

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

**UNAUDITED INTERIM FINANCIAL STATEMENTS AND**  
**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**  
**FOR THE THREE MONTH PERIOD ENDED**  
**MARCH 31, 2014**

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

**UNAUDITED INTERIM FINANCIAL STATEMENTS AND  
INDEPENDENT ACCOUNTANTS' REVIEW REPORT  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2014**

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the stockholders  
Saudi Airlines Catering Company  
Jeddah, Saudi Arabia

### Scope of Review

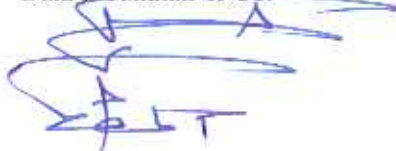
We have reviewed the interim balance sheet of SAUDI AIRLINES CATERING COMPANY (a Saudi Joint Stock Company) (the "Company") as of March 31, 2014 and the related interim statements of income, stockholders' equity and cash flows for the three month period then ended, and notes 1 to 14 which form an integral 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

13 Jumada'II, 1435  
April 13, 2014


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

**INTERIM BALANCE SHEET**  
**AS OF MARCH 31, 2014**  
(Expressed in Saudi Riyals)

	Note	March 31, 2014 (Unaudited)	March 31, 2013 (Unaudited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		935,511,280	1,084,969,472
Accounts receivable - trade		60,879,782	61,462,782
Due from related parties	5	439,615,072	330,944,045
Inventories		75,928,253	77,655,563
Prepaid expenses and other receivables		102,064,238	68,009,522
<b>Total current assets</b>		<b>1,613,998,625</b>	<b>1,623,041,384</b>
<b>Non-current assets</b>			
Held to maturity investments	3	140,000,000	-
Property, plant and equipment		114,341,264	91,266,763
<b>Total non-current assets</b>		<b>254,341,264</b>	<b>91,266,763</b>
<b>TOTAL ASSETS</b>		<b>1,868,339,889</b>	<b>1,714,308,147</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable - trade		137,926,698	141,623,790
Due to related parties	5	6,560,481	8,212,129
Dividends payable	6	139,407,378	686,508
Accrued expenses and other liabilities		249,371,753	254,490,366
Zakat and income tax payable	4	51,417,492	12,481,296
<b>Total current liabilities</b>		<b>584,683,802</b>	<b>417,494,089</b>
<b>Non-current liabilities</b>			
End-of-service indemnities		113,148,687	106,847,382
<b>Total non-current liabilities</b>		<b>113,148,687</b>	<b>106,847,382</b>
<b>Stockholders' equity</b>			
Share capital	1	820,000,000	820,000,000
Statutory reserve	12	167,534,819	108,496,555
Retained earnings		182,972,581	261,470,121
<b>Total stockholders' equity</b>		<b>1,170,507,400</b>	<b>1,189,966,676</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>1,868,339,889</b>	<b>1,714,308,147</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 PERIOD ENDED MARCH 31, 2014**  
**(Expressed in Saudi Riyals)**

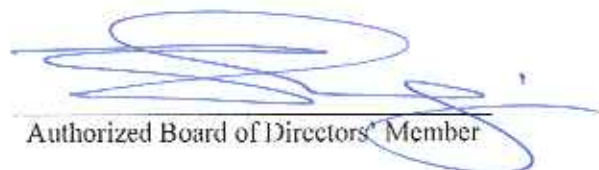
	Note	Three month period ended March 31, 2014 (Unaudited)	Three month period ended March 31, 2013 (Unaudited)
<b>Revenues:</b>			
In-flight catering revenue		378,214,709	345,009,612
Sky sales revenue		49,018,513	47,340,070
Business lounge revenue		19,789,413	15,810,285
Non-airlines revenue		36,900,947	32,475,889
Other operating revenues	8	12,762,186	10,886,763
<b>Total revenues</b>	11	<b>496,685,768</b>	<b>451,522,619</b>
<b>Cost of revenues</b>			
Cost of materials and goods		204,490,087	186,914,920
Personnel costs		43,493,063	43,917,862
Rent and maintenance of production units		21,965,194	20,755,359
Depreciation		3,348,298	3,191,560
Other operating costs	9	27,827,020	26,947,187
<b>Total cost of revenues</b>		<b>301,123,662</b>	<b>281,726,888</b>
<b>Gross profit</b>		<b>195,562,106</b>	<b>169,795,731</b>
General and administrative expenses		39,815,523	30,747,181
<b>Operating income</b>		<b>155,746,583</b>	<b>139,048,550</b>
Other revenues and expense, net		6,033,517	1,700,819
<b>NET INCOME</b>	11	<b>161,780,100</b>	<b>140,749,369</b>
Earnings per share from net income	7	<b>1.973</b>	<b>1.716</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 STOCKHOLDERS' EQUITY (UNAUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2014**  
**(Expressed in Saudi Riyals)**

	Note	Share capital	Statutory reserve	Retained earnings	Total
January 1, 2013	1	820,000,000	94,421,618	147,276,985	1,061,698,603
Net income for the period		-	-	140,749,369	140,749,369
Transfer to statutory reserve	12	-	14,074,937	(14,074,937)	-
Zakat and income tax	4	-	-	(12,481,296)	(12,481,296)
March 31, 2013		820,000,000	108,496,555	261,470,121	1,189,966,676
Balance, January 1, 2014		820,000,000	151,356,809	187,272,203	1,158,629,012
Net income for the period		-	-	161,780,100	161,780,100
Transfer to statutory reserve	12	-	16,178,010	(16,178,010)	-
Zakat and income tax	4	-	-	(13,144,090)	(13,144,090)
Dividends	6	-	-	(136,757,622)	(136,757,622)
March 31, 2014		820,000,000	167,534,819	182,972,581	1,170,507,400



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 CASH FLOWS**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2014**  
(Expressed in Saudi Riyals)

	Three month period ended March 31, 2014 (Unaudited)	Three month period ended March 31, 2013 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Net income	161,780,100	140,749,369
Adjustments for:		
Depreciation	4,075,247	3,823,439
Reversal of allowance for doubtful debts	(2,428,789)	(5,266,349)
Allowance for/(reversal of) slow moving inventories	461,079	(2,212,931)
Gain from disposal of property, plant and equipment	(21,588)	(91,543)
Provision for end-of-service indemnities	3,654,362	5,230,919
Investment income	(1,606,116)	-
Changes in operating assets and liabilities:		
Accounts receivable - trade	(2,509,576)	(2,988,093)
Due from related parties	(83,027,513)	(74,213,326)
Inventories	240,419	(2,162,502)
Prepaid expenses and other receivables	(32,637,651)	(6,625,220)
Accounts payable - trade	(8,106,268)	(10,007,600)
Due to related parties	6,560,481	8,212,129
Accrued expenses and other liabilities	18,644,565	17,170,092
Cash generated from operations	65,078,752	71,618,384
End-of-service indemnities paid	(2,912,719)	(3,816,727)
<b>Net cash from operating activities</b>	<b>62,166,033</b>	<b>67,801,657</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(20,305,268)	(5,559,011)
Proceeds from disposal of property, plant and equipment	30,000	606,829
Investment income received	678,500	-
<b>Net cash used in investing activities</b>	<b>(19,596,768)</b>	<b>(4,952,182)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(142,785)	(2,498)
<b>Net cash used in financing activities</b>	<b>(142,785)</b>	<b>(2,498)</b>
<b>Net change in cash and cash equivalents</b>	<b>42,426,480</b>	<b>62,846,977</b>
Cash and cash equivalents, January 1	893,084,800	1,022,122,495
<b>CASH AND CASH EQUIVALENTS, MARCH 31</b>	<b>935,511,280</b>	<b>1,084,969,472</b>
<b>Additional disclosure for non-cash transactions:</b>		
Bad debts written-off	-	9,075
Unpaid declared dividends	139,407,378	686,508
Zakat and income tax charged to retained earnings	13,144,090	12,481,296
Accrued investment income classified to prepaid expenses and other receivables	927,616	-

  
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**  
**THREE MONTH PERIOD ENDED MARCH 31, 2014**  
**(Expressed in Saudi Riyals)**

**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:

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

The Company has obtained the amended commercial registration and the amended by-laws reflecting the public offering.

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

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



**SAUDI AIRLINES CATERING COMPANY**  
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**THREE MONTH PERIOD ENDED MARCH 31, 2014**  
(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 which has still not been incorporated will be under the name of Saudi Airlines Catering Services ("SAC Services") and will include "business and industry" catering activity which is currently part of the Company's operation.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying 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, investments held to maturity, accounts receivable-trade and amounts due from related parties. Except for investments, 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, amounts due to a related party and dividends payable and are stated at their nominal values.

**SAUDI AIRLINES CATERING COMPANY**  
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**THREE MONTH PERIOD ENDED MARCH 31, 2014**  
(Expressed in Saudi Riyals)

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The held to maturity investments are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense over the relevant period.

**Impairment of financial assets**

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

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

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

**Held to maturity investment**

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

**Property, plant and equipment**

Land is recorded at cost.

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

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

**SAUDI AIRLINES CATERING COMPANY**  
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**THREE MONTH PERIOD ENDED MARCH 31, 2014**  
**(Expressed in Saudi Riyals)**

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from the asset. The excess of the carrying amount over the present value of the estimated future cash flows from the assets is considered an impairment loss.

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

**Foreign currency transactions**

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

**End-of-service indemnities**

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

**Zakat and income tax**

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

**Leasing**

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

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

**Dividends**

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

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

**Segmental analysis**

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

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**THREE MONTH PERIOD ENDED MARCH 31, 2014**  
(Expressed in Saudi Riyals)

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- 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 INVESTMENTS**

The held to maturity investments consist of investments:

- The Saudi Binladin Group Sukuk Limited with a return of SIBOR plus a margin of 1.7 per cent is calculated quarterly and it shall be liquidated on October 7, 2015 but Saudi Binladin Group Sukuk Limited has the ability to redeem the Sukuk periodically after April 7, 2015 by serving a call option notice. The Company has purchased the investment for an amount of SR 100,000,000.
- The Saudi British Bank (SABB) Sukuk ("Sukuk II") with a return SIBOR plus a margin of 1.4 per cent is calculated semi-annually. The Sukuk II shall be liquidated in 2020 but SABB has the ability to redeem the Sukuk in 2018 by serving a call option notice. The Company has purchased the investment in Sukuk II for an amount of SR 40,000,000.

**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 13,144,090 (2013: SR 12,481,296).

The Company has submitted its zakat and income tax declarations for the years 2009, 2010, 2011, 2012 and 2013. The Company has paid the amounts due according to the declarations which are currently under review by the DZFI.

**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
Alhokair Group Joint Stock Company	One of the ultimate stockholders
Saudi Ground Services Company	Affiliate
Saudia Airlines Real Estate Development Company	Affiliate
Board of Directors	Connected persons



**SAUDI AIRLINES CATERING COMPANY**  
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**THREE MONTH PERIOD ENDED MARCH 31, 2014**  
(Expressed in Saudi Riyals)

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

	Three month period ended March 31, 2014 (Unaudited)	Three month period ended March 31, 2013 (Unaudited)
Catering and other services rendered to Saudia	329,113,000	310,372,000
Services and other expenses charged by Saudia	1,321,000	166,000
Net services charged and expenses re-allocated to Saudi Ground Services Company	6,111,000	10,815,000
Re-allocation of leasing charges	56,000	-
Net services rendered to/charged by Saudi Airlines Cargo Company	2,831,000	617,000
Net services rendered to/charged by Alhokair Group Joint Stock Company	496,000	808,385
Management fees to Newrest	4,000,000	3,000,000
Board of directors' fees and expenses	550,000	495,000

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

	March 31, 2014 (Unaudited)	March 31, 2013 (Unaudited)
Saudi Arabian Airlines Corporation ("Saudia") - trade (net of allowance for doubtful debts of SR 10,451,362 in 2014 and SR 9,033,886 in 2013)	417,870,790	324,813,991
Alhokair Group Joint Stock Company	375,072	241,695
Saudi Ground Services Company	10,392,395	5,888,359
Saudi Airlines Cargo Company	10,976,815	-
	<u>439,615,072</u>	<u>330,944,045</u>

Catering and other services rendered to Saudi Arabian Airlines Corporation during the period represent 66% (2013: 69%) of total revenues of the Company.

Due to related parties as of March 31 are comprised of the following:

	March 31, 2014 (Unaudited)	March 31, 2013 (Unaudited)
Saudia Airlines Real Estate Development Company	6,560,481	6,672,931
Saudi Airlines Cargo Company	-	1,539,198
	<u>6,560,481</u>	<u>8,212,129</u>

## 6. DIVIDENDS

In their ordinary general meeting assembly on March 31, 2014, the stockholders approved the distribution of dividends from the Company's retained earnings as of December 31, 2013 of SR 136.8 million which is equivalent to SR 1.75 per share before income tax deduction.

SAUDI AIRLINES CATERING COMPANY  
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
THREE MONTH PERIOD ENDED MARCH 31, 2014  
(Expressed in Saudi Riyals)

7. EARNINGS PER SHARE

	Three month period ended March 31, 2014 (Unaudited)	Three month period ended March 31, 2013 (Unaudited)
<i>EPS from net income</i>		
Net income	161,780,100	140,749,369
Weighted average number of shares	82,000,000	82,000,000
Earnings per share	1.973	1.716
<i>EPS from continuing operations</i>		
Operating income	155,746,583	139,048,550
Weighted average number of shares	82,000,000	82,000,000
Earnings per share	1.899	1.696
<i>EPS from non-operating operations</i>		
Non-operating income	6,033,517	1,700,819
Weighted average number of shares	82,000,000	82,000,000
Earnings per share	0.074	0.020

8. OTHER OPERATING REVENUES

	Three month period ended March 31, 2014 (Unaudited)	Three month period ended March 31, 2013 (Unaudited)
Camp facilities sales (staff feeding & accommodation )	16,667	87,500
Exclusivity purchase income & services to suppliers	6,343,666	4,932,254
Transfer of airline equipment charges	6,401,853	5,867,009
	<u>12,762,186</u>	<u>10,886,763</u>

9. OTHER OPERATING COSTS

	Three month period ended March 31, 2014 (Unaudited)	Three month period ended March 31, 2013 (Unaudited)
Communications and utilities	3,990,341	3,248,023
Supplies and expandable items	6,495,589	6,944,858
Service agreement	8,018,593	12,429,877
Other operational costs	9,322,497	4,324,429
	<u>27,827,020</u>	<u>26,947,187</u>

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**10. COMMITMENTS AND CONTINGENCIES**

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

	<b>March 31, 2014 (Unaudited)</b>	<b>March 31, 2013 (Unaudited)</b>
Commitments for future capital commitments	<b>44,254,056</b>	<b>32,701,303</b>

**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 three month period ended March 31, 2014 and 2013 by business segments are detailed below:

	<b>Catering</b>	<b>Sky sales</b>	<b>Total</b>
<b><u>2014 (Unaudited)</u></b>			
Assets	<b>1,786,624,965</b>	<b>81,714,924</b>	<b>1,868,339,889</b>
Liabilities	<b>647,245,366</b>	<b>50,587,123</b>	<b>697,832,489</b>
Sales and revenues	<b>447,667,255</b>	<b>49,018,513</b>	<b>496,685,768</b>
Net income	<b>145,475,335</b>	<b>16,304,765</b>	<b>161,780,100</b>
<b><u>2013 (Unaudited)</u></b>			
Assets	<b>1,646,332,829</b>	<b>67,975,318</b>	<b>1,714,308,147</b>
Liabilities	<b>468,179,139</b>	<b>56,162,332</b>	<b>524,341,471</b>
Sales and revenues	<b>404,182,549</b>	<b>47,340,070</b>	<b>451,522,619</b>
Net income	<b>124,527,479</b>	<b>16,221,890</b>	<b>140,749,369</b>

**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 three month period ended March 31, 2014 based on the interim unaudited financial statements. Such reserve will be adjusted based on the final annual statutory financial statements.

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**13. FAIR VALUES**

The fair value of the Company's financial assets and liabilities approximates their carrying amounts.

**14. COMPARATIVE FIGURES**

Certain figures for 2013 have been reclassified to conform with the presentation in the current period.