charged by Saudia	166,000	5,171,000
Net services charged and expenses re-allocated to Saudi Ground Services Company	21,828,000	17,601,000
Net services rendered to/charged by Saudi Airlines Cargo Company	4,614,000	11,492,000
Management fees	6,000,000	6,000,000
Board of directors' fees and expenses	945,000	948,000

Due from related parties as of June 30 are comprised of the following:

	<u>2013</u> <u>(Unaudited)</u>	<u>2012</u> <u>(Unaudited)</u>
Saudi Arabian Airlines Corporation – trade accounts ("Saudia") (net of allowance for doubtful debts of SR 8,281,927 and SR 11,329,891 in 2012)	372,995,228	575,340,434
Saudi Ground Services Company	7,813,973	16,908,117
Saudi Airlines Cargo Company	2,241,429	15,290,348
	<u>383,050,630</u>	<u>607,538,899</u>

Catering and other services rendered to Saudi Arabian Airlines Corporation during the period represent 69% (2012: 67%) of total revenues of the Company.

**6. DIVIDENDS**

In their ordinary general meeting assembly on April 8, 2013, the shareholders approved the distribution of dividends of SR 118 million which is equivalent to SR 1.43 per share from the Company's retained earnings as of December 31, 2012 which was paid during the period. The shareholders also approved at the meeting, the additional distribution of SR 103 million which is equivalent to SR 1.26 per share, from the Company's interim profit which was paid during the period.

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



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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2013**  
(Expressed in Saudi Riyals)

**7. EARNINGS PER SHARE**

	Period from April 1 to June 30		Period from January 1 to June 30	
	2013	2012	2013	2012
<i>EPS from net operations</i>				
Net income	167,984,564	143,123,444	308,733,933	249,044,975
Weighted average number of shares	82,000,000	82,000,000	82,000,000	82,000,000
Earnings per share	2.05	1.75	3.77	3.04
<i>EPS from continuing operations</i>				
Operating income	157,354,221	142,419,238	296,402,771	247,110,599
Weighted average number of shares	82,000,000	82,000,000	82,000,000	82,000,000
Earnings per share	1.92	1.74	3.61	3.01
<i>EPS from non-operating operations</i>				
Non-operating income	10,630,343	704,206	12,331,162	1,934,376
Weighted average number of shares	82,000,000	82,000,000	82,000,000	82,000,000
Earnings per share	0.13	0.01	0.15	0.03

**8. OTHER OPERATING REVENUES**

	Three month period ended June 30, 2013 (Unaudited)	Three month period ended June 30, 2012 (Unaudited)	Six month period ended June 30, 2013 (Unaudited)	Six month period ended June 30, 2012 (Unaudited)
Camp facilities sales (staff feeding & accommodation)	10,244,583	9,276,280	20,974,987	18,552,530
Exclusivity purchase income & services to suppliers	6,206,609	5,464,287	11,138,863	9,512,300
Transfer of airline equipment charges	3,262,783	3,231,407	9,129,792	7,266,716
	<b>19,713,975</b>	<b>17,971,974</b>	<b>41,243,642</b>	<b>35,331,546</b>

**9. OTHER OPERATING COSTS**

	Three month period ended June 30, 2013 (Unaudited)	Three month period ended June 30, 2012 (Unaudited)	Six month period ended June 30, 2013 (Unaudited)	Six month period ended June 30, 2012 (Unaudited)
Communications and utilities	3,003,498	2,680,290	6,251,521	5,278,438
Supplies and expandable items	7,880,138	6,160,256	14,824,996	11,998,296
Service agreement	12,720,249	12,667,790	25,150,126	21,162,451
Other operational costs	4,997,147	(1,169,157)	9,321,576	3,319,241
	<b>28,601,032</b>	<b>20,339,179</b>	<b>55,548,219</b>	<b>41,758,426</b>

**SAUDI AIRLINES CATERING COMPANY**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2013**  
(Expressed in Saudi Riyals)

**10. COMMITMENTS AND CONTINGENCIES**

As of June 30, the Company had the following commitments and contingencies:

	2013 (Unaudited)	2012 (Unaudited)
Commitments for future capital commitments	46,359,080	2,020,778

**11. 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 Company's activities consist of the following business segments:

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

The Company's assets, liabilities and results of operations as of and for the six month period ended June 30, 2013 and 2012 by business segments are detailed below:

	Catering	Sky sales	Total
<b><u>2013 (Unaudited)</u></b>			
Assets	1,559,974,568	68,115,102	1,628,089,670
Liabilities	450,684,346	52,860,185	503,544,531
Sales and revenues	831,342,516	95,263,777	926,606,293
Net income	276,736,978	31,996,955	308,733,933
<b><u>2012 (Unaudited)</u></b>			
Assets	1,349,047,852	230,178,738	1,579,226,590
Liabilities	438,610,033	51,011,013	489,621,046
Sales and revenues	712,531,982	85,524,286	798,056,268
Net income	220,866,652	28,178,323	249,044,975

**12. STATUTORY RESERVE**

In accordance with Regulations for Companies in the Kingdom of Saudi Arabia and the Company's Bye-laws, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution. The Company has appropriated the required statutory reserve for the period ended June 30, 2013 based on the interim unaudited financial statements. Such reserve will be adjusted based on the final annual statutory financial statements.

**13. FAIR VALUES**

The fair value of the Company's financial assets and liabilities approximate their carrying amount.