Saudi Airlines Catering Company Main Prospectus

Sale of 24,600,000 Shares representing 30% of Saudi Airlines Catering Company through an Initial Public Offering at an Offer Price of SAR 54 per Share

A Saudi Joint Stock Company with Commercial Registration No. 4030175741 and which was converted into a joint stock company pursuant to the Resolution of the Minister of Commerce and Industry Number. 68/K dated 22/2/1432H (corresponding to 26 January 2011G)

Offer Period: 28/7/1433H to 4/8/1433H (corresponding to 18/6/2012G to 24/6/2012G)

Saudi Airlines Catering Company ("SACC" or the "Company") was founded as a limited liability company in Saudi Arabia with commercial registration number 4030175741 on 20/1/1429H (corresponding to 29 January 2008G) with a share capital of SAR 100,767,000 divided into 1,007,670 shares of SAR 100 each. The Company was converted into a joint stock company pursuant to the Resolution of the Minister of Commerce and Industry Number 68/K dated 22/2/1432H (corresponding to 26 January 2011G) with a share capital of SAR 100,767,000 divided into 10,076,700 ordinary shares of SAR 10 each. Pursuant to the resolution of the Extraordinary General Assembly held on 14/4/1432H (corresponding to 19 March 2011G), the capital of the Company was increased from SAR 100,767,000 to SAR 820,000,000 divided into 82,000,000 ordinary shares of SAR 10 each (the "Shares") through the capitalisation of (i) SAR 658,791,392 from the Company's retained earnings; (ii) SAR 13,718,428 from the Company's general reserve; and (iii) SAR 46,723,180 from the Company's statutory reserve.

The Initial Public Offering (the "Offering") of 24,600,000 Shares (the "Offer Shares") with a fully paid nominal value of SAR 10 each and at a price of SAR 54 per Share, and representing 30% of the issued share capital of the Company, is directed at and may only be accepted by:

- Tranche (A): Institutional investors consisting of a number of institutions that were approached by the Bookrunner after discussions with the Company and the Selling Shareholders and based on certain pre-defined criteria set forth by the Capital Market Authority ("CMA") (the "Institutional Investors"). The number of Offer Shares to be initially allocated to Institutional Investors is 24,600,000 Shares, representing 100% of the Offer Shares. The Bookrunner has the right to reduce the number of Offer Shares provisionally allocated to Institutional Investors to 12,300,000 Shares, representing 50% of the Offer Shares, in the event there is sufficient demand by Individual Investors (as defined in Tranche (B) below) and subject to the CMA's consent; and
- Tranche (B): Individual investors including Saudi Arabian natural persons, including Saudi women who are divorced or widowed and who have children by a non-Saudi husband who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit provided that any such woman provides evidence that she is the child's mother and that she is widowed or divorced (collectively "Individual Investors" and severally "Individual Investor"). The subscription by a person in the name of his divorced wife shall be deemed invalid and in such cases, the relevant regulations shall be enforced against that person. A maximum of 12,300,000 Shares representing 50% of the Offer Shares shall be allocated to Individual Investors.

The Offer Shares are being sold by the shareholders whose names appear on page XIV (collectively, the "Selling Shareholders"), and who collectively own 100% of the Shares. Upon completion of the Offering, Saudi Arabian Airlines Corporation ("Saudia") and Strategic Catering Company LLC ("SCCL"), two of the Selling Shareholders, will collectively own 70% of the Shares and will consequently retain a controlling interest in the Company. The proceeds from the Offering, after deducting the Offering expenses (the "Net Proceeds"), will be distributed to the Selling Shareholders on a pro-rata basis based on each Selling Shareholder's percentage ownership in the Offer Shares being sold in the Offering and the Company will not receive any part of the Net Proceeds (see section 11 "Use of Proceeds").The Underwriters have committed to fully underwrite the Offering (see section 14 "Underwriting"). Saudia will be restricted from disposing of its Shares for four years from the date of Admission and SCCL will be restricted from disposing of any of its Shares until the Company has published its balance sheet and its profit and loss account for the financial year ending 31 December 2013G. Following the end of these periods, Saudia and SCCL may only dispose of their respective Shares after obtaining the approval of the CMA.

The Offering will commence on 28/7/1433H (corresponding to 18/6/2012G) and will remain open for a period of 7 days up to and including 4/8/1433H (corresponding to 24/6/2012G) (the "Offering Period"). Subscription to the Offer Shares can be made through branches of the selling agents (the "Selling Agents") listed on pages IX and X during the Offering Period (see the "How to Apply" section on page XV).

Each Individual Investor who subscribes to the Offer Shares (each a "Subscriber" and collectively the "Subscribers") must apply for a minimum of 10 Offer Shares. The maximum number of Offer Shares for which a Subscriber may apply is 250,000. The minimum allocation per Subscriber is 10 Offer Shares, and the balance of the Offer Shares (if available) will be allocated on a pro-rata basis. In the event that the number of Subscribers exceeds 1,230,000, the Company will not guarantee the minimum allocation of 10 Offer Shares per Subscriber, and the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds 12,300,000, the allocation will be determined at the discretion of the CMA. Excess subscription monies, if any, will be refunded to the Subscribers without any charge or withholding by the Selling Agents. Notification of the final allotment and refund of subscription monies, if any, will be made by 11/8/1433H (corresponding to 1/7/2012G) (see section 15 "Subscription Terms and Conditions").

The Company has one class of shares. Each Share entitles the holder to one vote, and each shareholder (a "Shareholder") with at least 20 Shares has the right to attend and vote at a General Assembly. No Shareholder benefits from any preferential voting rights. The Offer Shares will entitle holders to receive dividends declared by the Company after the approval of the Offering by CMA and subsequent fiscal years (see section 9 "Dividend Policy").

Prior to the Offering, there has been no public market for the Shares in Saudi Arabia or elsewhere. An application has been made to the CMA for the admission of the Shares to the Official List, all supporting documents required by the CMA have been supplied, and all relevant approvals pertaining to this prospectus (the "Prospectus") and the Offering have been granted. Trading in the Offer Shares is expected to commence on the Saudi Stock Exchange (the "Exchange") shortly after the final allocation of the Offer Shares (see the "Key Dates for Investors" section on page XV). Following admission of the Shares to the Official List, Saudi nationals and nationals of other GCC countries, companies, banks and funds, as well as non-Saudi individuals who are residents in the Kingdom, will be permitted to trade in the Shares. Furthermore, non-Saudi natural persons who are not residents in the Kingdom and institutions incorporated outside the Kingdom (each, a "Foreign Investor") are permitted to acquire an economic interest in the Shares by entering into a swap agreement with a person authorised by the CMA to acquire, hold and trade in shares on Tadawul on behalf of a Foreign Investor (the "Authorised Person"). Under such swap agreements, the Authorised Person will be the registered legal owner of such Shares.

The "Important Notice" and section 2 "Risk Factors" of this Prospectus should be considered carefully prior to making a decision to invest in the Offer Shares.

Financial Advisor, Lead Manager and Bookrunner — Saudi Fransi Capital

Underwriters — Saudi Fransi Capital, Saudi Hollandi Capital

Selling Agents

NCB, Al Rajhi Bank, anb, Bank AlBilad, Bank AlJazira, Banque Saudi Fransi, riyad bank, SABB, samba, Saudi Hollandi Bank, The Saudi Investment Bank

This Prospectus includes information given in compliance with the Listing Rules of the Capital Market Authority of the Kingdom of Saudi Arabia (the "Authority"). The Directors, whose names appear on page IV, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Saudi Stock Exchange do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

24/7/1433H (corresponding to 14/6/2012G)

English Translation of the Official Arabic Prospectus.

Important Notice

This Prospectus contains detailed information relating to the Company and the Offer Shares. When applying for the Offer Shares, investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Company, the Lead Manager, the Selling Agents or by visiting the websites of the Company (www.saudiacatering.com) or the CMA (www.cma.org.sa).

Saudi Fransi Capital ("SFC") has been appointed by the Company to act as a financial advisor in respect to the Offering (the "Financial Advisor"). SFC has also been appointed as lead manager ("Lead Manager") and bookrunner (the "Bookrunner"). Saudi Hollandi Capital ("SHC"), along with SFC, have been appointed as underwriters (each, an "Underwriter" and together, the "Underwriters") in relation to the Offering.

This Prospectus includes information given in compliance with the Listing Rules of the Capital Market Authority of the Kingdom of Saudi Arabia ("CMA"). The Directors, whose names appear in section 6.1 "*Corporate Structure and Governance – Board Members*", collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, a substantial portion of the information in the Prospectus which is relevant to the market and industry in which the Company operates is derived from external sources, and while neither the Financial Advisor, the Company nor any of the Company's advisors, whose names appear on pages VI and VII of this Prospectus (the "Advisors"), has any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors has independently verified such information, and no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments in inflation, interest rates, taxation or other economic, political and other factors, over which the Company has no control (see section 2 "*Risk Factors*"). Neither the delivery of this Prospectus nor any oral or written information in relation to the Offer Shares is intended to be, or should be construed as or relied upon in any way as, a promise, affirmation or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of the Company, the Directors, the Selling Shareholders or the Advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and must rely on its own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs.

The Offering is directed at, and may be accepted only by:

Tranche (A): Institutional investors consisting of a number of institutions that were approached by the Bookrunner after discussions with the Company and the Selling Shareholders and based on certain pre-defined criteria set forth by the CMA; or

Tranche (B): Individual investors including Saudi Arabian natural persons including Saudi women who are divorced or widowed and who have children by a non-Saudi husband who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit. The subscription by a person in the name of his divorced wife shall be deemed invalid and in such cases, the relevant regulations shall be enforced against that person.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than Saudi Arabia are expressly prohibited. The Company, the Selling Shareholders and the Financial Advisor require recipients of this Prospectus to inform themselves of any regulatory restrictions relevant to this Offering and the sale of the Offer Shares and to observe all such restrictions.

Industry and Market Data

In this Prospectus, information and data on the catering industry in the Middle East and the Kingdom have been obtained or derived from (i) the market research in respect of the non-airline catering sector conducted on behalf of the Company by Digma Management Consulting AG ("Digma"), an independent consulting firm specialising in the industry; (ii) the report titled "Airline Industry Forecast, 2011-2015" published by the International Air Transport Association ("IATA") in October 2011; and (iii) publicly available information in respect of the airline catering sector as stated below.

The Company believes that third-party information and data included in this Prospectus, including (i) the information obtained or derived from the market research in respect of the non-airline catering sector conducted by Digma and the report titled "Airline Industry Forecast, 2011-2015" published by IATA; (ii) the information obtained from the websites of the General Authority of Civil Aviation in Saudi Arabia ("GACA") and the Central Department of Statistics and Information ("CDSI"); and (iii) the information extracted from the economic report titled "Quota Counting" published by BSF's economic research department on 14 June 2011, is reliable and has no reason to believe that such information is materially inaccurate, but none of the Company, the Directors, the Selling Shareholders or the Advisors have independently verified such information and data, and no guarantee can be provided as to its accuracy or completeness.

Neither Digma, nor any of its affiliates, shareholders, directors or their relatives hold any shareholding or any interest in the Company. Digma has given and not withdrawn its written consent to the use of the information supplied by it to the Company in the manner and format set out in this Prospectus, and the Directors believe that this information, these sources and these estimates are authentic and have no cause to believe that their findings are materially inaccurate.

Financial and Statistical Information

The audited financial statements for the financial years ended 31 December 2009G, 2010G and 2011G, and the notes thereto which were reviewed by Deloitte & Touche Bakr Abulkhair & Co (the "Auditors"), each of which are incorporated in section 17 "*Accountant's Report*", have been prepared in conformity with the Generally Accepted Accounting Principles published by the Saudi Organization for Certified Public Accountants ("SOCPA"). The Company publishes its financial statements in Saudi Arabian Riyals.

The financial and statistical information contained in this Prospectus is subject to rounding. Accordingly, where numbers have been rounded up or down, percentages may not add up to 100%.

Where statistical information has been sourced for publication in this Prospectus, the Company believes that the information represents the latest information available from the relevant particular source.

Forecasts and Forward-Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no affirmation, representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute "forward-looking statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be", or the negative thereof or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (see section 2 "*Risk Factors*" and section 4 "*The Company*"). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus.

Subject to the requirements of the Listing Rules, the Company must submit a supplementary Prospectus to the CMA if at any time after the Prospectus has been approved by the CMA and before admission to the Official List, the Company becomes aware that (i) there has been a significant change in any material information contained in the Prospectus or any document required by the Listing Rules, or (ii) additional significant matters have become known which would have been required to be included in the Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the foregoing and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Definitions and Abbreviations

For an explanation of certain defined terms and abbreviations, please see section 1 "*Definitions and Abbreviations*".

Corporate Directory

Board of Directors

Name	Nationality	Position	Status	Independence	Direct or indirect Share ownership after the Offering
Mr. Khalid Abdullah Al-Molhem	Saudi	Chairman	Non-executive	Non-Independent	None
Mr. Sami Abdulmohsen Al Hokair	Saudi	Member	Non-executive	Non-Independent	None
Mr. Shawgi Mohammed Mushtag	Saudi	Member	Non-executive	Non-Independent	None
Mr. Basel Mohammed Algadhib	Saudi	Member	Non-executive	Non-Independent	None
Mr. Yousef Abdul Sattar El Maimani	Saudi	Member	Non-executive	Non-Independent	None
Mr. Jonathan Stent-Torriani	Swiss	Member	Non-executive	Non-Independent	1.47% (indirect ownership through Newrest)
General Abdul Aziz Saif Al-Saif (Retired)	Saudi	Member	Non-executive	Independent	None
Mr. Fahd Abdulmohsen Al Rasheed	Saudi	Member	Non-executive	Independent	None
Mr. Hasan Shakib Al Jabri	Saudi	Member	Non-executive	Independent	None

Source: Company

In accordance with the Companies Regulations, 1,000 Shares have been transferred by Saudia and SCCL to each Director and the corresponding share certificates have been deposited with BSF.

Registered Office	
	Saudi Airlines Catering Company Al Khalidiya District Saudia City P.O. Box 9178, Jeddah 21413 Kingdom of Saudi Arabia Tel: +966 2 686 0011 Fax: +966 2 686 4889 www.saudiacatering.com marketing@saudiacatering.com
Company Representatives	
	Khalid Abdullah Al-Molhem Chairman and **Christophe Parent** Chief Executive Officer Saudi Airlines Catering Company Al Khalidiya District Saudia City P.O. Box 9178, Jeddah 21413 Kingdom of Saudi Arabia Tel: +966 2 686 0011 Fax: +966 2 686 4889 www.saudiacatering.com info@saudiacatering.com

Board of Directors' Secretary	
	Amr Mohammed Sager Saudi Airlines Catering Company Al Khalidiya District Saudia City P.O. Box 9178, Jeddah 21413 Kingdom of Saudi Arabia Tel: +966 2 686 0011, Ext: 8708 Fax: +966 2 686 4889 www.saudiacatering.com Email: secretarygeneral@saudiacatering.com
Share Registrar	
تـــــداول Tadawul	**The Saudi Stock Exchange (Tadawul)** Abraj Attuwenya 700 King Fahad Road P.O. Box 60612, Riyadh 11555 Kingdom of Saudi Arabia Tel: +966 (1) 218 9999 Fax: +966 (1) 218 1220 www.tadawul.com.sa Email: webinfo@tadawul.com.sa

Advisors

Financial Advisor, Lead Manager and Bookrunner

Saudi Fransi Capital
P.O. Box 23454, Riyadh 11426
Kingdom of Saudi Arabia
Tel: +966 1 282 6666
Fax: +966 1 282 6823
www.fransicapital.com.sa

Saudi Legal Adviser to the Issuer

Al-Jadaan & Partners Law Firm
P.O. Box 3515, Riyadh 11481
Kingdom of Saudi Arabia
Tel: +966 1 478 0220
Fax: +966 1 476 9332
www.aljadaan.com

International Legal Advisor to the Issuer

Clifford Chance LLP
2nd Floor, Building 6
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Dubai International Financial Centre
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www.cliffordchance.com

Saudi Legal Advisor to the Financial Advisor, Lead Manager, Bookrunner and Underwriters

The Law Firm of Salah Al-Hejailan
P.O. Box 1454, Riyadh 11431
Kingdom of Saudi Arabia
Tel: +966 1 479 2200
Fax: +966 1 479 1717
www.hejailanlaw.com

International Legal Advisor to the Financial Advisor, Lead Manager, Bookrunner and Underwriters

Freshfields Bruckhaus Deringer LLP,
in association with the Law Firm of Salah Al-Hejailan
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Kingdom of Saudi Arabia
Tel: +966 1 479 2200
Fax: +966 1 479 1717
www.freshfields.com

Auditors

Deloitte & Touche Bakr Abulkhair & Co, a member firm of Deloitte & Touche
P.O. Box 442 Jeddah 21411
Kingdom of Saudi Arabia
Tel: +966 2 652 6727
Fax: +966 2 652 6707
www.deloitte.com

Professional Financial Diligence Advisor

KPMG Al Fozan & Al Sadhan
Salahuddin Street, KPMG Tower
P.O. Box 92876, Riyadh, 11663
Kingdom of Saudi Arabia
Tel: +966 (1) 874 8500
Fax: +966 (1) 874 8600
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Market Consultant	
DIGMA. MANAGEMENT CONSULTING. COMPANY.	**Digma Management Consulting AG** Dufourstrasse 55 CH – 8702 Zollikon, Switzerland Tel: +41 43 444 68 00 Fax: +41 43 444 68 10 www.digma.ch

Note: *The above advisors have given and have not withdrawn their written consent to the publication of their names, addresses, logos and the statements attributed to each of them in the context in which they appear in this Prospectus, and do not themselves, their employees or their employees' relatives have any shareholding or interest of any kind in the Company.*

Underwriters	
	Saudi Fransi Capital P.O. Box 23454 Riyadh 11426 Kingdom of Saudi Arabia Tel: +966 1 282 6666 Fax: +966 1 282 6823 www.fransicapital.com.sa
	Saudi Hollandi Capital Al Maathar, Al-Rashid Building PO Box 1467 Riyadh 11431 Kingdom of Saudi Arabia Tel: +966 1 276 6345 Fax: +966 1 276 7836 www.shc.com.sa

Principal Commercial Banking Relationships	
	The National Commercial Bank King Abdulaziz Road P.O. Box 3555, Jeddah 21481 Kingdom of Saudi Arabia Tel: +966 2 649 3333 Fax: +966 2 643 7426 www.alahli.com.sa
	The Saudi British Bank Prince Abdulaziz bin Musaed bin Jlawy Street P.O. Box 9084, Riyadh 11413 Kingdom of Saudi Arabia Tel: +966 1 405 0677 Fax: +966 1 405 0660 www.sabb.com

Selling Agents

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Olaya Road
P.O. Box 28, Riyadh 11411
Kingdom of Saudi Arabia
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www.alrajhibank.com.sa

Arab National Bank
King Faisal Street
P. O. Box 9802, Riyadh 11423
Kingdom of Saudi Arabia
Tel: +966 1 402 9000
Fax: +966 1 402 7747
www.anb.com.sa

Bank Albilad
Salahuddin Road
P.O. Box 140, Riyadh 11411
Kingdom of Saudi Arabia
Tel: +966 1 479 8888
Fax: +966 1 479 8898
www.bankalbilad.com

Bank Aljazira
Khalid bin Alwalid Street
P.O. Box 6277, Jeddah 21442
Kingdom of Saudi Arabia
Tel: +966 2 651 8070
Fax: +966 2 653 2478
www.baj.com.sa

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Samba Financial Group
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Fax: +966 1 479 9402
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Selling Agents

SABB ساب	**The Saudi British Bank** Prince Abdulaziz bin Musaed bin Jlawy Street P.O. Box 9084, Riyadh 11413 Kingdom of Saudi Arabia Tel: +966 1 405 0677 Fax: +966 1 405 0660 www.sabb.com
البنك السعودي الهولندي Saudi Hollandi Bank	**The Saudi Hollandi Bank** Prince Abdulaziz bin Musaed bin Jlawy Street P.O. Box 1467, Riyadh 11431 Kingdom of Saudi Arabia Tel: +966 1 401 0288 Fax: +966 (1) 403 1104 www.shb.com.sa
البنك السعودي للاستثمار The Saudi Investment Bank	**The Saudi Investment Bank** Maathar Street P. O. Box 3533, Riyadh 11431 Kingdom of Saudi Arabia Tel: +966 1 478 6000 Fax: +966 1 477 6781 www.saib.com.sa

Summary of the Offering

The Company	Saudi Airlines Catering Company, a Saudi Joint Stock Company with Commercial Registration No. 4030175741, was founded as a limited liability company in Saudi Arabia on 20/1/1429H (corresponding to 29 January 2008G) and converted into a joint stock company pursuant to the Resolution of the Minister of Commerce and Industry Number 68/K dated 22/2/1432H (corresponding to 26 January 2011G).
Activities of the Company	The Company provides catering and other associated support services to: (i) a number of local and international airlines operating flights within and out of Saudi Arabia, including Saudia; and (ii) non-airline customers which include large corporations and businesses, educational institutions and companies with operations in remote parts of Saudi Arabia. The Company also undertakes Sky Sales on-board Saudia flights and operates the Al Fursan Lounges in the KAIA, KKIA, KFIA and PMIA under the brand name "Al Fursan".
Share Capital	SAR 820,000,000
Total Number of Issued Shares	82,000,000 fully paid Shares
Number of Offer Shares	24,600,000 Shares
Number of shares being offered to Institutional Investors	Up to 24,600,000 Shares, representing 100% of the Offer Shares. The Bookrunner has the right to reduce the number of Offer Shares provisionally allocated to Institutional Investors to 12,300,000 Shares, representing 50% of the Offer Shares, in the event there is sufficient demand by Individual Investors and subject to the CMA's consent.
Number of shares being offered to Individual Investors	Up to 12,300,000 Shares, representing 50% of the Offer Shares.
Percentage of Offer Shares to the total number of issued Shares	The Offer Shares represent 30% of the issued share capital of the Company
Offer Price	SAR 54 per Offer Share
Nominal Value	SAR 10
Total Value of Offer Shares	SAR 1,328,400,000
Number of Offer Shares available to Institutional Investors	Up to 24,600,000 Shares
Number of Offer Shares available to Individual Investors	Up to 12,300,000 Shares
Individual Investors	Saudi Arabian natural persons, including Saudi women who are divorced or widowed and who have children by a non-Saudi husband who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit provided that any such woman provides evidence that she is the child's mother and that she is widowed or divorced. The subscription by a person in the name of his divorced wife shall be deemed invalid in such cases, the relevant regulations shall be enforced against that person.
Subscription Method for Individual Investors	Subscription Application Forms will be available during the Offering Period at all branches of the Selling Agents. Subscription Application Forms should be completed in accordance with the Instructions set out in section 15 "Subscription Terms and Conditions". Individual Investors who have recently participated in previous initial public offerings in Saudi Arabia are able to subscribe through the Internet, phone and automated teller machines "ATMs" of any of the Selling Agents' branches that offer some or all of these subscription channels to their customers.
Institutional Investors	Institutional Investors consist of a number of institutions, including investment funds, that were approached by the Bookrunner after discussions with the Company and the Selling Shareholders and based on certain pre-defined criteria set forth by the CMA.

Number of Offer Shares Underwritten	24,600,000 Shares
Amount Underwritten	SAR 1,328,400,000
Subscription Method for Institutional Investors	Institutional Investors can apply to subscribe for Offer Shares through the Bookrunner.
Minimum Number of Offer Shares to be applied for by Individual Investors	10 Offer Shares
Maximum Number of Offer Shares to be applied for by Individual Investors	250,000 Offer Shares
Minimum Subscription Amount for Individual Investors	SAR 540
Maximum Subscription Amount for Individual Investors	SAR 13,500,000
Minimum Number of Offer Shares to be applied for by Institutional Investors	100,000 Offer Shares
Maximum Number of Offer Shares to be applied for by Institutional Investors	Based on the instructions provided in the bid forms for institutional investors.
Minimum Subscription Amount for Institutional Investors	SAR 5,400,000
Maximum Subscription Amount for Institutional Investors	SAR 221,346,000
Use of Proceeds	The proceeds from the Offering, which after deducting the Offering expenses of approximately SAR 33 million, are expected to be approximately SAR 1,295,400,000 and will be paid to the Selling Shareholders. The Company will not receive any proceeds from the Offering. For further information on the use of proceeds, see section 11 "Use of Proceeds".
Selling Shareholders	The Shareholders whose names and ownership in the Company is provided in the table below.

SELLING SHAREHOLDERS

Shareholder	Pre-Offering Shares	Capital (SAR)	%	Number of Offer Shares	Post-Offering Shares	Capital (SAR)	%
Saudi Arabian Airlines Corporation	39,360,000	393,600,000	48.0%	10,086,000	29,274,000	292,740,000	35.7%
Saudia Aviation Company Limited	820,000	8,200,000	1.0%	820,000	Nil	nil	nil
Saudia Private Aviation Company Limited	820,000	8,200,000	1.0%	820,000	Nil	nil	nil
Saudia Real Estate & Development Company Limited	820,000	8,200,000	1.0%	820,000	Nil	nil	nil
Strategic Catering Company LLC	40,180,000	401,800,000	49.0%	12,054,000	28,126,000	281,260,000	34.3%
Public	-	-	-	-	24,600,000	246,000,000	30.0%
Total	82,000,000	820,000,000	100.0%	24,600,000	82,000,000	820,000,000	100.0%

Source: Company

Allocation of Offer Shares to Individual Investors	Each Subscriber must apply for a minimum of ten Offer Shares. The maximum number of Offer Shares for which a Subscriber may apply is 250,000. The minimum allocation per Subscriber is 10 Offer Shares, and the balance of the Offer Shares (if available) will be allocated on a pro-rata basis. In the event that the number of Subscribers exceeds 1,230,000, the Company will not guarantee the minimum allocation of 10 Offer Shares per Subscriber, and the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds 12,300,000, the allocation will be determined at the discretion of the CMA.
Refund of Excess Subscription Monies	Excess subscription monies, if any, will be refunded to Subscribers without any charge or withholding by the Lead Manager or the relevant Selling Agent. Notification of the final allotment and refund of subscription monies, if any, will be made by 11/8/1433H (corresponding to 1/7/2012G) (see section 15.2 "Subscription Terms and Conditions – Allocation and Refunds").
Offering Period	The Offering will commence on 28/7/1433H (corresponding to 18/6/2012G) and will remain open for a period of 7 days up to and including 4/8/1433H (corresponding to 24/6/2012G).
Dividends	The Offer Shares will carry the same right to receive dividends (if any) declared by the Company after the approval of the Offering by CMA and for subsequent fiscal years as all the other Shares (see section 9 "Dividend Policy").
Voting Rights	The Company has one class of Shares. Each Share entitles the holder to one vote, and each Shareholder holding at least 20 Shares has the right to attend and vote at the General Assembly Meeting. No Shareholder has any preferential voting rights (see section 8.9 "Description of Shares – Voting Rights").
Restrictions on Dealings with Shares	Saudia will be restricted from disposing of its Shares for four years from the date of Admission. SCCL will be restricted from disposing of any of its Shares until the Company has published its balance sheet and its profit and loss account for the financial year ending 31 December 2013G. Following the end of these lock-in periods, Saudia and SCCL may only dispose of their respective Shares after obtaining the approval of the CMA. Furthermore, pursuant to the Shareholders' Agreement, Saudia and SCCL may not transfer any of their respective Shares (other than to their respective affiliates) until 31 December 2016 without the prior written consent of the other (see section 13.1.4.3 "Legal Information – Summary of Material Agreements - Related Party Agreements – Shareholders' Agreement").

Listing of Shares	Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere. An application has been made to the CMA for the admission of the Shares to listing on the Official List and the Offer Shares to trading on the Exchange; all relevant approvals pertaining to this Prospectus and the Offering, all other supporting documents requested by the CMA, and all relevant regulatory approvals required to conduct the Offering have been granted. Trading in the Offer Shares is expected to commence on the Exchange soon after the final allocation of the Offer Shares (see the "Key Dates for Investors" section on page XV).
Risk Factors	There are certain risks relating to an investment in the Offering. These risks can be generally categorized into: (i) risks related to the Company's operations; (ii) risks related to the market; (iii) risks related to the Offer Shares; and (iv) political and regulatory risks. These risks should be considered carefully prior to making an investment decision in the Offer Shares (see section 2 "Risk Factors").
Costs	The Selling Shareholders will be responsible for all costs associated with the Offering, which are estimated to be approximately SAR 33 million, and will be deducted from the gross proceeds of the Offering amounting to SAR 1,328,400,000. This figure includes the fees of the financial advisors, legal advisors (to the Company and the Financial Advisor), reporting accountants, media and public relations consultants, the Underwriters' fees, Selling Agents' expenses, marketing expenses, printing and distribution expenses and other related expenses.

Key Dates for Investors

Expected Offering Timetable

Offering Period	28/7/1433H to 4/8/1433H (corresponding to 18/6/2012G to 24/6/2012G)
Last date for submission of the Subscription Application Forms and subscription monies by the Individual Investors and the Institutional Investors	4/8/1433H (corresponding to 24/6/2012G)
Notification of final allotment	11/8/1433H (corresponding to 1/7/2012G)
Refund of any subscription funds (in the event of over-subscription)	11/8/1433H (corresponding to 1/7/2012G)
Expected date of commencement of trading in the Offer Shares	Upon completion of all relevant procedures

The above timetable and dates therein are indicative. Actual dates will be communicated through local press announcements and on the Tadawul website www.tadawul.com.sa.

How to Apply

Subscription to the Offer Shares is directed at and may only be accepted by:

Tranche (A): Institutional Investors

Subscription to the Offer Shares in this tranche is directed to, and may only be accepted by institutions that were approached by the Bookrunner after discussions with the Company and the Selling Shareholders and based on certain pre-defined criteria set forth by the CMA. The Institutional Investors can obtain the Subscription Application Forms from the Bookrunner.

Tranche (B): Individual Investors

Subscription to the Offer Shares in this tranche is directed to, and may only be accepted by, Saudi nationals, including women who are divorced or widowed and have children by a non-Saudi husband who may subscribe for Offer Shares in the name(s), of any of those children who are minors for her benefit (provided that any such woman provides evidence that she is the child's mother and that she is widowed or divorced). The subscription by a person in the name of his divorced wife shall be deemed invalid and in such cases, the relevant regulations shall be enforced against that person.

Subscription Application Forms will be available during the Offering Period at the branches of the Selling Agents. The Subscription Application Forms must be completed in accordance with the instructions set out in section 15 "*Subscription Terms and Conditions*".

Subscription may also be made through the internet, telephone banking or ATMs through any of the Selling Agents which offer such services to Subscribers who have participated in any recent initial public offering, provided that the following requirements are satisfied:

- the relevant Subscriber must have a bank account at the Selling Agent which offers such services; and
- there should have been no changes in the personal information of the relevant Subscriber by way of exclusion or addition of any member of his family.

The Subscription Application Forms must be completed in accordance with the instructions described in section 15 "*Subscription Terms and Conditions*". Each Subscriber must complete all relevant sections of the Subscription Application Form. The Company reserves the right to decline any Subscription Application Form, in part or in whole, in the event any of the subscription terms and conditions are not met. Amendments to and withdrawal of the Subscription Application Form shall not be permitted once the Subscription Application Form has been submitted. Furthermore, the Subscription Application Form shall, upon its submission, be considered to be a legally binding agreement between the Company and the Subscriber (see section 15 "*Subscription Terms and Conditions*").

Summary of Key Information

This summary of key information is intended to give an overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and recipients of this Prospectus are advised to read the entire Prospectus in full and any decision to invest in the Offer Shares by prospective investors should be based on a consideration of this Prospectus as a whole.

Your attention is drawn to the "Important Notice" and the "Industry and Market Data" sections on pages I and II which contains a summary of the sources of the information used in this Summary of Key Information section.

1. The Company

1.1 Overview of the Corporate History

The origins of the Company's business date back to 1981 when Saudia established a catering unit in KAIA in Jeddah which provided catering and other associated services to flights operated by Saudia and to other airlines operating flights out of Jeddah. Saudia later established catering units in KKIA in Riyadh, KFIA in Dammam, PMIA in Madina and in Cairo International Airport. In 1985, the catering unit took over the Sky Sales business on Saudia flights and over the course of 2006 to 2007, it took over the management of the Al Fursan Lounges.

Although the catering unit was part of Saudia, it operated as a separate business unit of Saudia even before it was separated from Saudia in 2008 as a result of the Privatisation (an overview of the Privatisation process is set out in section 1.3 of this "Summary of Key Information section").

As part of the Privatisation, Saudia established the Company as a limited liability company on 20/1/1429H (corresponding to 29 January 2008G). The Company was registered under commercial registration number 4030175741 and its initial share capital was SAR 100,767,000 divided into 1,007,670 shares of SAR 100 each. As part of the Privatisation, Saudia transferred the assets, employees and the majority of contracts used or entered into in respect of the catering unit to the Company.

The Company was converted from a limited liability company into a joint stock company in accordance with the Resolution of the Minister of Commerce and Industry Number 68/K dated 22/2/1432H (corresponding to 26 January 2011G) with a share capital of SAR 100,767,000 divided into 10,076,700 ordinary shares with a nominal value of SAR 10 each.

Pursuant to the resolution of the Extraordinary General Assembly convened on 14/4/1432H (corresponding to 19 March 2011G), the capital of the Company was increased from SAR 100,767,000 to SAR 820,000,000 divided into 82,000,000 ordinary shares of SAR 10 each through the capitalisation of the amount of (i) SAR 658,791,392 from the Company's retained earnings; (ii) SAR 13,718,428 from the Company's general reserve; and (iii) SAR 46,723,180 from the Company's statutory reserve.

1.2 The Company's principal activities

The Company's activities are divided into two main divisions, the Airline Division and the Non Airline Division. The Airline Division (i) provides catering and other related services to Saudia and the majority of airlines that fly between and/or out of airports in Saudi Arabia; (ii) undertakes and oversees retail sales under the "Sky Sales" brand on-board flights operated by Saudia; and (iii) operates, on Saudia's behalf, the Al Fursan Lounges. The Non-Airline Division provides catering and other support services to the Company's non-airline customers, which include large corporations and businesses, educational institutions and companies with operations in remote parts of Saudi Arabia.

The Company plans to build staff housing in the Thahaban district north of Jeddah, part of which will be leased to third parties who wish to provide accommodation for their employees who work in the area. The Company also plans to construct two laundry facilities, one in King Abdullah Economic City and another which is likely to be in Riyadh. These two facilities will provide laundry services to hotels and hospitals. An overview of these projects is set out in section 4.10 "*The Company - New Initiatives and Plans*".

1.3 Overview of the Privatisation Process

In accordance with the resolution of the Supreme Economic Council No. 1/27 dated 14/02/1427H (corresponding to 14 March 2006G), Saudia initiated a process of privatising a number of its business units, including its Catering and Sky Sales unit. For this purpose, Royal Decree No. M/70 was issued on 15/8/1428H (corresponding to 28 August 2007G) which allowed Saudia to incorporate wholly-owned subsidiaries in Saudi Arabia. Saudia decided to commence the privatisation process with its Catering and Sky Sales unit first.

The process of privatising the Catering and the Sky Sales unit was carried out by way of a competitive tender offer process which formally began on 12 August 2006G. Expressions of interest were then received from approximately 70 interested parties. Following an initial selection process, Saudia carried out an initial evaluation of the expressions of interest and sent qualification documents to 52 interested parties and invited them to respond by 27 September 2006G. Saudia and its advisors then evaluated the bids received on the basis of their technical, managerial, marketing and operating capabilities, as well as on their financial strength. On 4 October 2006G, Saudia notified 16 of these 52 interested parties that they had qualified and, accordingly, provided them with further information and documentation on which they were requested to make their formal written bids. These 16 qualified applicants were then permitted to carry out due diligence on the Catering and Sky Sales unit from 4 November 2006G to 15 November 2006G. The initial deadline for these qualified applicants to submit their formal written bids was 15 January 2007G, however, this was extended until 27 February 2007G to allow for the 2006 audited financial statements of the Catering and Sky Sales unit to be finalised.

The net income from the Catering and Sky Sales unit in 2006 was SAR 164 million. As a standalone entity the pro forma net income in 2006 would have been SAR 156 million as the Catering and Sky Sales unit pays 10% of its Sky Sales revenues to Saudia. Prior to the Privatisation, the net income of the Catering and Sky Sales unit was not subject to Zakat given that the unit was part of Saudia which, as a government entity, is not subject to Zakat.

On 27 February 2007G, Saudia received formal written bids from the following five qualified applicants: Gulf Catering Company, Saleh Mutlak Al Henaky Trading Company, a consortium involving Fawaz Al Hokair Establishment and Singapore Airport Terminal Services Limited, Amjad Alpha Group and a consortium led by Abdulmohsen Alhokair Group comprising Abdulmohsen Al Hokair Group for Tourism and Development, Al Fozan Holding Company and Newrest. These bids were evaluated, both on technical and financial grounds, by Saudia and its financial advisor, BNP Paribas, and legal advisors, Clifford Chance LLP and Al Jadaan & Partners Law Firm. The three bidders with the highest financial bids were Gulf Catering Company, Saleh Mutlak Al Henaky Trading Company and the consortium led by Abdulmohsen Alhokair Group. These three bidders were then given 24 hours to revise their bids. In the second round of written bids, which were submitted on 28 February 2007G, the consortium led by Abdulmohsen Alhokair Group (later known as SCCL) submitted the highest financial bid which valued the entire Catering and Sky Sales unit at SAR 1.704 billion and which set out details of its offer to acquire 49% of the Catering and Sky Sales unit. On the same day, the consortium was chosen as the successful bidder and on 19 November 2007G, it deposited the purchase price of SAR 835 million with BNP Paribas, in its capacity as an escrow agent.

The privatisation process culminated on 22 April 2008, with the transfer of 493,758 shares of nominal value of SAR 100 each in, and representing 49% of, the Company's share capital to SCCL which was a new Saudi limited liability company established specifically for this purpose by Al Fozan Holding Company, Abdulmohsen Al Hokair Group for Tourism and Development and Newrest (as founding shareholders). Al Fozan Holding Company and Abdulmohsen Al Hokair Group for Tourism and Development later transferred their shares in SCCL to their affiliates, Injaz and Al Hokair, respectively (please see further information on SCCL in section 4.5.5 "*The Company – Overview of the Selling Shareholders – Strategic Catering Company LLC*").

2. Shareholding Structure of the Company

The following table summarises the shareholding structure of the Company Pre and Post the Offering:

Selling Shareholders	Pre–Offering				Post–Offering		
	Shares	Capital (SAR)	%	Number of Offer Shares	Shares	Capital (SAR)	%
Saudi Arabian Airlines Corporation	39,360,000	393,600,000	48.0%	10,086,000	29,274,000	292,740,000	35.7%
Saudia Aviation Company Limited	820,000	8,200,000	1.0%	820,000	nil	Nil	nil
Saudia Private Aviation Company Limited	820,000	8,200,000	1.0%	820,000	nil	Nil	nil
Saudia Real Estate & Development Company Limited	820,000	8,200,000	1.0%	820,000	nil	Nil	nil
Strategic Catering Company	40,180,000	401,800,000	49.0%	12,054,000	28,126,000	281,269,000	34.3%
Public	-	-	-	-	24,600,000	246,000,000	30.0%
Total	82,000,000	820,000,000	100.0%	24,600,000	82,000,000	820,000,000	100.0%

Source: Company

An overview of the Selling Shareholders is set out in Section 4.5 (*The Company - Overview of the Selling Shareholders*).

3. Strategy

The Company's strategy is to focus on the following main areas:

- Maintain its leading position in the airline catering business in Saudi Arabia by delivering high quality services at competitive prices;
- Progressively develop its non-airline catering business by targeting customers such as large corporations and business, educational institutions and companies with operations in remote parts of Saudi Arabia in order to reduce the Company's exposure to fluctuations from the airline catering sector;
- Participate in the Kingdom's effort to promote religious pilgrimage. The Company provides catering services to the visitors to the two holy Mosques based on individual requests from various parties during the Hajj and Umrah seasons.
- Continue to develop the Company's Saudisation program, with a special emphasis on recruiting more female Saudi employees and providing them with the necessary training, as encouraged by the Ministry of Labor;
- Reduce the Company's outstanding accounts receivable from customers and, in particular, Saudia by, for example, increasingly focusing on sectors and customers which generate cash to the Company either immediately or with shorter payment cycles; and
- Continue working with Newrest, the Company's technical partner, and its global partner network in anticipating future trends in the catering industry, developing the Company's product offering and improving its procurement processes.

4. Key Strengths

There are a number of factors that give the Company an advantage over potential competitors and provide a platform for sustainable and profitable growth. These are:

4.1 Relationship with Saudia

As part of the Privatisation, the Company entered into the Saudia Catering Agreement and the Sky Sales Agreement. Pursuant to these two agreements (whose respective terms will end on 29 January 2015G), the Company is the exclusive provider of catering services and Sky Sales services on flights operated by, or on behalf of, Saudia. These two agreements have a number of benefits to the Company. The amount of revenue generated by these two agreements accounted for approximately 75.6% and 67.7% of the Company's total revenues in 2010 and in 2011, respectively. The long-term nature of these two agreements provides the Company with considerable stability in terms of revenue. The Company believes that it will be in a strong position to secure an extension to these two agreements on substantially similar terms upon the end of their respective terms on 29 January 2015G. Such belief is based on the fact that currently there are no other catering companies in Saudi Arabia which match the Company's production capabilities and expertise to meet Saudia's significant catering needs.

In addition to the foregoing, the Company operates the Al Fursan Lounges on behalf of Saudia and supplies Saudia with certain equipment (such as chinaware, cutlery and plates) used by Saudia in connection with the catering services provided to it by the Company. The Company also provides catering services to Saudi Airlines Cargo Company and Saudi Ground Services Company Ltd, which are both subsidiaries of Saudia. In total, the Company's various dealings with Saudia and its subsidiaries, Saudi Ground Services Company Ltd and Saudi Airlines Cargo Company (including the revenue generated under the Saudi Catering Agreement and the Sky Sales Agreement), generated approximately 81.5% and 83.0% of the Company's total revenue in 2010 in 2011, respectively.

4.2 Qualified and Experienced Management Team

The Company has a qualified and experienced management team. The Company benefits from the experience of many of its staff who have been with the Company (and with Saudia's catering unit prior to the Privatisation) for many years. The Company has, since the Privatisation, recruited a number of new managers in senior positions with extensive international and local experience in the catering industry. The Company has also entered into the Management Services Agreement with Newrest, an international specialized catering company, which enables the Company to draw on Newrest's knowhow, network and expertise in the catering business.

4.3 Economies of Scale

The Saudia Catering Agreement has enabled the Company to achieve economies of scale in all parts of its catering operations which, in turn, enabled the Company to offer competitive prices to its customers. The economies of scale also provide the Company with operational flexibility enabling it to better use its resources across different flights and clients.

4.4 Quality

The Company operates facilities that reach the highest international standards, which enables it to provide high quality meals to its customers. The Company holds several certifications and has received various international awards and accreditations in relation to the quality of its meals, the most recent being a Golden Award awarded to the Company by IATA in 2010, being one of only three Golden Awards awarded annually by IATA worldwide and award of excellence in catering quality worldwide (Platinum) 2011, from Quality & Safety Alliance In Flight Services ("QSAI").

4.5 Strategic Locations and State of the Art Facilities

A key differentiating factor between the Company and its competitors is the location of the Company's catering units, which are all located within the International Airports with easy access to aircraft. This has a number of benefits including making the process of transporting meals from the catering units to the aircrafts more cost and time efficient. The Company has also invested in state-of-the-art processing equipment at each stage of the food preparation chain.

4.6 Established Track Record

The Company (and prior to the Privatisation, Saudia's catering unit) has almost 30 years of experience in the airline catering business, which has enabled the Company to develop processes and capabilities that are difficult to replicate in the short to the medium term.

5. Overview of the Catering Market in Saudi Arabia

None of the Company, the Directors, the Selling Shareholders or the Advisors have independently verified the accuracy or completeness of the information in the sub-sections below and in section 3 "*Market Overview*" and none of them takes responsibility for such information.

5.1 Airline Catering

The growth in the number of passengers flying from airports within Saudi Arabia is likely to increase demand for the Company's products and services. According to GACA, over 48 million passengers passed through Saudi Arabia's airports (whether as arrivals or departures) in 2010, representing an increase of 8.4% from 2009. There has been an average compounded growth of approximately 5% in passenger numbers from 2000 to 2010.

The Kingdom's main airports of KAIA in Jeddah, KKIA in Riyadh and KFIA in Dammam have witnessed strong growth rates in passenger traffic in the period between 2006 and 2010. The main reasons for this growth are the increase in (i) the population of each of these cities, (ii) international travel to and from the Kingdom, and (iii) the number of Hajj and Umrah pilgrims both from within and outside the Kingdom. In comparison, growth at regional airports (such as airports in Abha, Gassim, Jizan, Hail, Tabuk and Taif) has been relatively modest and in certain cases passenger traffic has declined at these airports over the last ten years. The Company believes that regional airports may register stronger growth in the future as the Government is planning to develop a number of regions across Saudi Arabia, including regions in which some of those regional airports are situated.

A key driver of passenger traffic within, to and from Saudi Arabia is religious pilgrimage to the two holy cities of Makhah and Madina. GACA expects that, in the long-term, the number of religious visitors to Saudi Arabia will continue to grow as the Government is currently expanding the two holy Mosques and developing the supporting infrastructure such as transportation networks and accommodation to accommodate more pilgrims. Furthermore, GACA has embarked upon various programs to encourage both local and international companies to participate in the development of Saudi Arabia's airports which is expected to support economic development and increase the level of air traffic.

According to IATA's report titled "Airline Industry Forecast, 2011-2015" published in October 2011, passenger traffic for Saudi Arabia is forecasted to grow at a compound annual growth rate of 7.5% over the period between 2011 and 2015. The report also expects passenger traffic in Saudi Arabia to increase to 28.6 million passengers by 2015, compared to 19.9 million passengers in 2011.

5.2 Non-Airline Catering

The non-airline catering industry has been established for some time in Saudi Arabia. In the past, companies, government institutions, hospitals, educational institutions and other entities have typically provided catering services internally, however, an increasing number of these entities have recently been dealing with specialized catering companies to provide them with the necessary catering and related services.

The principal market segments in the non-airline catering market in Saudi Arabia are catering for pilgrims and visitors of the two holy Mosques, catering for companies with operations in remote parts of Saudi Arabia, party services, catering to hospitals and medical centres, catering for businesses, industries and institutions and catering to educational institutions. The Company believes that the information set out below has not changed significantly from 2008 and therefore, on balance, it still reflects the fundamentals of the non-airline catering market in the Kingdom at the date of the Prospectus.

Non-Airline Catering Market in Saudi Arabia in 2008

Non-Airline Catering Market	SAR (billion)
Religious	6.9
Remote sites	3.9
Party services	2.9
Hospitals & Medical centers	1.5
Business Industries & Institutions	1.3
Educational institutions	0.9
Total	17.4

Source: Digma

Summary Financial Information

The selected financial information presented below should be read together with the audited financial statements for the financial years ended 31 December 2011, 2010 and 2009, including, in each case, the notes thereto, each of which are included in Section 17 "Accountant's Report".

Key financial highlights (SAR '000)

	For the financial year ended 31 December		
	2009	2010	2011
Total revenues	1,031,848	1,193,161	1,465,271
Cost of revenues	574,213	647,747	906,810
Gross profit	457,635	545,414	558,461
General and administrative expenses	132,656	131,426	139,824
Net income [2]	299,764	382,570	382,342
Financial condition			
Current assets	742,622	1,140,857	1,314,693
Fixed assets	71,442	67,283	109,770
Total assets	814,065	1,208,140	1,424,463
Current liabilities	292,830	299,604	348,835
Total liabilities	372,814	384,479	443,461
Shareholders' equity	441,251	823,660	981,002
Key indicators			
Gross profit margin	44.4%	45.7%	38.1%
Net profit margin[3]	29.1%	32.1%	26.1%
Cash generated from/ (used in) operating activities	210,856	682,293	214,255
Cash from/ (used in) investing activities	(6,061)	(13,093)	(58,728)
Cash from/ (used in) financing activities	(125,320)	(23,990)	(261,298)
Net cash flow	79,475	645,210	(105,771)
Current ratio (x)	2.5	3.8	3.8
Total liabilities to total assets	45.8%	31.8%	31.1%
Total liabilities to total equity	84.5%	46.7%	45.2%
Return on equity	67.9%	46.4%	38.9%
Return on assets	36.8%	31.7%	26.9%
Revenue growth rate	0.9%	15.6%	22.8%
Earnings growth rate	19.4%	27.2%	(0.0%)

Source: Audited Financial Statements for years ended 2009, 2010 and 2011.

1 The accounting standards of SOCPA stipulate that a company incorporated under the Foreign Investments Regulations should present its financial information after provision has been made for income tax and zakat. However, this table sets out the financial information before such deduction (save where expressly stated otherwise).

2 The zakat and income tax provisions amounted to SAR 38,219,602 in 2011, SAR 34,519,352 in 2010 and SAR 23,139,772 in 2009. Net Income has been presented net of these provisions.

3 The net profit margin is presented after deduction of the amounts of income tax and zakat payable by the shareholders. Prior to such deductions, the net profit margin was 28.7% in 2011, 35.0% in 2010 and 31.3% in 2009.

Contents

Index of Tables & Figures

1. Definitions and Abbreviations

The following sets out certain definitions and abbreviations used in this Prospectus.

Defined Term or Abbreviation	Definition
Admission	Admission of the Shares to the Official List and the admission of the Offer Shares to trading on the Exchange in accordance with Article 19 of the Listing Rules
Advisors	The Company's advisors in relation to the Offering whose names appear on pages VI and VII of this Prospectus
Al Fursan Lounges	The lounges operated by the Company for Saudia under the brand name "Al Fursan" in KKIA, KAIA, KFIA and PMIA
Al Hokair	Abdulmohsen Abdulaziz Al Hokair Group – Riyadh Plastic Factory Establishment
Auditor	Deloitte and Touche Bakr Abulkair & Co.
Authority or CMA	The Capital Market Authority of the KSA
Board or Board of Directors	The board of directors of the Company
Bookrunner	SFC
BSF	Banque Saudi Fransi
Business Day	Any day (with the exception of Thursdays, Fridays and official holidays) on which the Selling Agents are open for business
By-Laws	The by-laws of the Company, which are summarised in section 12 "Summary of Company's By-laws"
CAC	Cairo Airport Company
CAGR	Compound Annual Growth Rate
Cairo Catering Unit	The Company's catering unit located at Cairo International Airport
CDSI	The Central Department of Statistics and Information in the KSA
Chairman	The chairman of the Board
CML	The Capital Market Law issued under Royal Decree M/30 dated 2/6/1424H, and its amendments
Companies Regulations	The Companies' Regulations issued under Royal Decree No. M/6 dated 22/3/1385H, as amended
Company or SACC	Saudi Airlines Catering Company, a Saudi Joint Stock Company
Corporate Governance Regulations	The Corporate Governance Regulations of the KSA, issued by the CMA pursuant to Resolution No. 1/212/2006 dated 21/10/1427H (corresponding to 12/11/2006G), and its amendments
CPU	Central Production Unit
CUs	Catering units at the Company
Dammam Catering Unit	The Company's catering unit located at KFIA
Digma	Digma Management Consulting AG
Directors or members of the Board	The members of the board of directors of the Company
Exchange	The Saudi Stock Exchange
Extraordinary General Assembly	An extraordinary general assembly of the Shareholders convened in accordance with the By-Laws
Financial Advisor	SFC
GACA	General Authority of Civil Aviation in the KSA
Garuda Indonesia Airlines	P.T. Garuda Indonesia
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
General Assemblies	An Extraordinary General Assembly and/or an Ordinary General Assembly, and "General Assembly" shall mean any general assembly of the Company

Defined Term or Abbreviation	Definition
Government	Government of the KSA
Guestlogix	The automated system for administering Sky Sales
IATA	The International Air Transport Association
Injaz	Injaz Projects Limited Company
International Airports	KAIA, KKIA, KFIA and PMIA
Individual Investors	Saudi Arabian natural persons, including Saudi women who are divorced or widowed and who have children by a non-Saudi husband who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit provided that any such woman provides evidence that she is the child's mother and that she is widowed or divorced. The subscription by a person in the name of his divorced wife shall be deemed invalid and in such cases, the relevant regulations shall be enforced against that person
Institutional Investors	Institutional investors who were approached by the Bookrunner after discussions with the Company and the Selling Shareholders and based on certain predefined criteria set forth by the CMA
Jeddah Catering Unit	The Company's catering unit located at KAIA
KAIA	King Abdulaziz International Airport in Jeddah
KFIA	King Fahad International Airport in Dammam
KKIA	King Khalid International Airport in Riyadh
KSA or Kingdom or Saudi Arabia	The Kingdom of Saudi Arabia
Lead Manager	SFC
Listing Rules	The Listing Rules issued by the CMA pursuant to Article 6 of the CML promulgated under Royal Decree No M/30 dated 2/6/1424H (corresponding to 31 July 2003G) as amended pursuant to the resolution of the board of the CMA number 1-4-2012 dated 28/2/1433H (corresponding to 22/1/2012G)
Lock-in Period	In respect of Saudia, four years from the date of Admission In respect of SCCL, until the Company has published its balance sheet and its profit and loss account for the financial year ending 31 December 2013G. Following the end of these lock-in periods, Saudia and SCCL may only dispose of their Shares after obtaining the approval of the CMA.
Madina Catering Unit	The Company's catering unit located at PMIA
Management Services Agreement	The management assistance and services agreement entered into between the Company, SCCL and Newrest dated 1 May 2010
Net Proceeds	The proceeds of the Offering, after deducting all related expenses
NAS Airlines	National Private Air Transport Services Company (National Air Services) Limited
Newrest	Newrest Group Holding S.L.
Offer Price	SAR 54 per Offer Share
Offer Shares	24,600,000 Shares, representing 30% of the issued share capital of the Company
Offering	The initial public offering of the Offer Shares
Offering Period	The period starting on 28/7/1433H (corresponding to 18/6/2012G) and lasting for 7days up to and including 4/8/1433H (corresponding to 24/6/2012G)
Official List	The list of securities maintained by the CMA in accordance with the Listing Rules

Defined Term or Abbreviation	Definition
Ordinary General Assembly	An ordinary general assembly of the Shareholders convened in accordance with the By-Laws
PMIA	Prince Mohammed Bin Abdulaziz International Airport in Madina
Privatisation	The privatisation process undertaken by Saudia in accordance with the resolution of the Supreme Economic Council No. (1/27) dated 14/2/1427H (corresponding to 14 March 2006G) pursuant to which its catering unit was privatized
Riyadh Catering Unit	The Company's catering unit located at KKIA
SACL	Saudia Aviation Company Limited
SAGIA	Saudi Arabian General Investment Authority
Sama Airlines	Sama Lel Tayaran Company Limited
SAR	Saudi Arabian Riyal
Saudia	Saudi Arabian Airlines Corporation
Saudia Catering Agreement	The catering agreement entered into between the Company and Saudia with effect as of 29 January 2008G, as amended from time to time
SCCL	Strategic Catering Company LLC
Secretary	The secretary of the Board
Selling Agents	Al Rajhi Bank, Arab National Bank, Bank Albilad, Bank Aljazira, Banque Saudi Fransi, The National Commercial Bank, Riyad Bank, Samba Financial Group, Saudi British Bank, Saudi Hollandi Bank and Saudi Investment Bank
Selling Shareholders	Saudia, SCCL, SACL, SPAC and SRED
Senior Officers	Those officers of the Company identified in section 6.3 "Corporate Structure and Governance – Senior Management"
SFC	Saudi Fransi Capital
Shares	Ordinary shares with a nominal value of SAR 10 each in the capital of the Company
Shareholders	Registered holders of Shares
Shareholders' Agreement	The shareholders' agreement entered into between the Company, Saudia, SCCL, Injaz, Newrest and Al Hokair dated 11 May 2011
Sky Sales	The business of retail sales on-board Saudia flights
Sky Sales Agreement	The agreement entered into between Saudia and the Company with effect as of 29 January 2008
SOCPA	Saudi Organization for Certified Public Accountants
SPAC	Saudia Private Aviation Company Limited
SRED	Saudia Real Estate & Development Company Limited
Subscribers	Those Individual Investors subscribing for Offer Shares pursuant to the Offering
Subscription Application Form	The subscription application form to be used by Subscribers and the Institutional Investors (as the case may be) to subscribe to the Offer Shares
Tadawul	The automated system for trading shares on the Exchange
Turkish Airlines	Türk Hava Yollari A.O.
Vice Chairman	The vice chairman of the Board
Underwriters	SFC and SHC
Underwriting Agreement	The underwriting agreement to be entered into between the Company, the Selling Shareholders and the Underwriters in connection with the Offering

2. Risk Factors

Before deciding whether to purchase the Offer Shares, prospective investors are advised to carefully consider all the information in this Prospectus, particularly the risk factors described below. The risks described below may not include all the risks that the Company may encounter, and additional factors may exist that are not currently known by the Company and which may affect its operations.

The Company's activities, financial position, results of operations, cash flows and its future operations could be adversely and materially affected if any of the following risks occur, which the Directors currently believe to be material, or if any other risks that the Directors have not identified or that they currently consider not to be material, actually occur or become material.

In the event of the occurrence of any other risk factors which the Company currently believes to be substantial, or the occurrence of any other risks that the Company did not identify, or that it does not currently consider to be material, the value of the Offer Shares may decrease and prospective investors may lose all or part of their investment in the Offer Shares.

The order in which the risks and the uncertainties are listed below is not intended to reflect their likely significance.

2.1 Risks related to the Company's Operations

2.1.1 Dependence on the Relationship with Saudia

The Company has entered into various contracts with Saudia (see section 13.1.4 "*Legal Information – Summary of Material Agreements - Related Party Transactions*"). The Company also provides catering services to Saudi Airlines Cargo Company and Saudi Ground Services Company, which are both subsidiaries of Saudia. The total revenue generated by the Company from Saudia pursuant to contracts entered into with Saudia and its subsidiaries, Saudi Airlines Cargo Company and Saudi Ground Services Company Ltd., amounted to approximately 84.1%, 81.5% and 83.0% of the Company's total revenues in 2009, 2010 and 2011, respectively.

Any deterioration in the relationship between the Company and Saudia may have an impact on some or all the contracts executed between the Company and Saudia and/or its two subsidiaries which, in turn, may have a material adverse effect on the Company's business prospects, financial position and results of operations (see section 2.1.2 "*Dependence on the Provision of Catering Services to Saudia*" and section 2.1.3 "*Dependence on Sky Sales activities*" which sets out the risks under the Saudia Catering Agreement and the Sky Sales Agreement, respectively).

2.1.2 Dependence on the Provision of Catering Services to Saudia

The Company is the exclusive provider of catering and other associated services to Saudia pursuant to the Saudia Catering Agreement (see section 13.1.4 "*Legal Information – Summary of Material Agreements - Related Party Agreements*"). The Company's revenues attributable to Saudia under the Saudia Catering Agreement accounted for approximately 66.3% and 57.7% of the Company's total revenues in 2010 and 2011, respectively.

The Agreement is due to expire on 29 January 2015G. Prior to the expiry of the Agreement, Saudia is obliged to provide the Company with details of the terms upon which Saudia will be prepared to continue to receive the services under the Saudia Catering Agreement.

There is no certainty that Saudia will wish to renew the Saudia Catering Agreement at the end of its term or that any new terms proposed by Saudia will be economically attractive or feasible for the Company to continue to provide the services to Saudia or, if the Saudia Catering Agreement is renewed, that the Company will still be able to maintain the current level of profits from the services provided to Saudia thereunder.

Furthermore, Saudia is entitled to terminate the Saudia Catering Agreement (in its entirety or in part) on the occurrence of a number of events including (i) if the Company commits a material and persistent breach of, or materially or persistently fails to observe, any of the obligations set out in the Saudia Catering Agreement; (ii) if the Company ceases to be licensed to undertake the services to be provided under the Saudia Catering Agreement; or (iii) if Saudia becomes entitled to terminate the Shareholders' Agreement. There is no certainty that Saudia will not terminate the Saudia Catering Agreement if any of these events occur before the end of its term.

Any early termination of the Saudia Catering Agreement or the Company's inability to renew the Saudia Catering Agreement at the end of its term in 29 January 2015G or to enter into a new agreement with Saudia on substantially similar terms as the existing Saudia Catering Agreement or, if the Saudia Catering Agreement is renewed, to maintain the current level of profits achieved under the Saudia Catering Agreement, could significantly reduce the Company's revenues which, in turn, will have a material adverse effect on its business prospects, financial position and results of operations and ultimately may make the Company's operations financially unviable thereby forcing the Company to cease trading unless alternative sources of similar levels of income can be found.

2.1.3 Dependence on Sky Sales activities

Pursuant to the Sky Sales Agreement, the Company has the exclusive right to sell retail products (such as perfumes, cosmetics and watches) on-board certain international and domestic flights operated by, or on behalf of, Saudia (see section 13.1.4 "*Legal Information – Summary of Material Agreements - Related Party Agreements*"). The Sky Sales are solely undertaken through sales on-board Saudia flights pursuant to the Sky Sales Agreement. The Company's revenues attributable to its Sky Sales activities accounted for approximately 11.3%, 9.3% and 10.0% of the Company's total revenues in 2009, 2010 and 2011, respectively. The Sky Sales Agreement is due to expire on 29 January 2015G. Prior to the expiry of the Sky Sales Agreement, Saudia is obliged to provide the Company with details of the terms upon which Saudia will be prepared to allow the Company to continue to undertake Sky Sales on-board flights operated by, or on behalf of, Saudia.

There is no certainty that Saudia will wish to renew the Sky Sales Agreement at the end of its term or that any new terms proposed by Saudia will be economically attractive or feasible for the Company to continue to undertake Sky Sales activities on-board flights operated by Saudia or, if the Sky Sales Agreement is renewed, that the Company will still be able to maintain the current level of profits from its Sky Sales activities.

Furthermore, Saudia is entitled to terminate the Sky Sales Agreement (in its entirety or in part) on the occurrence of a number of events including if the Company (i) fails to undertake the Sky Sales activities in a manner which is material or persistent; (ii) fails to make payments due to Saudia under the Agreement; or (iii) is subject to certain insolvency events. The Agreement will also terminate in the event that either Saudia or the Company terminates the Saudia Catering Agreement which would be terminated if Saudia becomes entitled to terminate the Shareholders' Agreement. There is no certainty that Saudia will not terminate the Sky Sales Agreement if any of these events occur before the end of its term.

Any early termination of the Sky Sales Agreement or the Company's inability to renew the Sky Sales Agreement at the end of its term on 29 January 2015G or to enter into a new agreement with Saudia on substantially similar terms as the existing Sky Sales Agreement or, if the Sky Sales Agreement was renewed, to maintain the current level of profits achieved under the Sky Sales Agreement, could significantly reduce the Company's revenues which, in turn, could have a material adverse effect on its business prospects, financial position and results of operations.

2.1.4 Delay in Payments

The Company invoices and receives payment from its long-term customers after the provision of the relevant services. There may be instances where the customer is late in paying, does not pay the amount invoiced in full or does not pay at all. If any of these events occur, the Company's exposure to bad or doubtful debts will increase which, in turn, may negatively impact the Company's cash flows.

Given that the revenues generated by the Company from Saudia and its two subsidiaries, Saudi Ground Services Company and Saudi Airlines Cargo Company, accounted for approximately 81.5% and 83.0% of the Company's total revenue in 2010 and 2011, respectively, timely payment of the Company's invoices by these customers is particularly important to the Company's cash flow position. However, historically, Saudia and its two subsidiaries have failed to settle the Company's invoices within the period specified in their respective agreements with the Company (being 90 days from receipt of the relevant invoice). The Saudi Catering Agreement does not subject Saudia to any penalties for failure to settle invoices within this period.

With this in mind, and in order to reduce the receivables due from Saudia, the Company and Saudia agreed in June 2008 that Saudia would pay the Company a monthly fixed amount of SAR 50 million on account of services received from the Company. In 2010, Saudia paid on average monthly amount of SAR 85.3 million. As shown in the table below, Saudia paid an average of SAR 66.5 million per month in 2011. Notwithstanding this, the amounts of SAR 526.0 million (representing 218 days of sales outstanding), SAR 253.0 million (representing 93 days of sales outstanding) and SAR 511.8 million (representing 151 days of sales outstanding) of receivables remained outstanding from Saudia and its two subsidiaries at 31 December 2009, 31 December 2010 and 31 December 2011, respectively.

Table 2-1 Monthly payments made by Saudia to the Company

Month	Payments in 2010 (SAR million)	Payments in 2011 (SAR million)	Payments in 2012 (SAR million)
January	45.3	50.3	69.4
February	40.5	54.0	60.6
March	32.2	50.1	56.8
April	40.0	50.0	N/A
May	41.7	50.0	N/A
June	50.6	90.7	N/A
July	47.0	50.0	N/A
August	50.0	89.3	N/A
September	50.3	50.0	N/A
October	55.4	111.5	N/A
November	45.8	70.0	N/A
December	525.3	82.0	N/A

Source: Company

On 27 January 2012, the Company and Saudia agreed to amend the Saudia Catering Agreement to increase the SAR 50 million monthly payable to SAR 60 million per month and to provide for a formal review of all receivables due from Saudia to the Company, and all payables due from the Company to Saudia, every six months such that, after setting-off any such receivables and payables (in each case whether under the Saudia Catering Agreement or otherwise), the party that has an obligation to make a payment to the other is contractually obliged to make such payment in full within 10 business days of such date.

Notwithstanding the amendment to the Saudia Catering Agreement described above, a continued delay in payment and/or an increase in the amount of receivables due from Saudia and its two subsidiaries, Saudi Ground Services Company and Saudi Airlines Cargo Company, may negatively impact the Company's cash flows in the future which could have a material adverse effect on its business prospects, financial position and results of operations.

2.1.5 Contracts in the Name of Saudia

A small number of the Company's catering contracts with its airline customers remain with Saudia and have not yet been legally transferred to the Company (see Table 2-2 "*Contracts under the Name of Saudia*" below and also section 13.6 "*Legal Information - Contracts and Assets under the Name of Saudia*"). Although the Company and Saudia agreed at the time of the Privatisation that all these contracts would be legally transferred to the Company, a number of them have not been. The Company has sought the formal consent of these customers to the transfer of their respective contracts to the Company but as at the date of this Prospectus, the Company has not received a response from any of these customers. The total revenue generated from these contracts represented approximately 4.9% and 3.7% of the Company's total revenues in 2010 and 2011, respectively.

While the Company still wishes for these contracts to be legally transferred into its name, such transfers are subject to obtaining the consent of the relevant counterparties and there is no guarantee that such consent will be forthcoming or on what terms. Furthermore, some of the counterparties may claim that the Company's assumption of the rights and obligations under the applicable contracts is in breach of their respective terms and accordingly they may terminate the relevant contract. There is also no certainty that, if such consents are obtained, that the contracts will continue on their existing terms or on terms which are favorable to the Company. Therefore, the Company may not be able to continue to obtain the benefit of these contracts on their existing terms or at all following the Offering.

The occurrence of any of the above events may reduce the Company's profits and/or could have a material adverse effect on the Company's business prospects, financial position and results of operations.

Table 2-2 Contracts under the name of Saudia

Customers Name	Latest action undertaken by the Company to effect the transfer	Status	Next steps
Middle East Airlines, NAS Airlines, Turkish Airlines, Cyprus Airways Ltd., Royal Air Maroc and British Airways	On 20 November 2011, the Company sent a letter to each of these customers requesting their written consent to transfer their respective contracts to the Company. The Company requested that the customers raise any objections which they may have within 15 days of receiving the Company's letter.	The Company has not received a response from any of these customers	The Company will continue to follow up with each of these customers until their respective contracts are transferred to the Company

Source: Company

2.1.6 Leases in the Name of Saudia

The Company currently occupies the buildings used by the CU in KAIA pursuant to a lease agreement executed between Saudia and GACA, although the term of this lease agreement relating to this CU, which is the largest of the CUs, expired in May 2009 (see section 13.1.3 "*Legal Information – Summary of Material Agreements - Leases*"). The Company has assumed all the rights and obligations under this lease agreement and plans to enter into a new lease agreement directly with GACA in respect of this CU. On 9/2/1433 H (corresponding to 3 January 2012G), Saudia wrote to GACA to: (i) state that, in its opinion, this lease agreement is still in force and has been transferred to the Company; and (ii) request that GACA confirm this in writing and enter into a new lease agreement with the Company in relation to the buildings used by this CU. As at the date of this Prospectus, the Company has obtained a GACA licence in respect of its CU at KAIA. GACA confirmed in writing on 18 February 2012G that it intends to enter into a direct lease agreement with the Company in relation to the building used by the CU at KAIA. The Company expects to enter into a direct lease agreement with GACA in respect of this CU within 12 months of the date of this Prospectus.

Whilst GACA is aware that the Company has assumed the rights and obligations under this lease agreement, GACA may nevertheless claim that it has not consented in writing to such assumption of rights and obligations and therefore request that the Company cease to occupy the buildings used by the CU in KAIA.

There is also no certainty that the Company will be able to enter into a new lease agreement with GACA in respect of buildings used by the CU in KAIA or, if it is able to do so, that the new lease agreement will be on terms which are favourable to the Company.

The occurrence of any of the above events may reduce the Company's profits and/or could have a material adverse effect on the Company's business prospects, financial position and results of operations.

Table 2-3 Lease Agreements under the name of Saudia

Lease Agreement	Latest action undertaken by the Company	Status	Next steps
Lease Agreement in respect of the buildings used by the CU at KAIA	Saudia sent a letter to GACA on 9/2/1433 H (corresponding to 3 January 2012G) to (i) state that, in its opinion, this lease agreement is still in force and has been transferred to the Company, and (ii) request that GACA enters into a new lease agreement with the Company in relation to the building used by this CU	GACA confirmed in writing on 18 February 2012G that it intends to enter into a direct lease agreement with the Company in relation to the building used by this CU	The Company to continue to follow-up with GACA until a new lease agreement in the name of the Company is entered into

Source: Company

2.1.7 Cairo Catering Unit

Pursuant to a lease agreement entered into in 1983 between Saudia and Cairo Airport (which was later transferred to CAC) (the "**Lease Agreement**"), Saudia was granted the right to occupy a number of buildings and land plots located in Cairo International Airport. The Lease Agreement has a term of one year which, subject to the approval of the CAC, can be renewed for a further period of one year. These buildings and land plots include the building and the land plot currently used by the Cairo Catering Unit. In addition, Saudia and the Company currently have the benefit of an exemption from paying any income tax (at an applicable rate of 20%) in respect of their respective operations in Cairo International Airport. The revenues from the Cairo Catering Unit were approximately SAR 47.3 million, SAR 58.5 million and SAR 51.6 million which accounted for approximately 4.6%, 4.9% and 3.5% of the Company's total revenues in 2009, 2010 and 2011, respectively.

The Company and Saudia have entered into a sub-lease agreement dated 27 March 2011G (the "**Sub-Lease Agreement**") pursuant to which Saudia has granted a sub-lease to the Company in respect of the building and the land plot currently used by the Cairo Catering Unit. The Sub-Lease Agreement is due to expire on 31 December 2012G but, if the Lease Agreement is renewed, the Sub-Lease Agreement will be renewed automatically for the same term as the Lease Agreement. However, there is no certainty that CAC will not claim that the Sub-Lease Agreement constitutes a breach of the terms of the Lease Agreement and, as a result, revoke the income tax exemption which the Company currently benefits from and/or impose penalties on the Company. There is also no certainty that CAC will not terminate the Lease Agreement or not renew it at the end of its term which, in turn, will result in the termination or the non-renewal (as applicable) of the Sub-Lease Agreement.

If CAC revokes the income tax exemption which is the Company currently benefits from and/or terminates the Lease Agreement, the Company may decide, or be obliged, to cease operations at the Cairo Catering Unit. This may decrease the Company's profits which, in turn, may have an adverse effect on the Company's financial position and results of operations.

2.1.8 A Number of Contracts with Customers have a Specific Term or can be Terminated upon Notice

A number of the contracts which the Company has with its customers are for either a specific term (which are renewable with the consent of the Company and the relevant customer) or may be terminated by the customer (either for cause or convenience) upon written notice. There is no certainty that such customers will terminate or renew their respective contracts with the Company in the future.

If one or more customers terminate or do not renew their contracts with the Company at the end of their respective terms, the Company will lose the revenues generated under such contracts which could have a material adverse effect on the Company's business prospects, financial position and results of operations.

2.1.9 Failure to Enter or Succeed in New Markets

The Company is planning a significant expansion of its non-airline catering business which includes the provision of catering and, in some cases, other associated services such as laundry, housekeeping and cleaning services to remote sites, large businesses and institutions in Saudi Arabia and for Hajj and Umrah pilgrims. Whilst the Company has historically served various non-airline customers and has secured a number of new contracts in 2010 and 2011, the non-airline catering sector represents a relatively new market for the Company with its own set of challenges and barriers to entry. There can be no assurance that the Company will be successful in expanding its business in this sector or that the Company's operations in this sector will be profitable.

2.1.10 Dependence on the Management Services Agreement

The Company and Newrest entered into the Management Services Agreement, which has an initial term of five years commencing on 1 January 2009 (see section 13.1.4 "*Legal Information – Summary of Material Agreements - Related Party Agreements*"). Upon the expiry of the initial term, the Management Services Agreement will be automatically renewed for successive periods of one year each until it is terminated by either party. The services provided by Newrest to the Company under the Management Services Agreement include:

- advising the Company on the development and implementation of its business strategy;
- advising the Company in respect of the recruitment of senior employees; and
- advising and assisting the Company in relation to the quality control procedures adopted by the Company.

The Company's business prospects, financial condition and results of operations are dependent upon Newrest's ability to perform its obligations under, and the continuing validity of, the Management Services Agreement.

As Newrest is itself a catering company, there might be instances where there is a conflict of interest between the Company and Newrest, in which case the Company may not be able to utilise some or all of the services provided by Newrest. If the Management Services Agreement is terminated or not renewed at the end of its term and the Company fails to secure the provision of similar services by an alternative provider, or a conflict of interest arises, the Company will lose the benefit, either temporarily or permanently, of the technical and management services provided by Newrest which could have a material adverse effect on the Company's business prospects, financial condition and results of operations.

2.1.11 The Use of the Newrest Trademark

On 8 February 2012G, the Company entered into a trademark licensing agreement with Newrest pursuant to which Newrest will grant the Company the exclusive right to use Newrest's trademark (conditional upon Newrest registering the trademark in the KSA) as part of the brand used by the Company for the activities of its Non-Airline Division (see section 13.1.4 "*Legal Information - Related Party Agreements*"). The licensing agreement includes a provision pursuant to which Newrest will be entitled to terminate the agreement in the event its direct or indirect shareholding in the Company falls below 10% of the Company's share capital. The trademark licensing agreement may also be terminated if the Management Services Agreement is terminated by the Company or Newrest. For further details of the Management Services Agreement, see section 13.1.4.4 "*Management Services Agreement*".

If the trademark licensing agreement is terminated after it has been executed it may have a material negative impact on the development of, and/or the profits generated by the Non-Airline Division which, in turn, could have a material adverse effect on the Company's business prospects, financial condition and results of operations.

2.1.12 Experience in Managing a Publicly Listed Company

Since its incorporation, the Company has been operated as a private company and, accordingly, the Senior Officers have limited or no experience in managing a publicly listed company and similarly they have limited or no experience complying with the laws and regulations pertaining to public companies in the KSA. In particular, the regulatory oversight and reporting obligations imposed on public companies will require substantial attention from the Senior Officers and may divert their attention away from the day-to-day management of the Company, which could have a material adverse effect on the Company's business prospects, financial condition and results of operations.

2.1.13 Dependence on Key Personnel

The Company is dependent on the abilities and experience of its Senior Officers and key personnel, both in administrative and operational areas. Although the Company has undertaken initiatives and measures to retain and attract employees, it cannot guarantee that these initiatives will succeed in retaining existing employees or attracting new employees of the same caliber. If the Company fails to retain its Senior Officers and/or key personnel or if it fails to attract and retain employees of the same caliber, this could have a material adverse effect on the Company's business prospects, financial condition and results of operations.

2.1.14 Securing Additional Staff

The Company is planning a significant expansion in its non-airline catering business. The successful execution of contracts signed with new non-airline clients is dependent on many factors, one of the most important of which is to ensure that the Company has the appropriate number of employees with the requisite experience to enable the Company to undertake its obligations under these contracts. While the Company has recruited, and continues to recruit, employees on both a permanent and temporary basis to ensure that it has an adequate number of employees to undertake such expansion, there is no certainty that the Company will be able to recruit and retain adequate numbers of employees with the requisite experience necessary to expand its business. If this is the case, the implementation of the Company's business expansion plans could be impeded which could, in turn, have a material adverse effect on the Company's business prospects, financial condition and results of operations.

2.1.15 Saudisation

As of 31 December 2011, approximately 31.9% of the Company's employees who are based in Saudi Arabia were Saudi nationals. The Ministry of Labour recently launched the "Nitakat" programme which is designed to encourage companies to recruit Saudi nationals and to gradually increase the percentage of Saudi nationals in their workforce. Under the "Nitakat" programme, a company's compliance with the Saudisation requirements is measured against the percentage of Saudi nationals in its workforce compared to the average percentage of Saudisation at companies operating in the same sector. The companies are categorised into the following four categories:

- **the Red Category:** this applies to companies which do not comply with the requirements of the "Nitakat" programme. The Company would be categorised under this category if the percentage of Saudi nationals employed by it is below 4% of its total workforce;
- **the Yellow Category:** this applies to companies which do not comply with the requirements of the "Nitakat" programme, however the percentage of Saudi nationals in their workforce is above a certain percentage. The Company would be categorised under this category if the percentage of Saudi nationals employed by it is above 4% and below 6% of its total workforce;
- **the Green Category:** this applies to companies which comply with the requirements of the "Nitakat" programme. The Company would be categorised under this category if the percentage of Saudi nationals employed by it is above 6% and below 30% of its total workforce; and
- **the Premium Category:** this applies to companies which comply with the requirements of the "Nitakat" programme and the percentage of Saudi nationals in these companies is above a certain percentage. The Company would be categorised under this category if the percentage of Saudi nationals employed by it is above 30% of its total workforce.

The current percentage of Saudi employees at the Company places it in the Premium Category, meaning it is compliant with the requirements of the "Nitakat" programme. However, with the planned expansion of the Company's business, which is expected to be accompanied by an increase in the number of employees at the Company, it may be difficult for the Company to recruit and retain the same percentage of Saudi nationals and may fall short of continuing to comply with the requirements of the "Nitakat" programme. If the Company fails to continue to comply with the requirements of the "Nitakat" programme, it may be categorised as falling within the Yellow or the Red Categories (depending on the extent to which it is non-compliant with the "Nitakat" programme). In such an event, the Company will be subject to a number of sanctions, including:

- the suspension of the Company's applications for work visas;
- the suspension of the Company's applications to transfer the sponsorship of an employee or a potential employee;
- the Company's expatriate employees will be prevented from changing their occupation in their work visas;
- the Company may not open files for its entities with the Ministry of Labour; and
- the Company's expatriate employees may transfer their employment and work visas to companies falling under the Green and Premium Categories without the Company's consent.

The occurrence of all or any of the above events could have a material adverse effect on the Company's business prospects, financial condition and results of operations.

2.1.16 Managing Supply and Procurement Costs

The Company is exposed to price and supply fluctuations in respect of its raw materials. The raw materials used in the Company's business are largely commodities such as meat, rice, fresh fruit juices, flour and vegetables. Such commodities experience price volatility caused by external conditions such as severe and prolonged weather conditions, natural disasters, commodity market fluctuations and governmental import restrictions. The prices of raw materials are also affected by inflationary pressures driven by a number of factors such as the depreciation of the Saudi Riyal, or the United States Dollar to which it is pegged, against other currencies.

The Company's contracts with its customers fall under the following two categories:

(i) contracts that stipulate fixed prices which may not be increased without the customer's consent. The revenue generated from customers falling under this category represented approximately 15% of the Company's total revenue in 2011; and

(ii) contracts that entitle the Company to periodically amend its prices to reflect an increase in the cost of raw materials based on an agreed formula. The revenue generated from customers falling under this category represented approximately 85% of the Company's total revenue in 2011.

The Company will not be able to pass on the increase in the cost of raw materials to those of its customers with whom it has contracts that stipulate fixed prices without consent of the relevant customers. Furthermore, the adjustment of prices under those contracts that entitle the Company to amend its prices to reflect the increase in the price of raw materials occurs on a periodical basis (usually every three to six months) and it may be some time before the Company is able to increase its prices under the relevant contract which could negatively impact the Company's cash flow position.

If the supply of any of the Company's raw materials is constrained for any reason, the Company may not be able to obtain sufficient supplies, or supplies of suitable quality, from other sources. Furthermore, an increase in the prices of some or all of the raw materials used by the Company could result in the reduction in the Company's profit margins and/or negatively impact the Company's cash flows. The occurrence of any of these events could have a material adverse effect on the Company's business prospects, financial condition and results of operations.

2.1.17 Pricing Pressures

The global economic downturn has had a negative impact on the airline industry. As a result of this, the Company's airline customers may require lower priced meals for their passengers. The reduction in the price of meals will reduce the profit margin that the Company is able to achieve on sales to its airline customers and, therefore, reduce the profitability of the Company's operations as a whole.

2.1.18 Ability to Maintain Quality of Operations

The Company's ability to renew existing contracts, win new customers and avoid liability to its customers is dependent on its ability to maintain the highest standards of hygiene and safety. There is no certainty that such standards will be maintained in the future. There is also a possibility that the raw material or meals produced by the Company could become contaminated during production or transportation due to a human error or a mechanical failure. If there is a considerable decrease in the Company's hygiene and safety record, or if there is a contamination incident in relation to the meals produced by the Company, some of its contracts with its customers could be terminated and/or the Company may be unable to win new customers. This could have a material adverse effect on the Company's business prospects, financial position and results of operations.

2.1.19 Insurance Risks

The Company has a number of insurance policies to cover its business and operations, such as aviation liability insurance cover up to US$ 100 million provided by Med Gulf Insurance Company; product liability insurance cover up to SAR 500 million pursuant to a worldwide group insurance policy taken out by Newrest; money insurance cover up to SAR 1,000,000 and third party motor insurance cover up to SAR 5,000,000, each of which are provided by SALAMA Saudi IAIC Cooperative Insurance Company (for further details, see section 13.4 "*Insurance*"). The Company may become subject to liabilities against which the Company is not insured adequately or at all or cannot insure. The Company's existing policies contain certain exclusions and limitations on coverage. In addition, the Company's insurance policies may not continue to be available and future insurance policies may not be available at economically acceptable premiums. Furthermore, the Company's insurance policies in the future may not cover the extent of claims brought against the Company. Therefore, there is a risk that losses and liabilities from uninsured or underinsured risks may significantly increase the Company's costs and could have an adverse effect on the Company's business prospects, financial position and results of operations.

2.1.20 Licences and Permits

The Company is required to obtain and maintain appropriate licences, permits and regulatory consents in respect of its activities. For further details of the Company's licences and permits, see section 13.2 "*Licences and Permits*".

Some of the Company's licences are for a limited duration and must be renewed periodically and others, such as the Company's Foreign Investment licence issued by SAGIA (the "Foreign Investment Licence"), specify the activities that the Company is permitted to undertake. In addition, most of the Company's licences provide that the Company may be subject to financial penalty, or the relevant licence may be suspended or terminated (following a warning), if the Company fails to comply with the requirements of the relevant licence. Furthermore, when a licence is sought to be renewed or amended there can be no guarantee that the relevant authority would be prepared to renew or amend the scope of the relevant licence, or that if it were to do so that it would not impose conditions that were unfavourable to the Company. Whilst the Company believes that it has obtained the appropriate licences for its activities, there can be no guarantee that additional licences may not be required in the future.

The Company has previously entered into two catering agreements with parts of the Saudi Arabian Military. As part of the work undertaken in connection with the Offering, it became apparent that the Company did not have the requisite authority under the Foreign Investment Law issued pursuant to Royal Decree Number M/1 dated 5/1/1421H (corresponding to 10 April 2000G) to enter into such agreements with the Saudi Arabian Military. Accordingly, the Company sent notices to the counterparties to both of these agreements requesting that their respective agreements be terminated on 26 August 2012G and 2 November 2012G. On 8 April 2012G and 9 April 2012G, the Company received letters from the relevant counterparties to these agreements in which they each confirmed their acceptance of the Company's request to terminate their respective agreements with the Company on the specified dates. On 12 May 2012G, the Company informed SAGIA of this violation and on 14 May 2012G, the Company received a written notification from SAGIA requesting the Company to rectify this violation within 180 days.

Notwithstanding the fact that the two agreements are due to terminate and cease to have any effect on the respective dates stated above and, as such, thereby rectifying the said violation, if the Company fails for whatever reason to rectify the violation by 10 November 2012G, SAGIA may impose any of the following penalties:

(a) withholding all or some of the incentives and benefits given by SAGIA to the Company;

(b) imposing a fine not exceeding SAR500,000 (five hundred thousand Saudi Riyals); and/or

(c) revoking the Foreign Investment License.

If the Company fails to renew a licence, or has a licence suspended or revoked, or has a licence renewed on unfavourable terms, or the Company is not able to obtain additional licences that may be required in the future, or SAGIA were to impose one or more of the penalties stated above, the Company may be required to cease certain operations which could result in operational and production interruptions and/or additional costs, any one or combination of which could have a material adverse effect on the Company's business prospects, financial position and results of operations.

2.1.21 Sources of Additional Funds

The Company may require additional sources of funds which it may need to obtain by securing loans from banks. There is no certainty that the Company will be able to obtain such loans in the future. If the Company fails or is not able to secure such loans on favorable terms, this could have a material adverse effect on its business prospects, financial position and results of operations.

2.1.22 Litigation by Customers, Customers' Employees and/or Passengers and the Company's Employees

The Company could become subject to litigation by customers, their employees or their passengers alleging injury or bringing claims relating to the food quality, health or operational concerns. If the Company becomes involved in protracted litigation and is found liable in respect of any such litigation or is subject to a costly settlement in respect of which the Company is not adequately insured or at all, this could adversely affect the Company's reputation and/or have an adverse effect on the Company's business prospects, financial condition and results of operations.

The Company has a number of ongoing employment disputes with 35 (representing less than 1% of the current workforce of the Company) of its current and former employees. As at 31 December 2012, the maximum potential liability in respect of these disputes was approximately SAR 3 million (see section 13.5 "*Litigation*"). The Company could also become subject to more litigation from its current and/or former employees. If a claim is for a significant amount of money or a large number of claims are brought against the Company and the Company was found liable to pay significant amounts in respect of such claims, this could have an adverse effect on the Company's business prospects, financial condition and results of operations.

2.1.23 The Completion of the Privatisation

As part of the Privatisation process, Saudia established the Company and transferred the assets, licences, employees and the rights and liabilities under the majority of contracts entered into by its catering unit to the Company (see section 4.1 "*Historical Background*" and section 4.2 "*Privatisation Process*"). Although the Company believes, save as disclosed in this Prospectus, that the transfer of the key assets, employees, licences and the rights and liabilities under such contracts has been completed, there may still be a limited number of assets, employees, licences and/or contracts which have not been transferred to the Company or the transfer of which still needs to be completed. If some or all of these assets, employees, licences and/or contracts are not transferred from Saudia to the Company and the Company ceases to benefit from the same, this could have a material adverse effect on the Company's business prospects, financial position and results of operations.

2.1.24 The Ability of the Company to maintain its Good Reputation

The Company's ability to renew existing contracts and win new customers depends in part on the Company's ability to maintain a good reputation, both inside and outside Saudi Arabia. If the Company suffers significant damage to its reputation inside and/or outside Saudi Arabia, some of the Company's contracts with its customers could be terminated and/or the Company may be unable to win new customers. This could have a material adverse effect on the Company's business prospects, financial position and results of operations.

2.2 Risks Related to the Market

2.2.1 Risks Related to the Kingdom and the Global Economy

To a large extent, the Company's performance depends on the condition of the Kingdom's economy. The contribution of the oil sector to Saudi Arabia's GDP continues to be substantial despite the Government's diversification policies. Fluctuations in oil prices, in particular material declines in such prices, could have a direct adverse impact on the economy and the economic activity in Saudi Arabia. Such impact may have a material adverse effect on companies operating in Saudi Arabia, including the Company. Furthermore, any negative change in one or more macroeconomic factors or indicators in the Kingdom including economic growth, exchange rates, interest rates, inflation, wage levels, foreign investment and international trade, could have a material adverse effect on the Company's business prospects, financial condition and results of operations.

2.2.2 Competition

The Company faces competition from local and regional providers of catering services in the airline sector, some of which supply their national flag carriers with back-catering services, i.e., they provide meals for the return journey from the Kingdom. The Company may in the future also face competition from local, regional and/or international providers of catering services to Saudia in the event the Company ceases to be an exclusive provider of the services under the Saudia Catering Agreement, following the end of its term in 29 January 2015G.

Furthermore, the Sky Sales and Al Fursan Lounge businesses could be impacted by improved retail and food offerings at the various airport terminals in the Kingdom.

The Company also faces competition from existing local providers in the non-airline catering sector, such as the National Company for Management Services (which is managed by the Sodexo Group) and Gulf Catering Company. The Company's ability to successfully compete in this sector depends on its ability to provide value for its customers by offering them quality services at reasonable prices. The Company's competitors may be willing to accept a lower profit margin than the Company's profit margin in order to retain existing customers and/or win new customers. In addition, the Company may face competition from new local or international entrants to the non-airline catering business in Saudi Arabia which could have greater financial and/or operational resources supporting them.

There can be no assurance that the Company will be able to compete effectively against current or future competitors in the sectors in which it operates. Changes in the competitive environment may result in price reductions, reduced profit margins or loss of market share of the Company which, in turn, could have a material adverse effect on the Company's business prospects, financial position and results of operations.

2.2.3 Decrease in Air Traffic

The airline industry tends to contract during general economic downturns. It is also negatively affected by a number of external factors such as terrorist acts, increased fuel costs, natural disasters, travel restrictions and outbreaks of contagious diseases in one or more regions around the world. Saudia and the Company's other airline customers are subject to the same risks facing the airline industry as a whole. Approximately 92.3% and 92.8% of the Company's revenues in 2010 and 2011, respectively, were generated from its Airline Division, where activities relate to airline traffic and usage.

If any event occurs which results in a reduction in the number of flights operated by or on behalf of Saudia and/or a reduction in the number of flights operated by the Company's other airline customers out of Saudi Arabia, this will reduce the Company's sales to these customers and/or may, due to the impact of any such event on the financial performance of Saudia and/or the Company's other airline customers, result in the reduction in the prices offered to customers and in the Company's profit margins. The occurrence of any of these events could have a material adverse effect on the Company's business prospects, financial position and results of operations.

2.3 Risks Related to the Offer Shares

2.3.1 Effective Control by Saudia and SCCL

Following the Offering, Saudia and SCCL will collectively own 70% of the Shares. Saudia and SCCL will, therefore, be able to influence all matters requiring Shareholder approval, including significant corporate transactions, capital adjustments and the election of Directors. As a result, Saudia and SCCL could exercise their rights (as shareholders) in a manner that may not be in the best interests of other Shareholders or that could have a material effect on the Company's business prospects, financial condition and results of operations.

Furthermore, any change in the business strategy and/or policy towards the Company by Saudia or SCCL could result in unpredictable consequences for the Company's business which, in turn, could adversely affect the market price of the Shares.

2.3.2 Absence of a Prior Market for the Shares

Prior to the Offering, there has been no public market for the Shares. Furthermore, there can be no assurance that an active trading market for the Shares will develop or be sustained after the Offering. If no active trading market for the Shares develops, the liquidity of the Shares will be affected, and this may negatively affect the market price of the Shares.

2.3.3 Liquidity and Volatility in the Share Price

Subscribers may not be able to resell their Offer Shares at or above the Offer Price, or at all, as the market price of the Offer Shares after the Offering may be adversely affected by factors within or outside of the Company's control, including, but not limited to, variations in the Company's results of operations, market conditions, or changes in Government regulations. Market fluctuations, as well as economic conditions, may adversely affect the market price of the Shares.

2.3.4 Future Sales and Offerings

Sales of substantial amounts of the Shares in the public market following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the Shares.

Saudia and SCCL may not dispose of any of their Shares (i) during their respective Lock-in Periods; and (ii) unless they obtain the approval of the CMA to such disposal. Furthermore, pursuant to the Shareholders' Agreement, Saudia and SCCL may not transfer any of their respective Shares (other than to their respective affiliates) until 31 December 2016 without the prior written consent of the other (see section 13.1.4.3 "*Related Party Agreements – Shareholders' Agreement*"). Nevertheless, the sale of a substantial number of Shares by Saudia and/or SCCL following their respective Lock-in Periods or generally by any Shareholder, or the perception that these sales will occur, could have an adverse effect on the market for the Shares and result in a lower market price of the Shares.

2.3.5 Dividend Payment

The distribution of dividends by the Company will be dependent upon a number of factors, including the future profit, financial position, capital requirements, statutory reserve requirements, the amount of distributable reserves, available credit of the Company and general economic conditions and other factors that the Directors deem significant from time to time. Also, the Company's ability to declare and pay cash dividends on the Shares may be restricted by, among other things, covenants in any credit facilities that the Company may enter into in the future, the recovery of any accumulated losses in the future and provisions of Saudi Arabian law. Therefore, there can be no assurance that any dividend will ever be paid, nor can there be an assurance as to the amount, if any, which will be paid in any given year.

2.3.6 Dilution

The Company does not currently intend to issue additional Shares immediately following the Offering. If and when the Company issues Shares in the future, the percentage holding of a Shareholder in the Company (and, therefore, the economic investment made by the Shareholder) will be diluted if such Shareholder does not acquire its proportional entitlement of additional new Shares.

2.4 Political and Regulatory Risks

2.4.1 Political Risks

Prospective investors should consider the geopolitical risks in the Middle East which could have an adverse effect on the Kingdom's economy, the Company's customers and/or the Company and its operations. Such risks could adversely impact the value of any investment in the Company. During the financial year ended 31 December 2011, the Company's revenue from the CU at Cairo International

Airport decreased by approximately 12% from approximately SAR58.5 million to SAR51.6 million due to the ongoing political developments in Egypt.

2.4.2 Regulatory Environment

The Company's businesses are subject to regulations in Saudi Arabia. The regulatory environment in which the Company operates may be subject to change. Regulatory changes caused by political, economic, technical and/or environmental factors could significantly impact the Company's operations by restricting the development of the Company or its customers, restricting operations and sales of the Company's services and products or increasing the potential for additional competition. The Company may deem it necessary or advisable to modify its operations in order to operate in compliance with such regulations, which may have a material adverse effect on the Company's business prospects, results of operations and financial condition.

3. Market Overview

The Company appointed Digma in 2008 to conduct a study and prepare a report on the non-airline catering market. Digma was founded in 2000 and is based in Zurich, Switzerland. Digma employs a team of specialized consultants covering performance management, strategy development, strategy implementation and sustainable profitability improvement.

Unless expressly stated otherwise, the report prepared by Digma is the source of the information relating to the non-airline catering market in section 3.3 "*Non-Airline Catering*". The study was conducted and the report was prepared by Digma in late 2008 and, therefore, does not reflect market developments since that date. However, the Company believes that the information set out in section 3.3 has not changed significantly from such date and therefore, on balance, it still reflects the fundamentals of the non-airline catering market in the Kingdom at the date of the Prospectus.

Digma has provided and not withdrawn its written consent for the use of their findings in this Prospectus. Neither Digma nor its employees or any of their relatives or affiliates has any shareholding or interest of any kind in the Company or any of its affiliates or related parties.

The information in the other parts of this section 3 comes from a report published in October 2011 by IATA and titled "Airline Industry Forecast, 2011-2015" and from other sources that are publicly available. These publicly available sources include the economic report entitled *"Quota Counting"* published by BSF's economic research department on 14 June 2011, which is available on its website (*www.alfransi.com),* information set out on GACA's website (*www.gaca.gov.sa*) and CDSI's website (*www.cdsi.gov.sa*).

3.1 Economic Growth in Saudi Arabia

Demand for the Company's products and services are linked to economic growth in Saudi Arabia. In 2010, real GDP growth in Saudi Arabia is estimated to have been 3.8% compared to 0.2% in 2009. This growth compares favorably with the economic climate in many countries more heavily affected by the global financial crisis. All sectors of the Saudi Arabian economy, including industrial, communications, finance and real estate, experienced growth during the financial year ended 31 December 2010. The table below illustrates a number of economic indicators of the Saudi Arabian economy for the financial years 2005 to 2009 and provides estimates for the financial year 2010.

Table 3-1 Economic Indicators

Indicators	2005	2006	2007	2008	2009	2010
Nominal GDP (SAR billion)	1,182.5	1,335.6	1,442.6	1,786.1	1,397.5	1,630.0
Real GDP growth rate (%)	5.6	3.2	2.0	4.2	0.2	3.8
Total Government revenue (SAR billion)	564.3	673.7	642.8	1,101.0	509.8	735.0
Total Government expenditure (SAR billion)	346.5	393.3	466.2	520.1	596.4	626.5
Domestic debt (% of GDP)	38.9	27.3	18.5	13.4	16.1	10.2
Current account balance (% of GDP)	28.5	27.8	24.3	27.8	6.1	15.4
Population (millions)	23.3	24.1	24.9	25.8	26.7	27.6
Average oil price (WTI) USD/barrel	56.6	66.1	72.3	100.2	62.1	79.5

Source: BSF Economic Report, "Quota Counting" 14 June 2011

3.2 Airline Industry Sector

Growth in the number of passengers departing from airports within Saudi Arabia is likely to increase demand for the Company's products and services, particularly In Flight Catering. The demand for Sky Sales products is driven in part by the number of passengers using Saudia scheduled flights. The demand for the Al Fursan Lounges is driven in part by the number of first and business class passengers using the main airports within Saudi Arabia.

This section (i) analyses historic information in respect of the key drivers of the airline industry in Saudi Arabia; and (ii) sets out IATA's forecasts in respect of air traffic in the Middle East, including Saudi Arabia.

3.2.1 Passenger Traffic

A large number of people come to Saudi Arabia as pilgrims and as migrant workers every year. According to GACA, over 48.0 million[4] passengers passed through Saudi Arabia's airports (whether arriving or departing) in 2010 representing an increase of 8.4 % from 2009. There has been an average compound annual growth rate of approximately 5.0% in passenger numbers from 2000 to 2010.

The Kingdom's main airports in Jeddah, Riyadh and Dammam have witnessed strong growth rates in passenger traffic in the period between 2006 and 2010 due to the increase in (i) the population of each of these cities, (ii) international travel from and to Saudi Arabia, and (iii) the number of Hajj and Umrah pilgrims travelling both from within and outside of Saudi Arabia. In comparison, growth at regional airports (such as those in Abha, Gassim, Jizan, Hail, Tabuk and Taif) has been relatively modest and in certain cases passenger traffic has declined at these airports over the last ten years. The Company believes that a number of regional airports may register stronger growth in the future as the Government is planning to develop a number of regions across Saudi Arabia, including regions in which some of those regional airports are situated.

Table 3-2 Growth in Passenger Traffic by Airport, 2006-2010

Airport	2006	2007	2008	2009	2010
KAIA	15,092	16,309	17,644	17,757	19,893
% growth	*-0.6%*	*8.1%*	*8.2%*	*0.6%*	*12.0%*
KKIA	11,017	11,783	11,540	12,674	13,616
% growth	*4.2%*	*7.0%*	*-2.1%*	*9.8%*	*7.4%*
KFIA	3,570	4,092	4,165	4,422	4,835
% growth	*10.7%*	*14.6%*	*1.8%*	*6.2%*	*9.3%*
PMIA	1,749	2,009	3,321	3,507	3,294
% growth	*6.6%*	*14.9%*	*65.3%*	*5.6%*	*-6.1%*
Abha	1,555	1,525	1,423	1,445	1,437
% growth	*0.7%*	*-1.9%*	*-6.6%*	*1.5%*	*-0.5%*
Gassim	399	387	280	348	409
% growth	*9.6%*	*-3.0%*	*-27.6%*	*24.3%*	*17.5%*
Jizan	780	879	760	831	901
% growth	*-4.2%*	*12.7%*	*-13.5%*	*9.3%*	*8.4%*
Hail	408	415	276	323	291
% growth	*10.9%*	*1.7%*	*-33.5%*	*17.0%*	*-9.9%*
Tabuk	643	648	630	677	687
% growth	*-0.8%*	*0.8%*	*-2.8%*	*7.5%*	*1.5%*
Taif	426	420	332	313	348
% growth	*5.7%*	*-1.4%*	*-21.0%*	*-5.7%*	*11.2%*
Regional airports	2,003	2,080	1,941	1,990	2,313
% growth	*8.6%*	*3.8%*	*-6.7%*	*2.5%*	*16.2%*
Total	37,642	40,547	42,312	44,287	48,024
% growth	*2.8%*	*7.7%*	*4.4%*	*4.7%*	*8.4%*

Source: GACA

Note: All the above numbers are in 000s

4 It should be noted that this figure represents the total number of passengers passing through each of the airports of Saudi Arabia i.e. if a person is travelling from KAIA to KKIA, he would be counted, according to GACA's calculations, as two passengers (as he passes through two airports during his journey).

In 2010, the overall passenger traffic at the International Airports (both on international and domestic flights) grew by 8.4%. However, the average figure does not show that the development of international travel was very different from domestic travel. During the same year, international passenger traffic at the International Airports grew by 15.7% whereas domestic passenger traffic at those airports only grew by 2.8%. The overall passenger traffic at domestic airports increased by 7.7% in 2010, driven mainly by the increase in passenger traffic at the airports in Gassim, Jizan, Taif and Al-Ahsa.

According to GACA, the number of Hajj pilgrims in 2010 increased by 4.2% from 2.5 million pilgrims in 2009 to 2.6 million pilgrims in 2010. In comparison, there was a 7.8% increase in the number of Umrah passengers from 3.9 million pilgrims in 2009 to 4.2 million pilgrims in 2010.

Table 3-3 Passenger traffic by type at KSA Airports, 2009-2010[5]

Traffic type	2009 (Passengers '000)	2010 (Passengers '000)	% change
Domestic passengers	16,180	16,629	2.8%
International passengers	15,296	17,701	15.7%
Private and charter aviation	405	416	2.7%
Umrah Pilgrims	3,937	4,244	7.8%
Hajj Pilgrims	2,541	2,648	4.2%
Total International Airports	38,359	41,638	8.5%
Total Domestic Airports	5,927	6,386	7.7%

Source: GACA

The pattern of passenger traffic in 2010 was reflected in the number of flights at both the International Airports and domestic airports during the same year. In 2010, the total number of flights (both international and domestic) from the International Airports grew by 4.5% compared to 2009. In comparison to 2009, international flights at the International Airports grew by 12.9% during 2010 whilst domestic flights from these airports declined by 1.8% in the same year.

Table 3-4 Flights by traffic type at KSA airports, 2009-2010

Traffic type	2009	2010	% change
Domestic flights	151,180	148,524	(1.8%)
International flights	119,799	135,294	12.9%
Private and charter aviation	49,062	49,045	0.0%
Umrah flights	25,790	28,411	10.2%
Hajj flights	9,667	9,963	3.1%
Total International Airports	355,498	371,237	4.4%
Total Domestic Airports	75,039	78,641	4.8%

Source: GACA

According to IATA's report titled "Airline Industry Forecast, 2011-2015" published in October 2011, the Middle East and Africa are forecasted to be the two fastest growing regions in the world in terms of international passenger traffic. The study examined passenger traffic within each region and between different regions. The growth for the two regions is forecasted to be at a compound annual growth rate of 7.9% and 6.1% respectively over the period between 2011 and 2015.

The table below sets out the forecasted growth in the number of international passengers within and between the different regions between 2011 and 2015.

5 It should be noted that the figures in this table represent the total number of passengers passing though each of the airports of Saudi Arabia i.e. if a person is travelling from KAIA to KKIA, he would be counted, according to GACA's calculations, as two passengers (as he passes through two airports during his journey).

Table 3-5 Passenger International Traffic Growth Within and Between Regions (CAGR 2011 to 2015)

	Africa	Asia Pacific	Europe	*LATAM	Middle East	North America
Africa	6.7%	7.2%	5.3%	6.2%	7.5%	6.6%
Asia Pacific	7.2%	7.1%	6.2%	7.3%	8.2%	5.4%
Europe	5.3%	6.2%	4.7%	5.4%	7.4%	4.4%
LATAM*	6.2%	7.3%	5.4%	7.2%	8.4%	5.3%
Middle East	7.5%	8.2%	7.4%	8.4%	8.0%	8.4%
North America	6.6%	5.4%	4.4%	5.3%	8.4%	3.8%
Total	6.1%	6.9%	5.0%	5.8%	7.9%	4.9%

Source: IATA's Report titled "Airline Industry Forecast, 2011-2015"

**LATAM refers to Latin America and Caribbean regions combined.*

The IATA report forecasts a compound annual growth rate of 7.5% in passenger traffic for Saudi Arabia over the period between 2011 and 2015. Passenger traffic in Saudi Arabia is forecasted to increase to 28.6 million passengers by 2015, compared to 19.9 million passengers in 2010.

Table 3-6 Passenger Traffic Growth Forecast for Saudi Arabia, Middle East and the World, 2011-2015

	2011	2012	2013	2014	2015	CAGR%
Saudi Arabia	8.5%	8.0%	7.5%	6.9%	6.5%	7.5%
Middle East	8.3%	8.5%	7.9%	7.6%	7.1%	7.9%
World	6.5%	5.2%	5.7%	5.7%	5.7%	5.8%

Source: IATA's Report titled "Airline Industry Forecast, 2011-2015"

3.2.2 Pilgrims

Pilgrims from outside and inside Saudi Arabia perform Hajj and Umrah through licensed travel agencies and Tawafa establishments. The large influx of pilgrims to Makkah and Madinah has created a significant opportunity for support service businesses, one of which is catering. The catering sector benefits from the increase in the number of pilgrims coming to Makkah and Madinah since the pilgrims need catering services throughout the period they are in Saudi Arabia (i.e. upon their arrival at the Hajj terminal in KAIA, at the religious sites and around the main mosque (For more details on non-airline catering services, see section 3.3 "*Non-Airline Catering*")). Pilgrims also require catering services on their outbound flights from KAIA and PMIA after they have performed Hajj or Umrah.

Table 3-7 Number of Hajj Pilgrims, 1999-2010

Year	Hajj Pilgrims from within the Kingdom (000)	Hajj Pilgrims from outside the Kingdom (million)	Total (million)	Growth (Year on year)
1420H (1999 G)	572	1.3	1.8	-
1421H (2000 G)	549	1.4	1.9	4.0%
1422H (2001 G)	591	1.4	1.9	1.6%
1423H (2002 G)	610	1.4	2.0	5.0%
1424H (2003 G)	592	1.4	2.0	-1.4%
1425H (2004 G)	630	1.5	2.1	7.6%
1426H (2005 G)	701	1.6	2.2	4.3%
1427H (2006 G)	724	1.7	2.4	5.3%
1428H (2007 G)	747	1.7	2.5	3.2%
1429H (2008 G)	679	1.7	2.4	-1.9%
1430H (2009 G)	699	1.6	2.3	-4.0%
1431 H (2010 G)	990	1.8	2.8	20.6%

Source: CDSI

As mentioned in the table above, the number of Hajj pilgrims increased by 20.6% in 2010 from 2.3 million pilgrims in 2009 to 2.8 million pilgrims in 2010. GACA expects that, in the longer term, the number of passengers travelling to Saudi Arabia to perform Hajj or Umrah or to visit the two holy Mosques will continue to grow as the government is currently expanding the two holy Mosques and developing the supporting infrastructure such as transportation networks and accommodation for more pilgrims.

3.2.3 Local Airlines

In 2010, the local Saudi airline market had two main carriers; Saudia and NAS Airlines. Saudia is the flag carrier of Saudi Arabia. NAS Airlines is a low cost carrier with its home base in Saudi Arabia. According to GACA, in 2010, Saudia's and NAS Airlines' market share of domestic flights was approximately 91% and 8%, respectively. Sama Airlines, another low cost carrier with its home base in Saudi Arabia, had a market share of approximately 1% in 2010. On 22 August 2010 Sama Airlines announced that it had ceased operations due to financial difficulties.

In October 2009, Al Wafeer Air commenced business as the first charter airline dedicated to transporting Hajj and Umrah pilgrims from around the world to Saudi Arabia.

3.2.4 Saudi Arabian Airlines

Saudia is the national carrier and the largest airline operating in Saudi Arabia. As of December 2011, Saudia flies to 86 scheduled destinations which are split into 27 domestic and 59 international destinations. In 2008, Saudia operated 94 airplanes, which were either owned or leased by Saudia. In December 2009 and December 2010 respectively, Saudia operated 94 planes (of which eight were leased) and 110 planes (of which four were leased). In December 2011, Saudia operated 99 planes (of which two were leased). The decline in the number of planes operated by Saudia in 2011 was primarily due to the decommissioning by Saudia of 16 MD 90 aircraft. Saudia expects to own 112 planes by 2013 and 123 planes by 2015 and does not currently plan to lease any additional planes in those years.

In 2009, number of passengers who travelled on Saudia increased by 3.4% from 17.7 million passengers in 2008 to 18.3 million passengers in 2009. In 2010, the number of passengers travelling on Saudia increased by 3.8% from 18.3 million passengers in 2009 to 19.0 million passengers in 2010. In 2011, the number of passengers who travelled on Saudia increased by 13.2% from 19.0 million passengers in 2010 to 21.5 million passengers in 2011.

3.2.5 Foreign Airlines

Many foreign airlines operate services to and from Saudi Arabia, in particular for the transport of expatriate workers and pilgrims. In 2008, the year for which the latest information is available from GACA, the foreign airlines which transported the largest number of passengers to or from Saudi Arabia were Egypt Air, Iran Air, Pakistan Airlines, Emirates, Garuda, Air India, Yemenia and Gulf Air.

The number of foreign airlines operating flights to Saudi Arabia has increased in the last ten years. By way of example, in June 2009, British Airways resumed its flights to Saudi Arabia after four years of absence, with five flights each week to KAIA and KKIA. Given that GACA has been actively working on attracting more foreign airlines to Saudi Arabia (as discussed below in 3.2.6), the Company expects that more foreign airlines will start to operate, or resume, flights to Saudi Arabia.

3.2.6 GACA Initiatives

Based on press releases that were published through various news outlets, the Board understands that GACA has embarked upon various programs to encourage both local and international companies to participate in the development of KSA's airports in order to raise the level of services and support the economic development and resulting air traffic. Some of these programs are described below.

3.2.6.1 Expansion of domestic airports

KAIA in Jeddah (expansion): This will increase the annual capacity from 17 million to 80 million passengers a year by 2035. The project will be developed in three phases at an estimated cost of SAR 42.0 billion. Phase I of the project, was inaugurated by the late Prince Sultan bin Abdulaziz in January of 2011, which will increase the airport's capacity to 30 million passengers per year. Phase II of the project is expected to be completed by 2020 and is expected to increase the airport's capacity to 50 million passengers per year. The final phase is scheduled for completion in 2035. The new terminal will include 46 departure gates, new aircraft hangers, a new control tower, a railway station zone connecting the airport to a public railway network and a new aircraft maintenance facility.

KKIA in Riyadh (expansion): In December 2009, GACA's board of directors approved the expansion of KKIA, the first phase of which would increase the airport capacity to 25 million passengers per year.

PMIA in Madinah (expansion): GACA announced at the end of October 2011 that it has awarded a Turkish-Saudi consortium a $1.5 billion contract to expand PMIA. The project is scheduled for completion by the first six months of 2015 and will increase the annual capacity of the airport from 4 million passengers to 8 million passengers. The aim of the expansion of PMIA is to facilitate additional international air traffic to Madinah.

Prince Abdulmohsen bin Abdulaziz Airport in Yanbu (expansion): The airport has undergone an overhaul and an expansion over the last few years. The newly expanded airport was inaugurated by The Custodian of the Two Holy Mosques King Abdullah bin Abdulaziz in July 2009. The airport is able to cope with around 600,000 passengers per year. This airport has been upgraded to a regional airport with the first international flight arriving from Cairo in December 2009.

3.2.6.2 Developing Airports

GACA has plans to construct new airports in different locations in the country to meet the demand of its growing population and to help balance development in all regions. At the end of 2010, the renovation and expansion of Tabuk Regional Airport has been completed and GACA is currently studying application from three regional airlines to operate international flights from this airport. GACA is also currently working on the design plans to construct new airports in the city of Jizan and Al Taif.

3.2.7 Competition in Airline Catering

The principal competition facing the Company in the In Flight catering segment comes from back catering, whereby some airlines transport a sufficient number of meals on their outbound flights in order to serve such meals to their passengers on their return flights out of Saudia Arabia. An airline's decision to do back catering is driven in some cases by restrictions on foreign currency exchange at its base country. Other airlines prefer to make full use of their own catering facilities at their base airports. However, because the extra weight of meals carried on an aircraft for the return flight increases the aircraft's fuel consumption, back catering is only economical on short-haul flights. The Company understands that the following airlines use back catering on their flights to Saudia Arabia:

- Emirates Airlines;
- Etihad Airways;
- Gulf Air;
- Iran Airlines;
- Kuwait Airways;
- Mahan Airlines
- Qatar Airways; and
- Syrian Air.

The Company believes that its principal domestic competitor in the In Flight catering segment is Adel Abuljadayel Flight Catering Company ("**Abuljadayel**"), which targets charter airlines and a limited number of international airlines. The Company understands that Abuljadayel has a relatively small number of contracts with international airlines and selected private jet operators. The Company estimates that the total market share of all its competitors in the airline catering segment is less than 5%.

3.3 Non-Airline Catering

Unless expressly stated otherwise, the report prepared by Digma in 2008 is the source of the information set out in this section 3.3. The Company believes that the information set out in this section has not changed significantly from 2008 and therefore, on balance, it still reflects the fundamentals of the non-airline catering market in the Kingdom at the date of the Prospectus.

3.3.1 Introduction

The non-airline catering industry has been established for some time in Saudi Arabia. In the past, companies, government institutions, hospitals, educational institutions and other entities have typically provided catering services internally. Recently though, an increasing number of these entities have started to retain specialized catering companies to provide them with the necessary catering and related services.

Digma believes that the non-airline catering market in Saudi Arabia is a large market with strong fundamentals for growth, including:

- the strong growth in the population and workforce of Saudi Arabia;
- the expected continuous growth of the Saudi Arabian economy in the future; and
- the expected increase in the number of visitors to Saudi Arabia, especially for Hajj and Umrah.

3.3.2 Principal market segments

A brief description of each of the principal segments of the non-airline catering market is set out below.

Religious: Pilgrims visiting Saudi Arabia to perform Hajj and Umrah have generated demand for logistical support services, including transportation, accommodation and catering services. Catering to pilgrims and visitors to Makkah and Madinah is usually undertaken through two means:

- Retail: Offering meals, snacks and drinks directly to pilgrims through retail outlets; and
- Business to business: Catering to Tawafa establishments who, in turn, provide catering to their pilgrim clients. In addition, catering services are also provided to the residents and visitors of the hotels around the two holy Mosques of Makkah and Madinah.

In 2008, the size of the catering market in the religious pilgrimage segment was estimated to be around SAR 6.9 billion per annum.

Remote Sites: Catering services are required at sites situated in remote areas of Saudi Arabia, such as workers' accommodation compounds, manufacturing plants, drilling facilities, prisons and army bases. Services to these sites include catering, housekeeping, cleaning, laundry, light maintenance, waste management and other related services. The main clients in this segment are oil companies such as Saudi Arabian Oil Company ("**Aramco**"), oil service companies, construction companies, mining companies, the Ministry of Interior and the Ministry of Defense. There are well established companies providing services in this segment, including the National Company for Management and Services (which is managed by Sodexo Group), Arabian Food Supplies Company and Al Tamimi Global Company Ltd. In 2008, the estimated size of the catering market in remote areas of Saudi Arabia was around SAR 3.9 billion per annum.

Party Services: Provision of catering services to weddings and large parties offers significant potential. Currently, many wedding halls provide their own catering to their clients, however some halls do not have the necessary catering equipment and require services from third party caterers. In 2008, the estimated size of this segment in Saudi Arabia was around SAR 2.9 billion per annum.

Hospitals and Medical Centers: This area of catering is a growing segment, as a large number of government and private hospitals are being built to serve the growing population in Saudi Arabia. It is generally necessary for companies providing catering services to hospitals and medical centers to possess special capabilities and meet certain requirements. In 2008, the estimated size of this segment in Saudi Arabia was around SAR 1.5 billion per annum.

Businesses, Industries and Institutions: This segment of the catering market is aimed at serving employees of large corporates in key industries such as telecoms and banking. This segment offers opportunities for catering companies as an increasing number of corporations wish to provide catering services for their staff. In 2008, the estimated size of this segment in Saudi Arabia was around SAR 1.3 billion per annum.

Educational Institutions: This segment of catering is an important and growing segment as there are significant developments from both the private and public sector throughout Saudi Arabia. Universities typically have canteens operated by external catering companies to serve meals to their staff and students. Schools represent another large segment with significant potential for catering companies as around five million pupils attend school in Saudi Arabia. Catering companies are generally awarded contracts to operate the kitchen units or to lease the cafeteria space within the school facility. In 2008, the estimated size of this segment in Saudi Arabia was around SAR 860 million per annum.

The chart below provides an estimate of the size of each of the principal market segments of the non-airline catering market in Saudi Arabia in 2008.

Table 3-8 Non-Airline Catering Market in Saudi Arabia in 2008

Non-Airline Catering Market	SAR (billion)
Religious	6.9
Remote sites	3.9
Party services	2.9
Hospitals & Medical centers	1.5
Business Industries & Institutions	1.3
Educational institutions	0.9
Total	17.4

Source: Digma

3.3.3 Competition

The Company believes that the non-airline catering market is highly competitive and fragmented. This is partly because there are a wide variety of geographically dispersed customers who have different needs. The Company believes that the following are some of the established names in the non-airline catering market:

- Tamimi Global Company Ltd.;
- National Company for Management Services (which is managed by Sodexo Group);
- Gulf Catering Company;
- Saudi Catering & Contracting Company; and
- Arabian Food Supplies Ltd.

4. The Company

4.1 Historical Background

The origins of the Company's business date back to 1981 when Saudia established a catering unit in KAIA in Jeddah which provided catering and other associated services to flights operated by Saudia and to other airlines operating flights out of KAIA. Saudia later established catering units in KKIA in Riyadh, KFIA in Dammam, PMIA in Madina and in Cairo International Airport. In 1985, the catering unit took over the Sky Sales business on Saudia flights and over the course of 2006 and 2007, it took over the management of the Al Fursan Lounges.

Although the catering unit was part of Saudia, it operated as a separate business unit of Saudia even before it was separated from Saudia and privatised in 2008. As part of the Privatisation process, Saudia established the Company on 20/1/1429 H (corresponding to 29 January 2008G) and transferred the assets, employees and the majority of contracts used or entered into by the catering unit to it.

Figure 4-1 History

Year	Milestone
1981	Established Jeddah Catering Unit
1983	Established Riyadh Catering Unit
1984	Established Cairo Catering Unit
1985	Took over the Sky Sales activities on-board Saudia flights
1999	Established Dammam Catering Unit
2001	Established Madina Catering Unit
2006/2007	Signed agreements with Saudia to manage the Al Fursan Lounges
2008	Privatisation of Saudia's Catering Unit
2008	Re-launch of the Non-Airline Division
2009	Company's revenues reach SAR 1 billion

Source: Company

4.2 Privatisation Process

In accordance with the resolution of the Supreme Economic Council No. 1/27 dated 14/02/1427H (corresponding to 14 March 2006G), Saudia initiated a process of privatising a number of its business units, including its Catering and Sky Sales unit. For this purpose, Royal Decree No. M/70 was issued on 15/8/1428H (corresponding to 28 August 2007G) which allowed Saudia to incorporate wholly-owned subsidiaries in Saudi Arabia. Saudia decided to commence the Privatisation process with its Catering and Sky Sales unit.

The privatisation process was carried out by way of a competitive tender offer process which formally began on 12 August 2006G by Saudia advertising its intention to privatise its Catering and Sky Sales unit in local and international newspapers and inviting interested parties to apply for qualification documents by 27 September 2006G. In addition to these newspaper advertisements, Saudia also undertook a marketing campaign at various aviation exhibitions and conferences.

Expressions of interest were then received from approximately 70 interested parties. Following an initial selection process, Saudia carried out an initial evaluation of the expressions of interest and sent qualification documents to 52 interested parties and invited them to respond by 27 September 2006G. Saudia and its advisors then evaluated the bids received on the basis of their technical, managerial, marketing and operating capabilities, as well as on their financial strength. On 4 October 2006G, Saudia notified 16 of these 52 interested parties that they had qualified and, accordingly, provided them with further information and documentation on which they were requested to make their formal written bids. These 16 qualified applicants were then permitted to carry out due diligence on the Catering and Sky Sales unit from 4 November 2006G to 15 November 2006G. The initial deadline for these qualified applicants to submit their formal written bids was 15 January 2007G, however this was extended until 27 February 2007G to allow for the 2006 audited financial statements of the Catering and Sky Sales unit to be finalized.

The net income from the Catering and Skysales unit in 2006 was SAR 164 million. As a standalone entity the pro forma net income in 2006 would have been SAR 156 million as the Catering and Skysales unit pays 10% of its Skysales revenue to Saudia. Prior to the Privatisation, the net income of the Catering and Sky Sales unit was not subject to zakat given that the unit was part of Saudia which, as a government entity, is not subject to Zakat.

On 27 February 2007G, Saudia received formal written bids from the following five qualified applicants: Gulf Catering Company; Saleh Mutlak Al Henaky Trading Company, a consortium involving Fawaz Al Hokair Establishment and Singapore Airport Terminal Services Limited and Amjad Alpha Group and a consortium led by Abdulmohsen Al Hokair Group comprising Abdulmohsen Al Hokair Group for Tourism and Development, Al Fozan Holding Company and Newrest. The five bids setting out each bidder's proposed valuation of 100% of the Catering and Sky Sales unit were opened in the presence of representatives of each bidder, Saudia financial advisor, BNP Paribas, its legal advisors, Clifford Chance LLP & Al Jadaan and Partners Law Firm and the board of directors of the Catering and Sky Sales unit. These five bids were evaluated, both on technical and financial grounds, by Saudia and its financial and legal advisors. The three bidders with the highest financial bids were Gulf Catering Company, Saleh Mutlak Al Henaky Trading Company and the consortium led by Abdulmohsen Alhokair Group. These three bidders were then given 24 hours to revise their bids. In the second round of written bids, which were submitted on 28 February 2007G, the consortium led by Abdulmohsen Alhokair Group submitted the highest financial bid which valued the entire Catering and Sky Sales unit at SAR 1.704 billion and set out details of its offer to acquire 49% of the Catering and Sky Sales unit. On the same day, the consortium was chosen as the successful bidder and on 19 November 2007G, it deposited the purchase price of SAR 835 million with BNP Paribas, in its capacity as an escrow agent.

The privatisation process culminated on 22 April 2008, with the transfer of 493,758 shares of nominal value SAR 100 each in, and representing 49% of, the Company's share capital to SCCL which was a new Saudi limited liability company established specifically for this purpose by Al Fozan Holding Company, Abdulmohsen Al Hokair Group for Tourism and Development and Newrest (as founding shareholders). Al Fozan Holding Company and Abdulmohsen Al Hokair Group for Tourism and Development later transferred their Shares in SCCL to their affiliates; Injaz and Al Hokair, respectively (please see further information on SCCL in section 4.5.5 "*The Company – Overview of the Selling Shareholders – Strategic Catering Company LLC*").

4.3 Corporate History

The Company was established as a limited liability company with commercial registration number 4030175741 dated 20/1/1429H (corresponding to 29 January 2008G) and having a share capital of SAR 100,767,000 divided into 1,007,670 shares of SAR 100 each. The Company was established as a wholly owned subsidiary of Saudia.

As part of the Privatisation, Saudia sold 493,758 shares of SAR 100 each and representing 49% of the share capital of the Company to SCCL at a purchase price of SAR 835 million.

The Company was converted from a limited liability company into a joint stock company in accordance with the Resolution of the Minister of Commerce and Industry number 68/K dated 22/2/1432 H (corresponding to 26 January 2011G) with a share capital of SAR 100,767,000 divided into 10,076,700 ordinary shares with a nominal value of SAR 10 each. In parallel with the conversion process, Saudia transferred 100,767 shares of SAR 10 each, representing one percent of the Company's share capital, to each of SACL, SPAC and SRED to comply with the requirement of the Companies Regulations for joint stock companies to have a minimum of five shareholders.

Pursuant to the resolution of the Extraordinary General Assembly convened on 14/4/1432H (corresponding to 19/03/2011G), the capital of the Company was increased from SAR 100,767,000 to SAR 820,000,000 divided into 82,000,000 ordinary shares of SAR 10 each through the capitalisation of the amount of (i) SAR 658,791,392 from the Company's retained earnings; (ii) SAR 13,718,428 from the Company's general reserve; and (iii) SAR 46,723,180 from the Company's statutory reserve.

4.4 Shareholding Structure

The following table summarizes the shareholding structure of the Company pre and post the Offering:

Table 4-1 Shareholders

Selling Shareholders	Pre–Offering				Post–Offering		
	Shares	Capital (SAR)	%	Number of Offer Shares to be sold in the Offering	Shares	Capital (SAR)	%
Saudi Arabian Airlines Corporation	39,360,000	393,600,000	48.0%	10,086,000	29,274,000	292,740,000	35.7%
Saudia Aviation Company Limited	820,000	8,200,000	1.0%	820,000	nil	nil	nil
Saudia Private Aviation Company Limited	820,000	8,200,000	1.0%	820,000	nil	nil	nil
Saudia Real Estate & Development Company Limited	820,000	8,200,000	1.0%	820,000	nil	nil	nil
Strategic Catering Company	40,180,000	401,800,000	49.0%	12,054,000	28,126,000	281,269,000	34.3%
Public	-	-	-	-	24,600,000	246,000,000	30.0%
Total	82,000,000	820,000,000	100.0%	24,600,000	82,000,000	820,000,000	100.0%

Source: Company

4.5 Overview of the Selling Shareholders

4.5.1 Saudi Arabian Airlines Corporation

Saudia, the national flag carrier of Saudi Arabia, was founded in 1946 as a government agency under the control of the Ministry of Defense. At the end of 2011, it operated a fleet of 99 planes on 86 domestic and international scheduled routes in the Middle East, Africa, Asia, Europe and North America. Saudia also operates both domestic and international charter flights, mostly during Ramadan and the Hajj season. The airline's main operational base and head office is at KAIA, Jeddah. Other major operational hubs are in Riyadh, Dammam and Madina. In addition to this, Saudia also operates cargo, ground handling and private aviation services, either by itself or together with strategic partners.

Following the Offering, Saudia will hold 29,274,000 Shares representing 35.7% of the Company's share capital and will continue to be the largest shareholder in the Company. In addition, Saudia will be restricted from disposing of its Shares for four years from the date of Admission and, following this period, Saudia may only dispose of its Shares after obtaining the approval of the CMA. Furthermore, pursuant to the Shareholders' Agreement, Saudia may not dispose of any of its Shares (other than to its affiliates) until 31 December 2016 without the prior written consent of SCCL pursuant to the Shareholders' Agreement (see section 13.1.4.3 "*Related Party Agreements – Shareholders' Agreement*").

4.5.2 Saudia Aviation Company Limited ("SACL")

SACL is a limited liability company registered in Jeddah under commercial registration number 4030183530 dated 2 of Ramadan 1429H (corresponding to 2 September 2008G) with a share capital of SAR 500,000. The activities of SACL include air transportation for passengers and cargo on its domestic and international network by itself or in cooperation with third parties. SACL is also involved in training pilots and cabin crew for domestic and international flights. SACL is wholly owned by Saudia. Following the Offering, SACL will no longer hold, directly or indirectly, any Shares.

4.5.3 Saudia Private Aviation Company Limited ("SPAC")

SPAC is a limited liability company registered in Jeddah under commercial registration number 4030183668 dated 9 of Ramadan 1429H (corresponding to 9 September 2008G) with a share capital of SAR 500,000. The activities of SPAC include operating private aviation flights on demand for unscheduled flights and operating domestic and international scheduled flights. SPAC is wholly owned by Saudia. Following the Offering, SPAC will no longer hold, directly or indirectly, any Shares.

4.5.4 Saudia Real Estate & Development Company Limited ("SRED")

SRED is a limited liability company registered in Jeddah under commercial registration number 4030181931 dated 13th Sha'aban 1429H (corresponding to 14 August 2008G) with a share capital of SAR 500,000. The activities of SRED include:

- managing, developing and maintaining real estate;
- constructing on, selling and leasing land plots;
- constructing, managing, developing and maintaining buildings that are related to aviation; and
- constructing, managing, developing and maintaining commercial, residential, hotels and road resting areas.

SRED is wholly owned by Saudia. Following the Offering, SRED will no longer hold, directly or indirectly, any Shares.

4.5.5 Strategic Catering Company LLC ("SCCL")

SCCL was established as a special purpose vehicle by Al Fozan Holding Company, Abdulmohsen Al Hokair Group for Tourism and Development and Newrest to acquire a stake in the Company at the time of the Privatisation. Al Fozan Holding Company and Abdulmohsen Al Hokair Group for Tourism and Development later transferred their shares in SCCL to their affiliates, Injaz and Al Hokair, respectively. The table below illustrates the current shareholding structure of SCCL.

Table 4-2 Shareholders in SCCL

Shareholders	% Direct ownership in SCCL	Ultimate Shareholder in SCCL	% Indirect ownership in the Company (Pre-Offering)	Legal form
Abdulmohsen Abdulaziz Al Hokair Group– Riyadh Plastic Factory Establishment	39.02%	Abdulmohsen Abdulaziz Fahad Al Hokair	19.12%	Natural Person
Injaz Projects Limited Company	31.65%	Abdullatif Al Fozan and Sons Company, Abdul Kadir Al Muhaidib and Sons Company and Amwal Al-Khaleej	15.51%	Corporate
Newrest Group Holding S.L. ("NEWREST")	29.33%	Private Investors	14.37%	Corporate
Total	100%		49.00%	

Source: Company

Following the Offering, SCCL will hold 28,126,000 Shares representing 34.3% of the Company's share capital and will continue to be the second largest shareholder in the Company after Saudia. SCCL will be restricted from disposing of its Shares until the Company has published its balance sheet and its profit and loss account for the financial year ending 31 December 2013G and, following the end of this period, SCCL may only dispose of its Shares after obtaining the approval of the CMA. Furthermore, pursuant to the Shareholders' Agreement, SCCL may not dispose of any of its Shares (other than to its affiliates) until 31 December 2016G, without the prior written consent of Saudia (see section 13.1.4.3 "*Related Party Agreements – Shareholders' Agreement"*).

Below is an overview of the shareholders in SCCL.

4.5.5.1 Abdulmohsen Abdulaziz Al Hokair Group – Riyadh Plastic Factory Establishment

Al Hokair is a sole establishment owned by Mr. Abdulmohsen Abdulaziz Fahad Al Hokair. Al Hokair is a member of the Al Hokair Group. Al Hokair Group organizes its business along the following lines:

- Industrial division: includes the manufacture of plastics and film;
- Hotels and Resorts: includes the ownership and operation of various hotels in the Kingdom and the GCC including the Novotel and Holiday Inn hotel chains;
- Restaurants and Food: includes the operation of various franchises in the Kingdom (such as Angus Wings, Perky's Pizza, Sands and Häagen-Dazs Cafes); and
- Entertainment: the portfolio includes brands such as Fun Studio, Digital Land, Al Hokair Land and Oceanica.

4.5.5.2 Injaz Projects Limited Company ("Injaz")

Injaz is a holding company that invests in projects in the oil and gas, petrochemical and utility sectors. Injaz also has an advisory division that provides financial and project management services for its own projects. Injaz's geographical focus is the MENA region and particularly the GCC countries. The table below illustrates the current shareholding structure of Injaz.

Table 4-3 Shareholders in Injaz

Shareholders	% Direct ownership in Injaz
Abdul Kadir Al Muhaidib and Sons Company	40%
Al Fozan Holding Company	40%
Amwal Al-Khaleej	20%
Total	100%

Source: Company

Table 4-4 Shareholders in Abdul Kadir Al Muhaidib & Sons Company

Shareholders	% Direct ownership in Abdul Kadir Al Muhaidib & Sons Company
Sulaiman Abdul Kadir Al Muhaidib and Partners Company	25.65%
Emad Abdul Kadir Al Muhaidib and Partners Company	25.65%
Essam Abdul Kadir Al Muhaidib and Partners Company	25.65%
Awatef Abdul Kadir Al Muhaidib and Partners Company	3.32%
Mariam Abdul Kadir Al Muhaidib and Partners Company	3.32%
Haifa Abdul Kadir Al Muhaidib and Partners Company	3.32%
Tamadur Abdul Kadir Al Muahidib and Partners Company	3.32%
Lolwa Sulaiman Saleh Al Mudaihim and Partner Company	4.75%
Amwal Al Ajyal Trading Company	5%
Total	100%

Source: Company

Table 4-5 Shareholders in Al Fozan Holding Company

Shareholders	% Direct ownership in Al Fozan Holding Company
Abdullatif and Mohamed Al Fozan Company	60%
Khalid bin Abdullatif Al Fozan	10%
Ali bin Abdullatif Al Fozan	10%
Abdullah bin Abdullatif Al Fozan	10%
Fozan bin Mohammad bin Ahmad Al Fozan	10%
Total	100%

Source: Company

Table 4-6 Shareholders in Amwal Al-Khaleej

Shareholders	% Direct ownership in Amwal Al-Khaleej
Al Fozan Holding Company	37.5%
Abdul Kadir Al Muhaidib and Sons Company	37.5%
Mohammed Ali Al Abbar	15%
Fahad Abdullah Al Mubarak	5%
Ammar Abdulwahid Al Khudairy	5%
Total	100%

Source: Company

Table 4-7 Ultimate Individual Shareholders with indirect ownership of greater than 5% in the Company

Ultimate Individual Shareholder in the Company	% Indirect ownership in the Company (Pre-Offering)
Abdulmohsen Abdulaziz Fahad Al Hokair	19.12%

Source: Company

4.5.5.3 Newrest Group Holding S.L. (“Newrest”)

Newrest is a privately owned company established in 2005 and based in Toulouse, France. In 2010, Newrest revenues were approximately USD 640 million (excluding any revenues from its shareholding in the Company), and employed more than 14,000 people working in 43 countries. Newrest is a specialized caterer within the food industry supplying various markets including airlines, industrial catering, remote site services, support services, duty free and on board sales of food, beverages and retail goods. Newrest is majority owned by its management team, led by its two chief executive officers, Olivier Sadran and Jonathan Stent-Torriani. Newrest and the Company have entered into the Management Services Agreement pursuant to which Newrest provides various technical and managerial services to the Company (see Section 13.1.4 “*Related Party Agreements*”). The table below illustrates the main shareholders in Newrest.

Table 4-8 Newrest shareholders

Shareholder in Newrest	% Direct ownership in Newrest
Ojaco	68.1%
AXA Equity Life	22.1%
Natixis Invest	7.3%
BNP Paribas Dev.	2.50%
Total	100%

Source: Company

4.6 Mission & Strategy

4.6.1 Mission

Our mission is to actively develop our client's hospitality image which will enable them to achieve their objectives and goals.

4.6.2 Strategy

The Company's strategy is to focus on the following main areas:

- Maintain its leading position in the airline catering business in Saudi Arabia by delivering high quality services at competitive prices;
- Progressively develop its non-airline catering business by targeting customers such as large corporations and businesses, educational institutions and companies with operations in remote parts of Saudi Arabia in order to reduce the Company's dependence on and exposure to fluctuations from the airline catering sector;
- Participate in the Kingdom's effort to promote religious pilgrimage. The Company provides catering services to the visitors to the two holy Mosques based on individual requests from various parties during the Hajj and Umrah seasons.
- Continue to develop the Company's Saudisation program, with a special emphasis on recruiting more female Saudi employees and providing them with the necessary training, as encouraged by the Ministry of Labor;
- Reduce the Company's outstanding accounts receivable from customers and, in particular, Saudia by, for example, increasingly focusing on sectors and customers which generate cash to the Company either immediately or with shorter payment cycles; and
- Continue working with Newrest, the Company's technical partner, and its global partner network in anticipating future trends in the catering industry, developing the Company's product offering and improving its procurement processes.

4.7 Airline Division

The Airline Division comprises all activities of the Company relating to the airline industry. Prior to setting up its Non-Airline Division in 2008, the Company operated, almost exclusively, in the airline catering services and Sky Sales businesses. The Airline Division continues to be the Company's most important business division and it accounted for approximately 92.3% and 92.8% of the Company's revenues in 2010 and 2011, respectively. The three segments within the Airline Division are In Flight Catering, Sky Sales and Al Fursan Lounges. In 2011, the Company also started to provide catering equipment (such as chinaware, cutlery and plates) to Saudia (see section 13.1.4 "*Legal Information – Related Party Agreements*").

4.7.1 In Flight Catering

The InFlight Catering segment provides passenger and crew meals as well as related services to Saudia and the majority of airlines that fly between and/or out of airports in Saudi Arabia. In this segment the Company also provides meals and related services to many private and charter flight operators as well as to VIP and individual flights. Seasonally, the Company caters for a large number of Hajj and Umrah pilgrims on their return flights to their home countries.

Customers

In 2011, the In Flight Catering segment served over 45 airlines and numerous other flight operators and private jets. Saudia has been by far the Company's largest customer since it began operations with around 82.8% and 83.9% of the Company's revenues in this segment in 2010 and 2011, respectively, being generated from Saudia. The other airlines and private flights account for the remaining 17.2% in 2010 and 16.1% in 2011. The following airlines were the Company's ten largest customers in 2011.

Table 4-9 Top Ten Airline Customers by Turnover, 2011

Airline	Revenue Generated from the top ten airline customers as a percentage of Total Revenue
Saudia	66.7%
NAS Airlines	1.4%
Garuda Indonesia Airlines	1.0%
Turkish Airlines	0.8%
Middle East Airlines	0.7%
Alpha Star Aviation	0.6%
Air India	0.6%
Aramco Aviation	0.5%
Royal Jordanian Airlines	0.5%
Egypt Air	0.5%

Source: Company

The Company has entered into the Saudi Catering Agreement, which is a long-term catering agreement, with Saudia. The Saudia Catering Agreement is due for renewal in 29 January 2015G. Other customers have open-ended contracts which can be terminated by giving the required period of notice. Other contracts are for fixed terms of up to four years. A number of international airlines operating flights to Saudi Arabia, such as Egypt Air, do not use the Company's full catering services primarily because they use back-catering (which is the practice of taking food supplies from the airline's home country on the outbound flight which are used on the return flight to avoid the cost of using a local caterer). Some airlines also use the catering services of the Company's competitors but the Company still provides ancillary services to such airlines and sells a variety of supplies to them on an ad-hoc basis.

Scope of Service

In its In Flight Catering segment, the Company is a full service provider to airlines, offering everything from menu-planning and costing to meal preparation, delivery of meals, beverages and supplies to the aircraft. The Company also provides a number of ancillary services ranging from providing clean linen to aircrafts through to waste disposal. The Company tailors its product offerings to the needs of the individual airline or flight operator. Whilst Saudia takes the full range of services from the Company, a number of other airlines use only specific services.

The Company has extensive experience in planning and providing menus suitable for specific flight routes, passenger segments and classes. Saudia has outsourced its entire menu planning and costing to the Company. The Company's other airline customers provide their own menu specifications and food layouts to the Company and require these to be implemented within agreed budgets. The Company is able to produce meals at all levels, from high-class and individualized cuisine for VIP, first and business class flights to mass produced good quality meals for economy class or pilgrim passengers. It is also able to provide special needs menus (for instance, for diabetic passengers). The Company employs chefs from different regions and its offering comprises many regional cuisines such as Arabic, European, American and Asian.

Ancillary services that the Company provides in this segment include the sale of chinaware for first and business class, supply of disposable tableware for economy class, cutlery, carts and trolleys, trays, linen and charter equipment, printing and branding. The Company also designs catering related equipment, provides and designs amenity bags for the passengers and provides on-board bathroom toiletries. The revenue generated by the Company from these ancillary services represented approximately 9.4% of the Company's overall revenue in 2011. The Company started to provide these services to Saudia in early 2011.

Catering units

The Company's production facilities (catering units) are located at KAIA, KKIA, KFIA, PMIA and Cairo International Airport. Each unit comprises loading bays to receive supplies, dry and cold storage, hot and cold kitchens, bakeries, dish-washing facilities and a handling department. The handling department ensures the timely delivery of the meals to the designated aircraft and is the largest department in each of the units operating a large fleet of delivery vehicles. The handling department handles an average of 107 flights each day across all the CUs.

As of 31 December 2011, the net book value of the Company's assets located in Saudi Arabia was approximately SAR109,769,825 while the book value of the Company's assets located in its catering unit at Cairo International Airport was approximately SAR5,095,708.

The following table gives an overview of the scale of operations at the units.

Table 4-10 Details on the Catering Units

As at 31 December 2011	Jeddah	Riyadh	Dammam	Madinah	Cairo
Start of operations	1981	1983	1999	2004	1984
Total area occupied	48,102 m^2	54,157m^2	35,136m^2	7,444m^2	3,019 m^2
No. of high loaders	49	32	10	4	3
No. of mini-trucks and vans	52	16	17	7	12
Other vehicles	10	35	16	5	5
No. of employees	1,563	1,085	273	172	237
Design capacity (meal/day)	45,000	40,000	18,000	12,000	9,000
Average flights handled per day	171	153	54	35	11
Average no. of daily flight meals produced*	32,538	26,398	6,609	3,443	2,552

Source: Company

** The total no. of daily flight meals produced exceeds 70,000 meals.*

The Company has invested approximately SAR 5.5 million in state-of-the-art equipment for the Central Production Unit ("**CPU**") within the Riyadh Catering Unit. On 3 July 2010, it entered into an agreement with Air Liquide Al Kharaf Industrial Gases Company for the supply of liquid nitrogen and the supply and servicing of technical equipment to be used in operating the CPU. The CPU has been fully operational since 18 July 2011.

The CPU is an integrated meal production facility designed to optimize use of production capacity, reduce wastage and provide better coverage for periods of peak demand. The CPU is able to produce a large number of standard cooked dishes (which represent the main component of the meals which are mainly served to economy class and pilgrim passengers). The production capacity of the current unit is approximately 27,000 cooked dishes per day. The cooked dishes can then be deep frozen at the CPU and stored for a period of up to 18 months for use during periods of peak demands. The Company transports these frozen cooked dishes to the various CUs where catering will be in high demand before demand peaks, such as during Hajj and Ramadan. The cooked dishes can be re-heated at the various locations as and when they are needed. This allows the Company to obtain economies of scale and use its capacity efficiently during off-seasons. The CPU also occupies less space at the Riyadh Catering Unit than the space which was occupied by the team which previously prepared the cooked dishes for the meals served in economy class. Furthermore, given that the Catering Units in Jeddah, Dammam and Madina are using the cooked dishes prepared using the CPU, this has decreased the space required to prepare the hot dishes at those CUs which, in turn, has increased the overall production efficiency at those CUs. The CPU also allows the Company to purchase certain raw materials at times when their prices are low and to use such raw materials in the cooked meals which are then frozen and ready to be served to passengers throughout the year, thereby increasing the Company's profitability margins.

Quality and Hygiene

The Company strives to provide meals of the highest quality to all passengers irrespective of the airline or class of travel. The quality of the Company's food offering has been acknowledged in the airline and catering industry through many awards. For instance, in 2009, the Dammam Catering Unit received the Gold Award-Europe/Middle East/Africa from IATA and in 2008, the Company was awarded two gold and one silver medals in the international culinary competition "INTER GASTRA 08" in Germany. The Company was also awarded a Gold Award from IATA, being one of only three Golden awards that are awarded annually by IATA worldwide in two consecutive years; in 2009 and 2010.

Safety and hygiene are of paramount importance to the Company. The Company has implemented state-of-the-art systems and controls relating to raw materials, production processes, staff well-being, climate change and environment cleanliness. The continuous laboratory analysis undertaken by the Company ensures the highest quality food, which complies with Islamic norms (Halal), is served to all clients.

Suppliers

Supplies for all segments are centrally procured (see section 5.3 "*Central Procurement Department*"). The Company has a policy of diversification among its suppliers, usually maintaining two or three alternative sources of supply for each product. The main items procured are bottled water and fruit juices, meat, rice, flour, vegetables, eggs, prawns and fish. The Company's main suppliers are Al Berri United Food Company, Siraj Medher Ltd. Company, Astra Farms, Halwani Brothers, Arabian Fisheries and Abuljadayel Beverages Company. In 2011, the supplies purchased by the Company from these suppliers represented, in aggregate, 37.4% of the Company's supplies, with Al Berri United Food Company being the largest supplier with a share of approximately 12.0% of the Company's total supplies. The Company does not enter into long-term arrangements with its approved suppliers and is therefore able to switch quickly between suppliers should it not be satisfied with quality, price or other terms.

The Company has agreements with approximately 30 of its suppliers, pursuant to which the suppliers have agreed to provide the Company with a monthly fees in respect of goods supplied. The monthly fees cover the cost of the Company maintaining the relationship with the supplier, as well as for promotional activities undertaken. The amount of the monthly fee is linked to the value of the goods supplied to the Company. In the year ended 31 December 2011G, the aggregate value of these supplier fees was approximately SAR18.6 million. These fees are paid by each relevant supplier issuing a monthly credit note, or directly deducting the level of the fee from the Company's supply invoice.

4.7.2 Sky Sales

Saudia transferred its onboard retail business, which is now called Sky Sales, to its catering unit in 1984. In 2007, the Company and Saudia entered into the Sky Sales Agreement pursuant to which the Company has the exclusive right to sell retail products on-board all international and domestic flights operated by Saudia. The key international routes for Sky Sales, in terms of annual sales revenue, are Cairo and Beirut, while the key domestic routes are Jeddah and Riyadh. The Company undertakes the Sky Sales activities on-board Saudia flights and NAS Flight.

The Company purchases the Sky Sales products directly from the suppliers. Some products are supplied to the Company on a "sale or return" basis, so that it is entitled to return those products which are not sold to the supplier and receive a full refund of the value of such products. In some instances, certain products are supplied to the Company on an exclusive basis for a limited period of time.

The In Flight product catalogue is updated three times a year. The selection of the Sky Sales products is based on a number of factors such as passenger purchase trends, introduction of new products to the market (such as new perfumes), any exclusivity arrangement agreed with the supplier and the price-to-volume ratio for each product. The main products offered to passengers are:

- Perfumes and cosmetics;
- Watches and Jewellery;
- Pens, sunglasses and electronic items;
- Items with the Saudia logo; and
- Children's toys and other gift items.

The Company trains Saudia staff to act as sales agents onboard Saudia flights. As at the end of 2011, over 500 stewards from Saudia were involved in Sky Sales. In July 2010, in order to facilitate better monitoring of purchases, the Company introduced a new system to manage its Sky Sales activities.

4.7.3 Al Fursan Lounges

Saudia was granted a license by GACA to operate the Al Fursan Lounges in all the International Airports in the Kingdom (i.e. KAIA, KFIA, KKIA and PMIA) to serve the passengers of Saudia. The Al Fursan Lounges are operated on behalf of Saudia pursuant to two agreements entered into between the Company and Saudia on 29 January 2008G. The two agreements have unlimited terms. The Company charges the airlines a fee based on the number of their passengers that use the Al Fursan Lounges. Passengers that otherwise do not have access to the Al Fursan Lounges if, for example, they are travelling economy class, can pay a flat fee for the use of the Al Fursan Lounges at these airports. The revenue generated by the Company from the Al Fursan Lounges represented approximately 3.0% and 2.7% of the Company's total revenue in 2010 and 2011, respectively. The Al Fursan Lounges contain private seating and dining areas, choice of hot and cold food and internet connectivity.

4.8 Non-Airline Division

4.8.1 Overview

Historically, as a business unit of Saudia, the Company used to offer catering services to a limited number of non-airline clients, such as private schools. In 2008, the Company established the Non-Airline Division and re-entered the non-airlines catering market. This business division is of a growing importance to the Company and is a key area of strategic focus. Whilst it only accounted for approximately 2.7% and 3.1% of the Company's revenues in 2010 and 2011, respectively, the Company expects that this proportion will increase in the future.

The Company has largely relied on existing resources, both in terms of expertise and production facilities at the airports, within the Airline Division to expand its business in the non-airline catering market. However, as the Company's client base in this sector continues to grow, the Company is currently staffing the Non-Airline Division with specialized experienced employees who are able to manage the relationships with the Company's non-airline clients and develop an understanding of the needs of such clients. For this purpose, Mr. Gilles Corroy (see section 6.3 "*Senior Management*" for a detailed biography) was hired in 2009, specifically to spearhead the development of this business unit.

4.8.2 Clients

The Company's strategy is to target the following three main segments in the non-airline catering market: (i) Companies with operations in Remote Sites; (ii) Businesses, Industries and Institutions; and (iii) catering for Hajj and Umrah pilgrims and visitors to the two holy Mosques. Under the Businesses, Industries and Institutions segment, the Company focuses on large corporations, educational institutions (particularly private schools) and hospitals.

In addition to catering services, the Company also provides its customers with housekeeping and laundry services, janitorial services, cleaning services, garbage collection, pest control, landscaping and operational management of certain facilities at the client's premises such as athletic gyms and barber shops.

Since the Company re-entered the non-airline catering market in 2008, it has won a number of contracts with clients in each of the main segments which it is targeting. Below is a table setting out the Company's key customers in the Remote Sites and the Businesses, Industries and Institutions segments. These are described in greater detail in section 4.8.3 "*Scope of Services*".

Table 4-11 Non–Airline Clients

Description	Client name
Businesses, Industries & Institutions	Saudi Telecom Company, National Commercial Bank, Islamic Development Bank, Afia International Company, American School Jeddah, Advanced Electronics Company, Al Salam Aircraft Company Ltd.
Companies with operations in Remote Sites	Saudi Arabian Mining Company

Source: Company

4.8.3 Scope of Services

Below is a brief overview of the Company's services in each of its target market segments.

4.8.3.1 Companies with Operations in Remote Sites

This category comprises mainly oil, gas and mining companies which have production sites far from urban centres. These sites usually employ between 50 and 1,000 staff.

Each client has its own specific logistic requirements depending on the type and location of its business operations (such as offshore drilling, construction, engineering and mining). The type of service provided by the Company for clients in this segment will therefore vary depending on each client's specific requirements. The Company provides catering as well as housekeeping, cleaning and laundry services to most of its clients in this segment. In some instances, the Company also provides certain clients with maintenance, waste management and security services.

The terms of the Company's agreements with clients in this category vary depending on the nature of each client's activities and its needs.

4.8.3.2 Businesses, Industries and Institutions

In this segment, the Company focuses on (i) large corporations; (ii) educational institutions; and (iii) hospitals. Below is a brief overview of each of these sub-segments:

Large Corporations

This includes companies which have a high concentration of employees at their workplace. The Company provides meals, beverages and confectionery items to clients' thousands of employees through cafeterias operated by the Company at the client's premises.

By way of an example, the Company has entered into a catering agreement with Saudia Telecom Company ("**STC**") pursuant to which the Company operates eight canteens at STC's headquarters in Riyadh (see section 13.1.2 "*Catering Agreements with Non-Airline Customers*").

The terms of the Company's agreements with clients in this category vary depending on the needs of each client.

Educational Institutions

This includes universities and private schools. The Company has secured a number of contracts with private schools to operate their canteens and offer meals, beverages and other confectionary items to the students and staff at affordable prices.

The terms of the Company's agreements with clients in this category vary depending on the needs of each client.

Hospitals

The Company plans to enter this market in the future and leverage its expertise to meet the needs and stringent specification requirements of hospitals.

4.8.3.3 Catering for Hajj and Umrah Pilgrims and Visitors to the two Holy Mosques

Currently, the Company provides catering to the visitors of the two holy cities on an ad-hoc basis. The Company is planning to expand its business in this segment by entering into a number of agreements with Hajj and Umrah operators pursuant to which the Company will provide meals to Hajj or Umrah pilgrims.

4.9 Competitive Advantages

There are a number of factors that give the Company an advantage over potential competitors and provide a platform for sustainable and profitable growth. The key advantages are outlined below.

4.9.1 Relationship with Saudia

Since its establishment by Saudia, the catering unit (and after the Privatisation, the Company) has been the exclusive provider of catering services to flights operated by, or on behalf of, Saudia. The catering unit started the Sky Sales activities on flights operated by, or on behalf of, Saudia in 1985. As part of the Privatisation, the Company entered into the Saudia Catering Agreement and the Sky Sales Agreement with Saudia (see section 13.1.4 "*Related Party Agreements*"), which are long-term agreements pursuant to which the Company exclusively provides catering services to, and undertakes Sky Sales activities on flights operated by or on behalf of, Saudia.

The Saudia Catering Agreement and the Sky Sales Agreement provide a number of important benefits to the Company. In 2010, the Company's revenues under these agreements accounted for approximately 66.3% and 9.3%, respectively, of the Company's total revenues whilst the revenues generated under these two agreements in 2011 accounted for approximately 57.7% and 10.0%, respectively, of the Company's total revenues. The long-term nature of these two agreements provides the Company with considerable stability in terms of revenues.

Whilst the Saudia Catering Agreement and Sky Sales Agreement are due to terminate on 29 January 2015, the Company believes that it will be in a strong position to secure an extension to these two agreements on substantially similar terms. Such belief is based on the fact that currently there are no other catering companies in Saudia Arabia who can match the Company's production capabilities and expertise to meet Saudia's significant catering needs. To illustrate the scale of catering services required by Saudia, in 2011, the Company provided over 22.1 million meals to approximately 113,619 Saudia and Saudia-operated flights.

Furthermore, the Company has entered into agreements with Saudia to manage the Al Fursan Lounges on its behalf the Company also entered into an agreement with Saudia for the sale of certain catering equipment by the Company to Saudia. The Company also provides catering services to two subsidiaries of Saudia; Saudi Airlines Cargo Company and Saudi Ground Services Company. The revenues generated by the Company from Saudia and/or from contracts entered into with Saudia and its two subsidiaries (which include the Saudia Catering Agreement and the Sky Sales Agreement) amounted, in aggregate, to 81.5% and 83.0% of the Company's total revenues in 2010 and 2011, respectively.

The Company also has an intimate understanding of Saudia's business needs which is an important advantage over its competitors. The Company further believes that it will be relatively difficult and not economically feasible for a competitor to replicate the scale and quality of operations of the Company in a short period of time.

4.9.2 Qualified and Experienced Management Team

The Company has a well-qualified and experienced management team. The Company benefits from the experience of many of its staff who have been with the Company (and with Saudia's catering unit prior to the Privatisation) for many years.

Following the Privatisation, the Company entered into the Management Services Agreement with Newrest (for more details on the services provided to the Company under this agreement, see section 13.1.4 "*Related Party Agreements*"). Newrest has a wide client base located in 43 different countries where it provides catering and associated services to different types of clients including airlines, rail companies, remote sites and mining companies. Pursuant to the Management Services Agreement, the Company is able to draw on Newrest's international knowhow and expertise in the catering business. This allows the Company's management to be aware of changes in trends in the international catering industry as well as any new developments in food production technologies. The Company's management team also benefits from Newrest's expertise in catering to clients in certain industries (such as the mining industry) and from Newrest's connections in the catering industry. The CEO of the Company, Mr. Christophe Parent, has both international and local experience in the catering industry and is currently seconded from Newrest (see section 6.3 "*Senior Management*" for his biography).

The Company has also recruited a number of new managers in senior positions following the Privatisation. Most notably, the Company recruited Mr. Mohamed Nabi as the General Manager of the Shared Services Department and Gilles Corroy as the General Manager of the Business Development Department. Both Mr. Nabi and Mr. Corroy have extensive international and local experience in the catering industry (see section 6.3 "*Senior Management*" for their biographies).

4.9.3 Economies of Scale

The Saudia Catering Agreement has enabled the Company to achieve economies of scale in all parts of its catering operations, from sourcing of raw materials, to preparing and storing meals and to delivery of meals to customers. This, in turn, has enabled the Company to offer competitive prices to Saudia and to its other customers. The economies of scale also provide the Company with operational flexibility enabling it to better use its resources across different flights and clients.

4.9.4 Quality

Focus on quality has always been an essential element of the Company's culture. The Company has constantly updated its facilities to conform to the latest international standards in order to maintain the highest quality required by its clients. This quality is reflected in both the taste of, and the standards of hygiene applied to, all of its meals. The certifications which the Company now holds are:

- **ISO 9001:2008** - this certification is for the management system for the In Flight Catering Unit, staff meals, support services and Sky Sales;
- **Hazard Analysis and Critical Control Point (HACCP) Codex Alimentarius** - this certification is for In Flight catering, staff meals and party services; and
- **ISO 22000:2005** – this certification is for the In Flight activities, staff meals and party services.

All these certifications are valid to 23 August 2013.

The Company has won a number of international accreditations and awards for the quality and hygiene standards of its meals. Some of the recent awards received by the Company include:

Table 4-12 Awards and Accreditations

Award/accreditation	Year
"Partners in excellence" certificate from British Airways	2004-05
"Service Partner Award" from Singapore Airlines	2004-05
Passenger International Second Annual Leadership Awards in the category of the Outstanding Food Services in the Middle East	2006
Certificate of Inspection (CMI) on behalf of British Midland Airways awarded to Riyadh and Jeddah units	2007
One gold and two silver medals at the International Culinary Competition "INTER GASTRA 08" held in Germany	2008
Regional – Europe/Middle-East/Africa Golden Award of Excellence in Catering Quality (ICQA Award)	2009
Regional - Europe/Middle-East/Africa Golden Award of Excellence in Catering Quality (ICQA Award)	2010
Award of excellence in catering quality worldwide (Platinum) from Quality & Safety Alliance In Flight services ("QSAI")	2011

Source: Company

4.9.5 Strategic Locations and State-of-the-Art Facilities

A key differentiating factor between the Company and its competitors is the location of the Company's CUs. The Company's CUs are all at locations within the International Airports and benefit from easy access to the aircraft. This makes the process of transporting meals from the CU to the aircraft much more efficient and cost effective. It also minimizes the risk that the quality of the food is compromised while being transported to the aircraft. The Company's CUs also contain large, temperature-controlled storage facilities which enables the Company to store large quantities of raw materials on-site. The Company's CUs are also equipped with state-of-the-art fully automated temperature control system which can be remotely controlled and monitored from any place in the world. The Company believes that this system is the first of its kind in the Kingdom.

The Company has also invested in state-of-the-art equipment for the CPU within the Riyadh Catering Unit. Please refer to Section 4.7.1 "*In Flight Catering*" for more information on the CPU.

4.9.6 Established Track Record

The Company (and, prior to the Privatisation, Saudia's catering unit) has been in the airline catering business for over 25 years. This experience is evident in the processes that it has developed in all parts of the food preparation chain. For example, the large scale cooking of economy class meals, their preparation and presentation in a timely and consistent manner and to high specifications, both in terms of quality and hygiene, is a capability that is not easy to replicate in the short to the medium term. The logistical arrangements required to deliver different types of meals to different types of aircraft shortly before those flights take off have been developed over many years. Similarly, during peak periods, such as the Hajj season, the Company's CUs are able to exceed their respective design capacity by approximately 80%. Please refer to table 4-7 "*Details of the Catering Units*" under section 4.7.1 "*In Flight Catering*" for more information on each CU.

4.10 New Initiatives and Plans

In order to reduce the Company's reliance on the airline catering sector, the Company is pursuing new business opportunities that would add to the products and services already offered by it and utilize its capabilities and infrastructure. The Company also plans to acquire a bigger market share of the non-airline catering sector.

The following sections set out a summary of the Company's plans which have been approved by the Board.

4.10.1 Staff Housing

The Company plans to build housing for its staff in the Thahaban district 30 km north of Jeddah along the highway leading to Madinah. For this purpose, the Company acquired 130,000 m^2 of land on 16 March 2011 for a price of SAR 33.8 million. Work on this project commenced in May 2011 when the Company engaged Fahad Alireza Engineering Consultants Company to prepare the architectural designs. Completion of the project is expected by the end of 2013. It is anticipated that, once completed, the project will provide accommodation for up to approximately 4,000 people and will include sports and leisure facilities. Many of the expatriate workers, numbering over 900, employed by the Company in Jeddah currently reside at premises leased by the Company from Saudia. In addition, the Company plans to lease part of the buildings in the project to third parties who wish to provide accommodation to their employees who work in the area.

Based on the initial feasibility study and design, the total project cost, including the cost of land, will be approximately SAR 143.7 million which will be spent over three years from 2011 to 2013.

4.10.2 Laundry Services

The Company plans to offer laundry services to hotels and hospitals as it believes it can leverage on its current expertise in logistics. This will further diversify its business profile. The target market will be four and five star hotels and private and public hospitals in the main cities in Saudi Arabia. The Company will continue to provide laundry services to both local and international airline companies.

The Company plans to set up two laundry facilities; one in King Abdullah Economic City and the second is likely to be in Riyadh with an estimated total investment of approximately SAR 33.7 million. For this purpose, the Company plans to lease land within King Abdullah Economic City on which this facility will be constructed. The Company plans to rent space in one of the hospitals in Riyadh from which the Company will operate the other laundry facility .

The construction of the laundry unit is expected to commence in July 2012 and is expected to commence operations by end of 2012. The Jeddah laundry unit is anticipated to be built over 5,500 m^2. Each unit is expected to have an approximate capacity of 40 tons per day and is expected to employ approximately 130 employees, the majority of whom will be recruited by the Company shortly before the commencement of operations.

5. Administrative Support Departments

The Company has a number of administrative departments that support its various business activities. Set out below is a brief description of the activities of each of these departments.

5.1 Shared Services Department

The Shared Services Department combines a number of back office functions relating to information processing. It has the following three main responsibilities:

- to design, implement and operate the Company's various information systems to meet the needs of the Company's management;
- to allocate resources between the different departments and ensure that such resources are used efficiently in accordance with the Company's strategy, policies and objectives; and
- to provide the Board and the Company's senior management with accurate, reliable and timely management reports to facilitate decision making, action planning and determining the Company's overall strategy.

The head of the department also acts as an internal advisor in respect of certain legal matters, the execution of commercial agreements and the administration of the Company's obligations relating to various financial issues such as the filing of the Company's zakat and tax returns and liaising with the General Organization for Social Insurance.

The Shared Services Departments consists of two separate sub-departments:

5.1.1 Finance Department

The Finance Department is responsible for:

- consolidating of the reports and accounts of the five CUs;
- cash and credit management (i.e., cash collection from clients);
- undertaking appropriate financial controls and profitability measures;
- updating the Company's financial policies and procedures;
- cost control (i.e., the control of inventories and operational expenses);
- the payroll function;
- preparation and consolidation of detailed budgets for each business division; and
- monitoring the Company's performance against set budgets and producing monthly reports in respect of the same.

5.1.2 IT Department

The main responsibilities of the IT Department are to: (i) maintain the functionality and optimal condition of the Company's existing hardware and software systems; (ii) to upgrade such systems as necessary; and (iii) successfully develop and implement new applications, either internally or through external providers.

The IT Department also provides technical support and assistance at the Company's headquarters and at each of the CUs.

5.2 Internal Control and Performance Improvement Department

Given the climate of Saudia Arabia and the high temperatures that are reached, food safety control is of paramount importance to the Company. The Company has implemented state-of-the-art systems and controls relating to raw materials, production processes, the well-being of staff, climate variations and environment cleanliness. Laboratory analysis ensures that food of the highest quality is served to all clients.

The key responsibility of the Internal Control and Performance Improvement ("ICPI") department is to ensure that the operations are performed according to the highest standards of hygiene and food safety and to maintain customer satisfaction. In this regard, monthly internal and semi-annual external audits are conducted to ensure that food safety standards are met.

5.3 Central Procurement Department

The Central Procurement Department is responsible for all the raw materials required by all the CUs except Cairo. The raw materials are purchased from a mix of local and foreign suppliers.

With a few exceptions, the Company does not have long-term agreements with its suppliers. Instead, it places orders with suppliers on a quarterly basis based on the requirements of the CUs. The key items procured on this basis include rice, flour, chicken, fish, red meat, water, dates and eggs. The department is also responsible for the procurement of the non-food items such as plastic cutlery and other consumables for the kitchens.

5.4 Human Resources, Policies, Appraisals and Career Planning

The HRD is responsible for the implementation of the Company's personnel policies, including regular updates to reflect changing needs and circumstances. Working closely with personnel managers in each business unit, the HRD coordinates activities such as localization, training and development, and health and safety.

5.5 Strategy and Costing Department ("CSD")

All the airline data and information in respect of the non-airline business sector is collected and summarized by the CSD to be used by the Company for its budgeting purposes. The CSD supports both the airline and non-airline business by providing research reports, menu planning and printing, and recipe costing.

5.6 Internal Audit Department

The Company is in the process of establishing an internal audit department. In addition to this, the Company is also in the process of drafting a financial control manual. The Company expects that these processes will be completed by June 2012G.

6. Corporate Structure and Governance

6.1 Board Members

The Company has an experienced Board of Directors, composed of highly qualified and respected individuals in the business community. None of the Directors hold any Shares, however, prior to the Offering, Jonathan Stent-Torriani had an indirect interest in Shares through his ownership of shares in Newrest amounting to 2.1% of the Shares. Following the Offering, the indirect interests of Mr. Jonathan Stent-Torriani will amount to 1.47% of the Shares.

Table 6-1 SACC Board Members

Name	Nationality	Position	Status	Independence	Direct or indirect Share ownership after the Offering
Mr. Khalid Abdullah Al-Molhem	Saudi	Chairman	Non-executive	Non-Independent	None
Mr. Sami Abdulmohsen Al Hokair	Saudi	Member	Non-executive	Non-Independent	None
Mr. Shawgi Mohammed Mushtag	Saudi	Member	Non-executive	Non-Independent	None
Mr. Basel Mohammed Algadhib	Saudi	Member	Non-executive	Non-Independent	None
Mr. Yousef Abdul Sattar El Maimani	Saudi	Member	Non-executive	Non-Independent	None
Mr. Jonathan Stent-Torriani	Swiss	Member	Non-executive	Non-Independent	1.47% (Indirect ownership through Newrest)
General Abdul Aziz Saif Al-Saif (Retired)	Saudi	Member	Non-executive	Independent	None
Mr. Fahd Abdulmohsen Al Rasheed	Saudi	Member	Non-executive	Independent	None
Mr. Hasan Shakib Al Jabri	Saudi	Member	Non-executive	Independent	None

Source: Company

In accordance with the Companies Regulations, 1,000 Shares have been transferred by Saudia and SCCL to each Director and the corresponding share certificates have been deposited with BSF.

Amr Mohammed Sager is the secretary of the Board and does not hold any shares in the Company.

6.1.1 Resumes of Directors

Khalid Abdullah Al-Molhem

- **Age:** 55
- **Nationality:** Saudi
- **Position:** Chairman
- **Education :** Bachelor of Science in Electrical Engineering, Bachelor of Science in Engineering Management, University of Evansville, Indiana, USA (1980).
- **Experience:** Khalid Al-Molhem has around 30 years of professional experience in the banking, telecoms and airline industries. Between 1981-1983, Khalid-Al Molhem served as an engineer with the Royal Saudi Air Force. Between 1983-1988, he worked as a team leader at the Saudi Industrial Fund. In 1989, he joined the Saudi British Bank, where he held various positions including Senior Manager in the Retail Banking department and Executive Director of Investment Banking. In 1997 he joined Almarai Company as Chief Executive Officer until 1998. Between 1998-2006, he worked for Saudi Telecom Company, serving as the President between 2001-2006. Khalid Al-Molhem has been the Director General of Saudia since 2006.

Sami Abdulmohsen Al Hokair

- **Age:** 45
- **Nationality:** Saudi
- **Position:** Director
- **Education :** Bachelor Degree in Administrative Sciences, King Saud University, Riyadh (1990).
- **Experience:** Sami Al Hokair has over 21 years of professional experience in hotel management in Saudi Arabia. Upon graduating from university, Sami Al Hokair joined the Andalous Group, where he held a number of positions, including Manager between 1990-1994 and Managing Director between 1995-2009. In 2009, he established a new hotel brand "MENA Hotels and Resorts" under the Abdulmohsen Al Hokair Group. Since 2009, he has been responsible for managing 32 hotels in the KSA, two hotels in Jordan 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 and is the Executive Vice-President and CEO of the Hotel Division of Al Hokair Group. In addition, he is the vice-chairman of the board of Sahara Kingdom Company in Dubai, UAE.

Shawgi Mohammed Mushtag

- **Age:** 59
- **Nationality:** Saudi
- **Position:** Director
- **Education :** Bachelor of Science in Marketing and Management, Davis and Elkins College, West Virginia, USA (1974).
- **Experience:** 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 currently serves as Executive Vice President - Privatisation at Saudia.

Basel Mohammed Algadhib

- **Age:** 53
- **Nationality:** Saudi
- **Position:** Director
- **Education:** Bachelor of Science in Civil Engineering, King Fahad University of Petroleum & Minerals, Dhahran (1980). Master's of Science in Construction Engineering and Management, Stanford University, California, USA (1985). Chartered Financial Analyst (1993).
- **Experience:** Basel Algadhib has over 31 years of professional experience in areas of investment and management in Saudi Arabia. Basel joined Saudi Aramco's engineering and construction division from 1980-1986. He later joined Gulf Investment Corporation as Vice-President of the Direct Investment Group from 1986-1991 and was later appointed as the Vice-President of the Merchant Banking Group from 1993-1994. Subsequent to that, Basel was appointed at United Saudi Commercial Bank as Head of Investment Services from 1994-1996. He joined Riyad Bank as Executive Manger from 1996-1999. He was later appointed as Executive Vice-President in the International Banking Division from 1999-2003 and as Executive Vice-President in the Treasury and Investment Division from 2003-2005. Basel served as Managing Director of JP Morgan Chase Bank from 2005-2006. He later served as Chief Executive Officer of Morgan Stanley Saudi Arabia from 2006-2008. Between 2008 and 2010, Basel set up Sadeed Financial Advisory, a solely owned investment advisory. Since 2009, Basel has held the position of Managing Director at Atheel Holding Company, which overseas a portfolio of businesses in multiple sectors including real estate, construction, industrial and manufacturing.

Yousef Abdul Sattar El Maimani

- **Age:** 57
- **Nationality:** Saudi
- **Position:** Director
- **Education:** Bachelor of Science in Management, University of San Francisco, California, USA (1979).
- **Experience:** Yousef El Maimani served as Chairman of the Madina Chamber of Commerce & Industry from 1994–1998 and the Chairman of NAS Airlines from 1998 – 2002. He has been a member of the board of directors of Majlis Ash-Shura since 2001 and a member of Saudia since 2006. Yousef El Maimani is currently the Chairman of a number of Saudi companies, including Maimani Holding Group, Maimani Red Brick & Clay Products Factories, Madina Monawara Bottling Plant, Dom Trading & Contracting Company, Azel Rockwool Insulation Factory, Global Advanced Business Group, Advanced Distribution Technology Company, United Foam Company, Madina Foam Company and Yamco Company. He is also a director of National Commercial Bank.

Abdul Aziz Saif Al-Saif

- **Age:** 69
- **Nationality:** Saudi
- **Position:** Board member
- **Education :** Signal Corps' School (1956).
- **Experience:** Abdul Aziz Al-Saif was appointed as a First Lieutenant in the Saudi Military Forces in 1956 following which he worked in various divisions of the military. In April 2000, he was appointed as commander of the western region of Saudi Arabia. He retired from the military in July 2007. Abdul Aziz Al-Saif has attended various military training courses in the Kingdom and in the USA and obtained various medals of honor. He was also awarded a medal from His Majesty the King of Morocco and a medal from the government of the United States of America which he received upon the end of his service as a military attaché of Saudi Arabia to the USA.

Jonathan Stent-Torriani

- **Age:** 46
- **Nationality:** Swiss
- **Position:** Board member
- **Education:** Bachelor of Arts in Economics, McGill University, Canada (1989). Masters of Science, Ecole Hotelier de Lausanne, Switzerland (1991).
- **Experience:** 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 Naunce 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.

Fahd Abdulmohsen Al Rasheed

- **Age:** 34
- **Nationality:** Saudi
- **Position:** Director
- **Education:** Bachelor of Science in Business Administration, Finance and International Business, Washington University, St. Louis, USA (1999). Master's of Business Administration, Stanford Business School, California, USA (2005).

- **Experience:** Fahd Al Rasheed has over 10 years of professional experience in areas of business development, investment and general management in Saudi Arabia. He was appointed as Financial Analyst at Saudi Aramco between 1999 - 2003. He was then appointed as the chief financial officer of the Saudi Arabian General Investment Authority between 2005 - 2006 and later appointed to the position of deputy governor from 2006 - 2007. Fahd Al Rasheed has been the managing director and chief executive officer of Emaar Economic City since 2008. Fahd Al Rasheed also serves as a member the board of the Ports Development Company since 2010. He is also a member of the World Economic Forum Agenda Council on Real Estate since 2009.

Hasan Shakib Al Jabri

- **Age:** 51
- **Nationality:** Saudi
- **Position:** Director
- **Education:** Bachelor of Science, American University of Beirut, Lebanon (1984). Executive Management Programme, Columbia University, New York, USA (1992).
- **Experience:** Hasan Al Jabri has around 26 years of professional experience in the banking sector. He has held senior positions in several banks, including Samba Financial Group where he served as Account Officer between 1989-1987, Head of Corporate Banking between 1987-1993 and the Head of the Western Region between 1994-1998. Hassan Al Jabri jointed the National Commercial Bank where he served as the Head of Corporate Banking Group between 2001-2007 and Managing Director and Board Member of NCB Capital between 2007-2010. Hasan Al Jabri has been the chief executive officer of Sedco Capital since 2010. He also sits on the board of directors of Roots Group Arabia Company since 2010, the board of directors of Dar Al Tamleek since 2010 and the board of directors of SEDCO Capital since 2010. He is also the chairman of Al Ibdaa Bank (which specialises in micro financing). Furthermore, Hasan Al Jabri is also a member of the investment committee of BUPA Arabia.

6.2 The Secretary of the Board

Amr Mohammed Sager

- **Age:** 28
- **Nationality:** Saudi
- **Position:** Secretary of the Board
- **Education:** Bachelor of Accounting, the College of Industrial Management, King Fahad University of Petroleum & Minerals, Dhahran (2007).
- **Experience:** Amr Sager has 9 years of professional experience in management, finance, auditing and recruitment in various international companies. He worked with Beyond Horizon, a recruitment firm, from 2002-2006. He was then appointed to the position of senior auditor at Deloitte Touche Tohmatsu Ltd. from 2007-2010. Amr was then appointed as an assistant director of finance and an internal auditor at the College of Business Administration from 2010-2011. In June 2011, Amr Sager joined the Company in the position of Board Secretary and internal auditor.

6.3 Senior Management

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

Set out below is a summary of the composition of the senior management team:

Figure 6-1 Organization Structure Chart

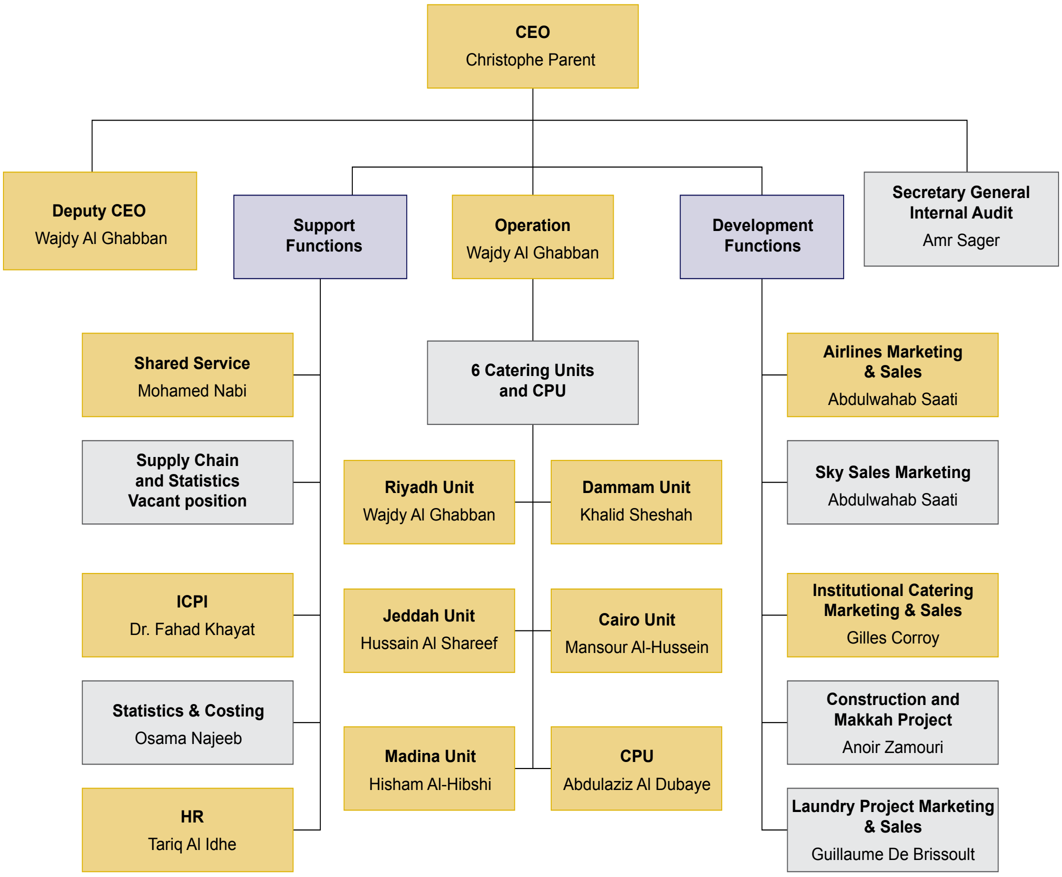

Table 6-2 Company's Senior Management

Name	Position	Nationality	Age	No. of Shares held Pre-Offering	No. of Shares held Post-Offer-ing
Christophe Parent	CEO	French	59	-	-
Mohamed Benamar Nabi	General Manager – Shared Services	French	61	-	-
Wajdy Mohammed Al-Ghabban	Deputy CEO	Saudi	46	-	-
Hussain Mohammed Al Shareef	Regional Manager – Jeddah	Saudi	44	-	-
Fahad Ali Khayat	General Manager – Internal Control & Performance Improvement	Saudi	52	-	-
Gilles Corroy	General Manager – Business Development Non-Airline	French	46	-	-
Abdulwahab Ahmad Saati	General Manager – Airline Marketing and Sales	Saudi	44	-	-

Name	Position	Nationality	Age	No. of Shares held Pre-Offering	No. of Shares held Post-Offering
Tariq Yahya Al Idhe	Head of the Human Resources Polices, Appraisals and Career Planning Department	Saudi	35	-	-
Osama Najeeb Ameen Najeeb	Head of Strategy and Costing	Saudi	44	-	-
Anoir Mahmood Zamouri	Project Manager, Makkah Development Project	French	33	-	-
Guillaume De Brissoult	Project Manager, Industrial Laundry	French	33	-	-
Khalid Sultan Sheshah	Regional Manager – Dammam	Saudi	51	-	-
Hisham Salem Al-Hibshi	Regional Manager – Madina	Saudi	43	-	-
Mansour Ibrahim Al Hussein	Head of the Catering Unit in Cairo	Saudi	45	-	-
Abdulaziz Mohammed Al Dubaye	Head of CPU	Saudi	47	-	-

6.3.1 Resumes of Senior Management

Christophe Parent

- **Age:** 59
- **Nationality:** French
- **Position:** CEO
- **Education:** Diploma in Superior Studies in Business Management, Ecole Supérieure des Sciences Commerciales d'Angers (France), (1977).
- **Experience:** Mr. Parent has 23 years of experience in catering and life support services of which 20 years were with the Sodexo Group, which is one of the leading companies in the catering and support services business worldwide. Christophe served in various positions at Sodexo Group including Regional Manager in KSA and Country General Manager in Nigeria and Chile. He then spent ten years as President of the Remote Site Division at Sodexo Group. He also served between 1990 and 2002 as an advisor to the French Foreign Trade Minister. After spending two years in the manufacturing industry as the Managing Director for a subsidiary of Bucher Industries AG in France, Christophe joined Newrest in January 2008 and immediately joined the Company on secondment from Newrest. He is currently the Managing Director for the Middle East at Newrest. He is also a member of the executive committee of Newrest and represents Newrest on the board of directors of Newrest Wacasco in Oman and Newrest Yemenia in Yemen.

Wajdy Mohammed Al-Ghabban

- **Age:** 46
- **Nationality:** Saudi
- **Position:** Deputy CEO
- **Education:** Wajdy Al-Gabban is currently studying for a Joint Bachelor's and Master's degree in Business Administration (distance learning course) at Robert Kennedy College, Switzerland.
- **Experience:** Mr. Al-Ghabban joined Saudia in 1988 and was transferred to the Company as part of the Privatisation. He has served in several roles within the Company. From 1988 to 2000, Mr. Al-Ghabban worked at the equipment preparation, equipment handling and equipment control departments. In 2000, he was appointed as Assistant Manager for the Cairo Catering Unit and in 2005 became the Head of the Cairo Catering Unit. He was appointed in 2006 as the Head of the Riyadh Catering Unit and in 2009 he became the Regional Manager for the Central Region. In January 2010, he was appointed Chief Operating Officer of the Company and on 11 May 2011, he was appointed as Deputy CEO.

Mohamed Benamar Nabi

- **Age:** 61
- **Nationality:** French
- **Position:** General Manager – Shared Services
- **Education:** Bachelor's degree in Legal Business Administration, Paris X University Nanterre, Paris, France (1972), Master's of Science in Economics, Paris X University Nanterre (1974). Master's in Business Administration, I.A.E Paris Dauphine University (1975). Diploma in superior accounting, INTEC Lyon Institute (1977).
- **Experience:** Mohamed Nabi has 26 years of experience with the Sodexo Group. He has served in various positions at the Sodexo Group, starting from 1975 onwards until 1990 he was assigned as Finance Director of different subsidiaries in France and abroad and then as Internal Senior Auditor from 1990 to 1992, Finance Director for Europe from 1992 to 1995, International Senior Auditor from 1995 to 1997 and Deputy General Manager in the Vouchers and Cards Services division from 1998 to 2001. From 2001-2008, Mohamed Nabi started a private firm which provided financial consultancy services to a number of clients. Mohamed Nabi joined the Company in March 2008.

Hussain Mohammed Al Shareef

- **Age:** 44
- **Nationality:** Saudi
- **Position:** Regional Manager – Jeddah
- **Education:** Bachelor's degree in Business Administration, Robert Kennedy College (distance learning course in affiliation with the University of Wales, UK), (2010).
- **Experience:** Hussain Al Shareef joined Saudia in 1986 and was transferred to the Company as part of the Privatisation. He has led several successful projects at the Company; including the startup of the Dammam Catering Unit and the reorganization of the Riyadh, Medina and Jeddah Catering Units. Hussain Al Shareef has received a number of awards from various catering agencies. He has been the Regional Manager of the Company's operations in Jeddah since August 2005.

Fahad Ali Khayat

- **Age:** 52
- **Nationality:** Saudi
- **Position:** General Manager – Internal Control & Performance Improvement
- **Education:** PhD in Philosophy, Utah State University, USA (1988). Master's in Science, Utah State University, USA (1986). Bachelor's of Science, Weber State College, USA, 1982.
- **Experience:** Fahad Khayat joined Saudia in 1990 and was transferred to the Company as part of the Privatisation. He has held various managerial positions in the Quality, Operations, Human Resources and Internal Control Departments from 1990-2005 including Vice President of Catering from 2006-2008. Fahad Khayat was appointed to his current position in January 2008.

Gilles Corroy

- **Age:** 46
- **Nationality:** French
- **Position:** General Manager – Business Development – Non Airline Catering
- **Education:** Bachelor's degree in Sales and Marketing (1987) and Master's degree in International Trade, University Paris V – Rene Descartes (1989). Post Graduate in Business and Administration Management (1999), DESS – IAE – CAAE.

- **Experience:** Gilles Corroy has over 20 years of experience in catering and support services. He has worked with two of the largest catering companies in the world (the Sodexo Group and the Compass Group) and has experience across four continents. Gilles served as a marketing executive for Alcatel in Bangkok from 1988-1989. From 1989-1993, Gilles served as the Business Development Manager of Sodexo Group in Riyadh. Gilles then joined the Compass Group in 1993, where he held a number of positions, including the Sales and Operation Manager in Russia from 1993-1995, the Manager of International Business Development from 1995-1998, the General Manager of Compass Algeria from 1998-2000 and the General Manager of Compass Egypt from 2000-2001 and the General Manager of Compass Oman from 2001-2008. Gilles joined the Company in November 2008.

Abdulwahab Ahmad Saati

- **Age:** 44
- **Nationality:** Saudi
- **Position:** General Manager – Marketing Sales Aviation Services
- **Education:** Currently studying for a Masters' degree in Marketing & Economics at the University of Edinburgh (Scotland) via distance learning. Bachelor's degree in Petroleum and Minerals, King Fahd University, Dhahran, Saudi Arabia (1987).
- **Experience:** Abdulwahab Saati joined Saudia in 1991 and was transferred to the Company as part of the Privatisation. He held many positions within the Company including the Manager of Marketing, Sales and Customer Care from 2002 to 2007 and Manager of Sales, Marketing and Business Development from 2007 to 2009. In 2009, he was appointed to his current position.

Tariq Yahya Al-Idhe

- **Age:** 35
- **Nationality:** Saudi
- **Position:** Head of the Human Resources Policies, Appraisals and Career Planning Department
- **Education:** Bachelor of Law, King Abdul Aziz University, Jeddah (1999). Master's degree in Law, King Abdul Aziz University, Jeddah (2004).
- **Experience:** Tariq Al-Idhe joined the Ministry of Water and Electricity as a legal researcher from 1999-2000. He also worked as a part-time assistant for the public relations general manager at Saudi Bin Laden Group from 2003–2004 while he was studying for his Master's degree. Tariq later managed his family business from 2004-2008. Tariq was then appointed as a legal consultant and administrative manager at Zuhair Fayez Partnership from 2009-2010. Since June 2010, Tariq has held the position of Head of the Human Resources Development Department of the Company.

Osama Najeeb Ameen Najeeb

- **Age:** 44
- **Nationality:** Saudi
- **Position:** Chief of the Strategy and Costing Department
- **Education:** Bachelor of Science, Industrial Engineering, King Abdulaziz University, Jeddah (1996)
- **Experience:** Osama Najeeb joined Al Zamil Heavy Industries Limited where he worked as an industrial engineer from 1999-2000 and a store manager from 2000-2001. He joined the Company in 2001 as a trainee, subsequently working in a number of roles, including as a human resources planning specialist from 2002-2007, the manager of HR strategy and planning from 2007-2008, the manager of HR projects and coordination from 2008-2009, the chief of HR&D and support services from 2009-2010. Osama has held the position of chief of strategy and costing since August 2011.

Anoir Mahmood Zamouri

- **Age:** 33
- **Nationality:** French
- **Position:** Project Manager, Makkah Development Project
- **Education:** Engineering Diploma (Mechanical), Ecole Nationale Supérieure des Arts et Métiers, Paris, France (2002)

- **Experience:** Anoir Zamouri joined Sotamec, a French industrial equipment manufacturer in 2002 as a mechanical and sales engineer. Between 2003-2007, he worked as a project manager for Bateaux Parisiens, a Parisian boat tour operator (part of the Sodexo Group). Between 2007-2010, he worked as a project manager for Bateaux Dubai, a boat tour operator in Dubai (part of the Dutco Group), before leaving to join the Company as project manager of the Makkah Development Project in 2010.

Guillaume Debrisoult

- **Age:** 33
- **Nationality:** French
- **Position:** Project Manager, Industrial Laundry
- **Education:** Bachelor of Science, International Hospitality Management, Lausanne Hotel School, Lausanne, Switzerland (2002)
- **Experience:** Prior to joining the Company in June 2011, Guillaume worked for Compass Group as a Unit Assistant Manager between 2002-2003 in a French hospital. Between 2003-2006, he worked as a Hospitality Manager for Reed Exhibition, subsequently working for Hospital Group (AP-HP) as Project Manager between 2006-2009. He became a consultant for Al Mashfa private hospital in Jeddah in 2009. In 2011, he joined the Company as the project manager of the industrial laundry division.

Khalid Sultan Sheshah

- **Age:** 51
- **Nationality:** Saudi
- **Position:** Regional Manager – Dammam
- **Education:** Bachelor's degree in Business Administration, Central State University, Wilberforce, Ohio, USA.
- **Experience:** Khalid Shehsah joined Saudia in 1993 and was transferred to the Company as part of the Privatisation. He served as the Manager of Human Resources from 1993-1995 and as Administration and Finance Controller from 1995-1999. He was appointed to his current role as the Head of the Catering Unit in Dammam in November 1999. Prior to joining Saudia, he worked at the Armed Forces Hospital located in King Abdulaziz Airbase in Dharan from 1983-1993 as Manpower Manager and an Assistant Personnel Director.

Hisham Salem Al-Hibshi

- **Age:** 43
- **Nationality:** Saudi
- **Position:** Regional Manager – Madinah
- **Education:** High School from Quraish Secondary School, Jeddah.
- **Experience:** Hisham Al-Hibshi has been with the Company since 1997. He was appointed to his current role in 2008, prior to which he was an assistant manager of operations in Jeddah from 1997-2007.

Mansour Ibrahim Al Hussein

- **Age:** 45
- **Nationality:** Saudi
- **Position:** Head of the Catering Unit in Cairo
- **Education** Diploma degree in Business Administration, Jeddah International Institute Center
- **Experience:** Mansour Al Hussein joined Saudia in 1992 and was transferred to the Company as part of the Privatisation. He initially joined the Operations Department before moving to the Marketing, Sales and Customers Services division where he served from 1996-2008. He has been the head of the Cairo Catering Unit since 2008. Prior to joining Saudia, he worked in the advertising and publicity department at Khaled Al Heid Agency from 1988-1992.

Abdulaziz Mohammed Al Dubaye

- **Age:** 47
- **Nationality:** Saudi
- **Position:** Head of the CPU
- **Education** Bachelor of Arts in Sociology, King Saud University, Riyadh (1987)

- **Experience:** Abdulaziz Al Dubaye joined the Company in 1987 as a management trainee. Between 1990-1992, he served as the duty manager at the Catering Unit of King Khalid International Airport. He became Assistant Operations Manager of that unit in 1992 and was promoted to the position of Section Manager, Unit Operations in 1993, holding this position until 2004. Between 2004-2011, he was the Operations Manager at the Catering Unit of King Khalid International Airport, subsequently becoming the head of the CPU in October 2011.

6.4 Corporate Governance

The Company's policy is to adopt high standards of corporate governance. The Company undertakes to comply with the Corporate Governance Regulations which it considers as an important factor in its success. This policy will help to ensure that the Board acts in the best interests of the Shareholders and presents a clear and fair view of the financial condition of the Company and the results of its operations.

The Board comprises of nine Directors appointed by the Ordinary General Assembly for a term not exceeding three years.

The Company's internal control systems have been adopted in all its departments. Currently, the Company has two corporate governance committees; the Internal Audit Committee and the Nomination and Remuneration Committee, which are responsible for reviewing the Company's operations within their particular areas of expertise and presenting their findings and suggestions to the Board.

The Board of Directors will ensure that:

- All Committees will have clear terms of reference that outline the roles and responsibilities of each committee
- Minutes of all meetings are prepared, reviewed and approved by the Board of Directors

6.4.1 Audit Committee

The Audit Committee oversees financial, risk management and the internal control aspects of the Company's operations. The duties and responsibilities of the Audit Committee will be approved by the Shareholders at a General Assembly held following the Offering. The duties and responsibilities of this committee will include the following:

- Engaging or dismissing the external auditors and recommending their compensation to the Board;
- Supervising the activities of the external auditors and approving any activity beyond the scope of work agreed upon with the external auditors;
- Reviewing the comments of the external auditors on the annual financial statements and following-up on the decisions that have been taken in light of the comments;
- Reviewing the interim and annual financial statements prior to presenting them to the Board;
- Supervising the Company's internal auditing department to verify its efficacy in discharging the tasks and duties assigned to it by the Board;
- Reviewing the internal auditing system and drafting a written report with its recommendations;
- Reviewing the internal audit reports and pursuing the implementation of the recommendations set out therein;
- Reviewing and commenting on the audit plan with the external auditor; and
- Reviewing and commenting on the applicable accounting policies and providing the Board with recommendations thereon.

The Audit Committee is comprised of the following members:

Table 6-3 Audit Committee Members

Name	Role
Mr. Hasan Shakib Al Jabri	Chairman
Mr. Shawgi Mohammed Mushtag	Member
Mr. Matthieu Jeandel	Member

Source: Company

Please refer to section 6.1.1 "*Resumes of Directors*" for a detailed resume of Shawgi Mohammed Mushtag. The resume of Matthieu Jeandal is set out below.

Matthieu Jeandel

- Age: 36
- Nationality: French
- Position: Member of the Audit Committee
- Education: Bachelor's degree in Business Administration, Instituto Catilico de Administracion de las Empresas, Madrid, Spain (1997). Master's in Business and Administration, Rouen Business School, Rouen, France (1998).
- Experience: Matthieu Jeandel has over 12 years of professional experience in areas of financial control. Matthieu started his career working in the group reporting department of Thales in France from 1996-1997. He was then appointed as a financial controller of Thales Airsys ATM (a joint venture between Thales Group and Siemens) from 1998-1999. He was then appointed to the role of divisional financial controller at the Thales Group from 2000-2001. Matthieu then took the role of senior consultant and later manager at the corporate finance department in Deloitte and Touche (France) from 2001-2003. He then joined the Compass Group as financial controller for the Middle East and Africa from 2003-2005. Since 2006, Matthieu has been the Vice President of Finance and Administration at Newrest and is a member of its executive committee.

6.4.2 Nomination and Remuneration Committee

The Board will form a Nomination and Remuneration Committee and its duties and responsibilities will be approved by the Shareholders at a General Assembly held following the Offering. The duties and responsibilities of this committee will include the following:

- Recommending nominations to the Board;
- Reviewing the appropriate skills needed for Board membership each year and generating a description of the capabilities and qualifications required for the membership of the Board, including the amount of time that a Director is required to dedicate to the Board's functions;
- Reviewing the structure of the Board and submitting recommendations on potential changes;
- Identifying the strengths and weaknesses of the Board and, if necessary, proposing corrective actions that are consistent with the Company's interests;
- Verifying annually the independence of the independent Directors and ensuring the absence of any conflict of interest if a Director serves as a member of the Board of another company; and
- Drawing up clear policies for the remuneration of the Board members and senior executives using performance criteria in the determination of such remunerations.

The Nomination and Remuneration Committee is comprised of the following members:

Table 6-4 Nomination and Remuneration Committee Members

Name	Role
Mr. Yousef Abdul Sattar El Maimani	Chairman
Mr. Jonathan Stent-Torriani	Member
Mr. Basel Mohammed Algadhib	Member
Mr. Fahad Abdulmohsen Al Rasheed	Member

Source: Company

Please refer to section 6.1.1 "*Resumes of Directors*" for a detailed resumes of the members of this committee.

6.4.3 The Company's Undertakings following Admission

Following Admission, the Company plans to:

- seek the approval of the General Assembly, within 12 months from the date of Admission, to the corporate governance manual which was adopted by the Board, in compliance with the requirements under Articles 8 and 10 of the Corporate Governance Regulations;
- adopt the accumulative voting method (as specified in the Corporate Governance Regulations) in relation to the appointment of Board members at the General Assembly. This method of voting gives each Shareholder voting rights equivalent to the number of Shares he/she holds. He/she has the right to use all of their voting rights for one nominee or to divide their voting rights between his/her selected nominees without any duplication of these votes. This method increases the chances for minority shareholders to appoint their representatives to the Board through the right to accumulate votes for one nominee. The Company intends to adopt this voting method as soon as possible after the date of Admission and in any event before the first General Assembly;
- provide the Authority, within six months of the date of Admission, with the General Assembly resolution pursuant to which the duties and responsibilities of the Audit Committee and the Nomination and Remuneration Committee and the procedures to be followed by these committees in executing their respective duties and responsibilities;
- complete Form 8 and, in the event that the Company does not comply with any of the requirements of the Corporate Governance Regulations, to explain the reasons for such non-compliance;
- provide the Authority with the expected timeline for complying with those requirements of the Corporate Governance Regulations that the Company does not comply with at the time of Admission; and
- provide the Authority with the date on which the first General Assembly will be held following Admission so that a representative may attend.
- The Board undertakes to:
  - record all of its resolutions and deliberations in the form of written minutes of the meeting which shall be executed by its members; and
  - include brief details of any transactions with related parties in the agenda of General Assemblies so that the Shareholders may be given the opportunity to approve such transactions at such meetings.

6.5 Service Contracts

6.5.1 Directors

The members of the Board of Directors are appointed by the Ordinary General Assembly. The Board of Directors exercises its powers pursuant to the By-Laws and the Companies Regulations. The members of the current Board of Directors have been appointed for a period ending on 4 December 2015G. As at the date of this Prospectus, no Director has an employment contract (or similar) with the Company.

The responsibilities of the Chairman and the other members of the Board of Directors can be summarised as follows:

6.5.1.1 The Chairman

- Ensuring the clarity of the Board's functions, framework of duties, and the basis for the division of responsibilities;
- Ensuring the clarity and precision of the Board's business plan and priority of topics brought before the Board;
- Ensuring that the Board's responsibilities adhere to and fulfill the vision and strategy of the Company;
- Leading the Board in selecting the CEO who will be responsible for the administration of the Company;
- Supporting the Committees through administrative guidance and performance evaluation;
- Voting in relation to the appointment of senior management and executive officers; and

- Assessing the performance of the Directors.

6.5.1.2 The Board

- Approving the mission and vision statements;
- Participating in the overall direction and planning of the Company's future plans;
- Overseeing the Executive Committee in ensuring the effective implementation of policies and objectives of the Company;
- Participating in determining the Company's strategies and priorities and monitoring the effective and efficient utilization of the Company's assets;
- Approving the appointment of the CEO, the members of the senior management and executive officers;
- Documenting the deliberations and the resolutions issued by the Board through minutes executed by its members;
- Including any related-party transactions on the agenda of the General Assemblies to approve the same;
- Assisting in the evaluation and assessment of the executive officers and Board members; and
- Approving the Company's annual budget.

6.5.2 CEO

Christophe Parent is employed as the Chief Executive Officer of the Company under an employment contract dated 7 January 2008. The term of the agreement is set to expire on 6 January 2013.

Christophe Parent's remuneration consists of a monthly salary, housing and transportation allowances as well as medical, social security and retirement benefits. Furthermore, in each of the last three years, the Board has granted Christophe an annual bonus which is equal to 40% of his annual salary.

Mr. Parent currently holds shares in a company which is a minority shareholder in Newrest. His indirect shareholding in the Company (through Newrest's shareholding in SCCL) represents approximately 0.01324% of the Company's share capital.

6.5.3 Remuneration of Directors and Senior Officers and the Secretary

The total remuneration paid to the Directors for the financial years ended 31 December 2009, 2010 and 2011 amounted to SAR1,699,013, SAR1,705,000 and SAR1,989,524 respectively. The remuneration of each Director comprised an annual fee of SAR200,000 and a fee of SAR3,000 for attending each meeting of the Board.

The total remuneration paid to the Company's Senior Officers for the years ended 31 December 2009, 2010 and 2011 amounted to SAR4,449,590, SAR4,667,906 and SAR4,929,719 respectively.

The Directors and the CEO are prohibited from voting on decisions relating to their own remuneration. The Directors and the Senior Officers of the Company are prohibited from borrowing from the Company.

6.6 Declaration in respect of Directors and Senior Officers

The Directors, the CEO and the Chief Financial Officer, the Secretary and the other Senior Officers declare that:

- they have not at any time been declared bankrupt or been subject to bankruptcy proceedings;
- except as disclosed in section 13.1.4 "*Related Party Transactions*", they do not themselves, nor do any relatives or affiliates, have any material interest in any written or verbal contract or arrangement in effect or contemplated at the date of the Prospectus which is significant in relation to the business of the Company;
- except as disclosed in section 6.1 "*Board Members*", neither they nor any of their relatives have a direct or an indirect interest in the Shares or the business of the Company;
- no commissions, discounts, brokerages or other non-cash compensation were granted by the Company or any member of its group to any member of the Board, senior manager, promoter

or expert in connection to the issue or sale of any securities in the three years immediately preceding the date of this Prospectus;

- there has been no interruption in the Company's business that may affect or have a significant impact on its financial situation during twelve months preceding the date of this Prospectus;
- the Company has not issued any debt instruments, does not currently have any term loans and does not have any material outstanding borrowings or indebtedness (including bank overdrafts, liabilities under acceptance, acceptance credits or hire purchase commitments);
- none of the Company's material assets are under mortgage, right or charge;
- except as disclosed in section 7.4.8, the Company does not have any material contingent liabilities or guarantees;
- the Board has reviewed the expected cash flow requirements and believes the Company will have sufficient working capital for at least twelve months from the date of this Prospectus;
- they do not have any powers or rights to borrow from the Company;
- they do not currently have the intention to implement a material change to the Company's activities;
- they do not have the right to vote on their respective remuneration or on any contract or proposal in which they have a material interest; and
- they will abide by the provisions of Articles 69 and 70 of the Companies Regulations and the relevant provisions of the Corporate Governance Regulations.

6.7 Employees

As of 31 December 2011, the Company had approximately 3,330 employees. Approximately 3,093 of the Company's employees are based in Saudi Arabia while 237 employees work at the Cairo Catering Unit. As at 31 December 2011, the Company employed approximately 986 Saudi nationals and 2,107 expatriates, representing approximately 31.9% and 68.1%, respectively of the Company's total workforce based in Saudi Arabia. Of the Company's expatriate employees, 1,338 employees were transferred from Saudia to the Company as part of the Privatisation but as at 4 April 2012G, they all remain under the sponsorship of Saudia. The Company is currently in the process of transferring the sponsorship of these expatriate employees to itself. As part of this process, the Company has written to the Ministry of Labour requesting that the sponsorship of these expatriate employees is transferred from Saudia to the Company. On 29 February 2012G, the Ministry of Labour wrote to the labour office in Jeddah requesting that the expatriate employees be transferred under the sponsorship of the Company. As at the date of this Prospectus, the Company is in ongoing discussions with the Ministry of Labour to expedite the transfer process. The Company expects this process to be completed by 31 December 2012G.

Table 6-5 Senior Management (Saudis and Non-Saudis) in Saudi Arabia

	Saudis	Non Saudis	Total
31 December 2008			
Jeddah Catering Unit	9	1	10
Riyadh Catering Unit	5	-	5
Dammam Catering Unit	1	-	1
Madina Catering Unit	-	-	
Total as at 31 December 2008	15	1	16
31 December 2009			
Jeddah Catering Unit	12	4	16
Riyadh Catering Unit	4	-	4
Dammam Catering Unit	1	-	1
Madina Catering Unit	-	-	
Makkah Catering Unit	-	-	
Total as at 31 December 2009	17	4	21
31 December 2010			
Jeddah Catering Unit	9	7	16

	Saudis	Non Saudis	Total
Riyadh Catering Unit	6	-	6
Dammam Catering Unit	1	-	1
Madina Catering Unit	1	-	1
Total as at 31 December 2010	17	7	24
31 December 2011			
Jeddah Catering Unit	7	7	14
Riyadh Catering Unit	4	-	4
Dammam Catering Unit	1	-	1
Madina Catering Unit	1	-	1
Total as of 31 December 2011	13	7	20

Source: Company

Table 6-6 Administrative, Operational and Production Staff (Saudis and Non-Saudis) in Saudi Arabian

	Saudis		Non-Saudis		Total
	Administrative	Operational and Production	Administrative	Operational and Production	
31 December 2008					
Jeddah Catering Unit	250	330	180	496	1,256
Riyadh Catering Unit	60	179	98	480	817
Dammam Catering Unit	37	112	28	150	327
Madina Catering Unit	17	86	10	73	186
Total as at 31 December 2008	364	707	316	1,199	2,586
31 December 2009					
Jeddah Catering Unit	78	339	51	688	1,156
Riyadh Catering Unit	26	172	23	652	873
Dammam Catering Unit	12	118	14	145	289
Madina Catering Unit	11	88	8	77	184
Makkah Catering Unit	1	-	1	-	2
Total as at 31 December 2009	128	717	97	1,562	2,504
31 December 2010					
Jeddah Catering Unit	82	352	59	886	1,379
Riyadh Catering Unit	20	169	25	735	949
Dammam Catering Unit	13	96	12	151	272
Madina Catering Unit	11	84	8	78	181
Total as at 31 December 2010	126	701	139	1,850	2,817
31 December 2011					
Jeddah Catering Unit	91	422	71	964	1,548
Riyadh Catering Unit	23	245	29	784	1,081
Dammam Catering Unit	10	92	14	156	272
Madina Catering Unit	14	75	8	74	171
Makkah Catering Unit	-	1	-	1	1
Total as at 31 December 2011	138	835	122	1,978	3,073

Source: Company

Table 6-7 Administrative, Operational and Production Staff (Saudis and Non-Saudis) in Catering Unit in Cairo International Airport

	Saudis	Non-Saudis		Total
	Senior Management	Administrative	Operational and Production	
31 December 2008	1	28	203	232
31 December 2009	1	26	193	229
31 December 2010	1	25	196	222
31 December 2011	1	26	210	237

Source: Company

The strength and success of the Company can be attributed to the expertise and experience of its employees. For this purpose, the Company's employees who are involved in the food preparation process undergo various training regimes that aim to inform the employees of best practices to be adopted in the kitchen, how to recognize damaged food and how to handle and clean items and machinery used in food production. These training regimes are run by Internal Control and Performance Improvement Department.

The table below illustrates the Company's present Saudi based workforce, broken down by department.

Table 6-8 Saudisation by Division

	2009		2010		2011	
	Saudi	Non-Saudi	Saudi	Non-Saudi	Saudi	Non-Saudi
Airline	622	1,318	597	1,405	631	1,475
Non- Airline	102	246	111	481	107	377
Others	138	99	137	110	248	255
Total	862	1,663	845	1,996	986	2,107

Source: Company

Saudisation Policies

As at 31 December 2011, approximately 986 of the Company's employees who are based in Saudi Arabia were Saudi nationals. The Company has been, and continues to be, fully committed to achieving the Government's policy on Saudisation. For this reason, training and the development of Saudi skills and capabilities are a high priority of the Company. The Company has worked closely with the Ministry of Labor in this regard and as a result has implemented a comprehensive plan to increase the number of Saudi nationals that it employs in order to continue to exceed the national goal.

7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of the Company is based upon, and should be read together with, the audited financial statements as at, and for the years ended, 31 December 2009, 2010 and 2011 and the notes thereto, each of which have been audited by Deloitte & Touche Bakr Abulkhair & Co in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia. In this Section, financial figures are taken from the Company's financial statements for the 2009, 2010 and 2011 financial years. Certain figures for the 2009 financial year were reclassified to conform to the presentation in the Company's 2010 financial statements.

The Company was registered on 20/1/1429H (corresponding to 29 January 2008G). However, the Shareholders resolved to record the transfer of the net assets of Saudia's catering division to the Company, and the results and all other transactions which occurred between 1 January 2008 and 28 January 2008 (both dates inclusive), in the first fiscal period.

Deloitte & Touche Bakr Abulkhair & Co. do not themselves, nor do any of their partners or employees, nor any relatives of such partners or employees, have any shareholding or interest of any kind in the Company. They have furnished and not withdrawn their written consent to the references in the Prospectus to their role as auditors of the Company for the fiscal years ended 31 December 2009, 2010 and 2011.

This Section may include forward-looking statements in connection with the Company's future prospects based on the management's current plans and expectations regarding the Company's growth, results of operations, and financial condition, and as such involve risks and uncertainties. The Company's actual results could differ materially from those expressed or implied in these forward-looking statements as a result of various factors and future events, including those discussed below and elsewhere in the Prospectus, particularly in Section 2 ("*Risk Factors*").

7.1 Director's Declaration for Financial Information

The Directors declare that the financial information presented in the Prospectus has been extracted without material change from the audited financial statements and that such statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

The Directors further declare that there has not been any material adverse change in the financial or trading position of the Company (i) in the three financial years immediately preceding the application for registration and admission to listing and during the period from the end of the period covered in the external auditors' report up to and including the date of approval of the Prospectus.

The Directors further declare that the Company will have sufficient working capital for the 12 months immediately following the date of publication of the Prospectus.

7.2 Statement of Management's Responsibility for Financial Information

The "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the Prospectus has been drafted by the Management of the Company and approved by the Board of Directors. The Management believes that there has been no material adverse change in the financial position or prospects of the Company since publication of this Prospectus, and accepts full responsibility for the authenticity and accuracy of the information and analysis of financial results and confirms, after making all reasonable inquiries, that full and fair disclosure has been made and there are no other information or documents the omission of which make any information or statements therein misleading.

7.3 Principal Factors Affecting the Company's Operations

7.3.1 Demand for Airline Travel

Demand for the Company's products and services in the Airline Division is determined by the demand for airline travel within, as well as to and from, the KSA for business, leisure, religious pilgrimage or other reasons. As both the size of Saudia's airline fleet increases and the number of passengers on Saudia and/or non-Saudia flights increase, the number of meals sold by the Company will increase, thereby increasing the Company's revenues and profits. Similarly, revenues from Sky Sales will also be positively influenced by the number of passengers. The number of visitors to the Al Fursan Lounges, and therefore the associated revenue, is mainly driven by the number of premium class passengers using the terminals in which the lounges are located and the number of premium class passengers is generally driven by the overall number of passengers using these terminals. Section 3 ("*Market Overview*") provides some information on the key drivers for demand for airline travel into and out of the KSA as well as a brief analysis of historical trends.

7.3.2 Agreements with Saudia

The Company is the exclusive provider of catering and other associated services to Saudia in Saudi Arabia pursuant to the Saudia Catering Agreement (see section 13.1.4 "*Legal Information-Related Party Agreements*"). Pursuant to the Sky Sales Agreement, the Company has the exclusive right to sell retail products (such as perfumes, cosmetics and various accessories such as pens, watches and sunglasses) on-board certain international and domestic flights operated by or on behalf of Saudia (see section 13.1.4 "*Legal Information-Related Party Agreements*").

In 2010 and 2011, the total revenue generated pursuant to these two agreements accounted for approximately 75.6% and 67.7% of the Company's revenues respectively.

7.3.2.1 Catering Services for Saudia

The Company provides a comprehensive catering service to Saudia. The first step is the menu planning service, whereby the Company plans menus for all of Saudia's flights. The Company then discusses the menu and its associated prices with Saudia. The prices are calculated on a per meal basis and are based on the raw material, labor, handling and other relevant costs plus a profit margin which varies for each cost component. The menu and prices are then negotiated between Saudia and the Company before a route-specific catering order is finally agreed, for a period of time that varies between one month (e.g. to cover Ramadan) and one year. This catering order also indicates the approximate number of weekly passengers that Saudia expects during the term of the order. Saudia provisionally informs the Company as to the number of meals required for each flight between 48 and 72 hours before flight departure. The final update is normally provided by Saudia between one and two hours before flight departure. If the final order from Saudia for a particular flight is lower than the provisional order, the Company is typically able to provide the meals which were cancelled to other departing Saudia flights. The Company adopts a similar notification process with non-Saudia airlines but generally the final notification from non-Saudia airlines is not less than four hours prior to flight departure. After this cut-off time, the Company charges for all meals that were provisionally ordered.

In 2011, the number of meals discarded because of the difference between the provisional and the final order was typically less than 5% of the total number of meals produced. Following the full commissioning of the CPU in March 2012 and the delivery of meals from CPU to the catering units, economy class meals are taken out of cold storage after the final order is received from the airlines. The Company believes that meal wastage will become negligible towards the end of 2012 when the production, delivery and order preparation process is optimized.

The Company recognizes revenue from Saudia based on the number of meals that are delivered. The Company submits invoices to Saudia on a monthly basis. Pursuant to the Saudia Catering Agreement described in section 13.1.4 *("Legal Information-Related Party Agreements*"), Saudia has 90 days to settle an invoice. However, Saudia has historically not settled invoices on time but instead Saudia has made monthly payments of SAR 50 million against all outstanding invoices rather than settling specific invoices by the respective payment date. Pursuant to an amended Saudia Catering Agreement signed between the Company and Saudia on 27 January 2012, Saudia agreed to increase these payments to

SAR 60 million per month. The reason for this delay is principally because of Saudia's internal invoice reconciliation and approval process. At the end of 2009, the Company was due SAR 526.0 million in receivables from related parties, which represented 218 days of outstanding sales. At the end of 2010, the Company's receivables from related parties had decreased to SAR 253.0 million, which represented 94 days of outstanding sales. The decrease in receivables from related parties was due to a payment of SAR 500 million that Saudia made in 2010 to the Company to settle the overdue receivables. At the end of 2011, the Company's receivables from related parties were SAR 511.8 million which represented 152 days of outstanding sales. The receivables from Saudia increased from SAR 253.0 million in December 2010 to SAR 511.8 million in 2011 because of the increased sales to Saudia, partly attributable to the new airline equipment contract, and the aggregate amounts invoiced by the Company were in excess of the monthly payments it was receiving from Saudia.

7.3.2.2 Sky Sales On-Board Saudia Flights

Under the Sky Sales Agreement, the Company sells retail products on-board certain international and domestic flights operated by Saudia, principally those where the Company believes it is profitable to do so based upon historic purchase trends (see section 4.7.2 "*Sky Sales*" for a description of the Sky Sales business). Sky Sales and related revenue, such as revenue from advertising in the Sky Sales magazine, accounted for approximately 9.3% and 10.0% respectively, of the Company's revenue in 2010 and 2011. The highest selling categories of items are perfumes, jewelry, watches, ladies' accessories and items with the Saudia logo on them such as pens, toys and children's gifts. The composition of the cart is changed every quarter based on reports prepared by the Sky Sales staff on the following metrics: passenger demand, incentives and discounts offered by suppliers and an analysis of the profit margin compared to the volumetric size of each product (given the cart has a limited size). In addition, slow moving items are replaced by more popular and more profitable products.

The Sky Sales carts are stocked with the relevant items and a control form which allows Saudia staff to keep a log of stock and sales, as the carts are being loaded along with the meal service onto the aircraft in KAIA and KKIA. The carts are operated by Saudia staff that have been trained by the Company. Passengers can purchase items using cash or credit cards, however, approximately 95.0% of on-board sales in 2009, 2010 and 2011 were cash sales. Revenue is recognized upon receipt of the control form and inventory reconciliation between the Company and the purser.

The Company pays 10.0% of the Sky Sales revenues to each of (i) Saudia and (ii) to crew members as commission.

In 2009, the Company faced problems with cash collection from Sky Sales carts as in some instances the cash in the returned carts did not match the receipts. Whilst the value of these receipts was less than 0.1% of the total sales, reconciling the receipts took a considerable amount of time. Therefore, as a means to reduce this problem, the Company introduced the Guestlogix system, which is a comprehensive end-to-end solution to build, manage and control branded on-board sales. Guestlogix claims to be serving over 90.0% of airline passengers in North America and approximately 38.0% of the global airline industry. The system was first introduced in July 2009, and resolved the problem of reconciliation and stock management and helped to monitor the demand of all products more efficiently. It was also meant to facilitate the greater use of credit cards but as the Guestlogix system required a weekly manual update of blacklisted credit cards, and given the problems with the use of fraudulent credit cards, the Company stopped accepting credit cards in November 2010. The Company believes this will not materially impact Sky Sales revenues, as evidenced by a 32.8% increase in December 2011 revenues compared to December 2010. The Company is considering the optimal credit-card system in light of the changes in the credit card industry in Saudi Arabia, such as adoption of chip and pin technology and its impact on the use of fraudulent credit cards.

7.3.3 Saudia Passengers

In 2011, the Company supplied 22.1 million meals to passengers and crew travelling on 113,619 Saudia domestic, international and Hajj routes and other Saudia flights such as those serving royal clients; this compares to 20.2 million meals provided to passengers and crew travelling on 109,690 Saudia domestic, international and Hajj routes and other Saudia flights in 2010; and 19.6 million meals on 107,782 flights in 2009. This represented a year on year growth of 3.1% and 9.4% in the number of meals and a 1.8% and 3.6% increase in the number of flights for 2010 and 2011 respectively. The Company's results are directly affected by the number of passengers Saudia transports on its aircraft. The Company believes the number of passengers travelling on Saudia flights will depend, amongst other things, on Saudia's attractiveness as a passenger airline, as well as general demand for airline travel. In the domestic sector, two low cost carriers, NAS Air and Sama, entered the market in 2007. However, as of August 2010, Sama ceased operations. In addition, another Saudi-based carrier – Al Wafeer Air - started to offer its services in 2010 but these are only for Hajj and Umrah pilgrims. Despite this competition, in 2010, the number of Saudia's domestic passengers grew by approximately 4.0% as there was significant latent demand for domestic travel between the major cities in Saudi Arabia. In 2011, the number of Saudia's domestic passengers increased by 16.7% from 10.3 million in 2010 to 12.0 million in 2011 because of continued latent demand and additional flight frequency offered by Saudia on its domestic routes.

Saudia's attractiveness as a passenger airline will depend on its pricing policy, safety record, cabin comfort, crew service, seat availability, flight frequency and destination choice. Saudia is seeking to improve its attractiveness through, for example, the purchase of new airplanes. In December 2009, December 2010 and December 2011 respectively, Saudia operated 94 planes (of which eight were leased), 110 planes (of which four were leased) and 99 planes (of which two were leased). The decline in the number of planes operated by Saudia in 2011 was primarily due to the decommissioning by Saudi of 16 MD 90 aircraft. However, management understands that Saudia expects to own 112 planes by 2013 and 123 planes by 2015 and does not currently plan to lease any additional planes in those years. More information on Saudia's airline operators are provided in section 3 ("*Market Overview*").

7.3.4 Prices of Raw Materials

The Company's results of operations also depend on fluctuations in the costs of raw materials, such as meat and vegetables, and the Company's ability to adjust the prices charged to customers in a timely manner. All the catering orders from the Company's customers are based on prices that are fixed for certain periods of time, which vary between one month and one year. Prices in the catering orders are based upon a specific mark-up to the Company's underlying costs of providing catering services. Similarly, prices are negotiated between the Company and the customer, based on the underlying costs. Some catering orders contain specific price review mechanisms. For example, Saudia and the Company review prices every quarter. Whilst the Company believes that it is generally able to pass on increases in the price of raw material to customers, sometimes there is a lag between the increase in the price of raw material and the prices that are charged to customers, primarily because prices are fixed for certain periods depending on the duration of the catering order. There is no obligation on the customers to accept increases in prices prior to the end of the catering orders. If the prices of certain raw materials increase, the Company and the customer may agree that rather than increase the overall price charged to the customer, it would be better to reconfigure the meal so that the overall cost and margin remains similar. Conversely, if the prices of raw materials fall, the margin will increase and therefore the Company's results will improve until such time, if at all, that the Company agrees to reduce the price it charges to customers.

Approximately 94.1% of the purchases of raw materials are made in Saudi riyals or US dollars. Given that the Saudi riyal is pegged to the US dollar, the exchange rate risk is immaterial for these purchases. The Company does have exchange rate gains and losses in relation to purchases made in other currencies, especially in Euro. However, these gains and losses are not material.

7.4 Comparison of the Company's Operations for the Years ended 31 December 2009, 2010 and 2011

The following table summarizes the audited income statements for the years ended 31 December 2009, 2010 and 2011.

Table 7-1 Income Statement, 2009-2011

	2009 (SAR 000s)	Growth 2009-10 (%)	2010 (SAR 000s)	Growth 2010-11 (%)	2011 (SAR 000s)
Revenue	1,031,848	15.6%	1,193,161	22.8%	1,465,271
Cost of revenues	(574,213)	12.8%	(647,747)	40.0%	906,809
Gross Profit	457,635	19.2%	545,414	2.4%	558,462
G&A expenses	(132,656)	(0.9%)	(131,426)	6.4%	(139,824)
Operating Profit	324,979	27.4%	413,988	1.1%	418,638
Other income / expense	(2,075)	249.5%	3,101	(38.0%)	1,924
Net Income*	322,904	29.2%	417,090	0.8%	420,562

**Net Income before Zakat and Tax*

Source: Audited Financial Statements

Table 7-2 Income Statement as a Percentage of Total Revenues, 2009-2011

	2009 (% Revenue)	2010 (% Revenue)	2011 (% Revenue)
Revenue	100.0%	100.0%	100.0%
Cost of revenues	(55.6%)	(54.3%)	(61.9%)
Gross profit	44.4%	45.7%	38.1%
G&A expenses	(12.9%)	(11.0%)	(9.5%)
Operating Profit	31.5%	34.7%	28.6%
Other income / expense	(0.2%)	0.3%	0.1%
Net Income*	31.3%	35.0%	28.7%

**Net Income before Zakat and Tax*

Source: Audited Financial Statements

7.4.1 Revenues

In 2010, total revenues increased by 15.6% from SAR 1,031.8 million in 2009 to SAR 1,193.2 million in 2010 due to growth of revenues in the principal segments of the business. In 2011, total revenues increased by 22.8% from SAR 1,193.2 million in 2010 to SAR 1,465.3 million in 2011 as both Airline and Non-Airline divisions experienced significant growth in revenues.

Table 7-3 Revenues by Segment, 2009-2011

	2009 (SAR 000s)	Growth 2009-10 (%)	2010 (SAR 000s)	Growth 2010-11 (%)	2011 (SAR 000s)
Saudia Airlines	693,766	14.0%	791,061	24.3%	983,458
Other airlines	134,894	22.0%	164,561	14.8%	188,993
In Flight Catering	828,660	15.3%	955,622	22.7%	1,172,451
Sky Sales	116,235	-4.8%	110,711	32.8%	147,052
Al Fursan Lounges	30,590	15.8%	35,424	12.9%	39,980
AIRLINE DIVISION	975,485	12.9%	1,101,757	23.4%	1,359,483
NON-AIRLINE DIVISION	10,166	218.7%	32,398	38.4%	44,845
OTHER REVENUES	46,197	27.7%	59,006	3.3%	60,943
Total Revenue	1,031,848	15.6%	1,193,161	22.8%	1,465,271

Source: Company

Table 7-4 Segmental Revenue as a Percentage of Total Revenues, 2009-2011

	2009 (% Revenue)	2010 (% Revenue)	2011 (% Revenue)
Saudia Airlines	67.2%	66.3%	67.1%
Other airlines	13.1%	13.8%	12.9%
In Flight Catering	80.3%	80.1%	80.0%
Sky Sales	11.3%	9.3%	10.0%
Al Fursan Lounges	3.0%	3.0%	2.7%
AIRLINE DIVISION	94.5%	92.3%	92.8%
NON-AIRLINE DIVISION	1.0%	2.7%	3.1%
OTHER REVENUES	4.5%	4.9%	4.2%
Total Revenue	100.0%	100.0%	100.0%

Source: Company

7.4.1.1 Airline Division Revenues

In 2010, the revenues from the Airline Division increased by 12.9% from SAR 975.5 million in 2009 to SAR 1,101.8 million in 2010 primarily because of the growth in In Flight Catering and Al Fursan Lounges. In 2011, revenues from the Airline Division increased by 23.4% from SAR 1,101.8 million in 2010 to SAR 1,359.5 million in 2011 predominantly due to an increase in In Flight Catering and Sky Sales.

7.4.1.2 In Flight Catering Revenues

In Flight Catering Revenues - Saudia

In 2010, In Flight Catering revenues from Saudia increased by 14.0% from SAR 693.8 million in 2009 to SAR 791.1 million in 2010; this increase was driven by a 3.1% increase in the number of meals served, from 19.6 million in 2009 to 20.2 million in 2010 and an increase in meal prices. The contractual meal prices increased as a result of inflation as well as Saudia opting for improved and more expensive meals based on customer feedback. In 2010, the number of Saudia domestic flights served by the Company decreased by 1.0% from 72,797 in 2009 to 72,068 in 2010; despite the decrease in the number of flights, the meals served on these flights increased by 4.3% from 8.3 million in 2009 to 8.6 million in 2010 due to the use of larger aircrafts which were introduced by Saudia. The number of international flights increased by 7.4% from 25,326 in 2009 to 27,206 in 2010 whilst the number of meals served increased by 1.5% from 8.0 million in 2009 to 8.1 million in 2010. The lower increase in meals in relation to the increase in flights is due to the increase in flight frequencies that Saudi made to accommodate higher demand on certain routes. In 2010, the number of Saudia, Hajj and other flights increased by 7.8% from 9,659 in 2009 to 10,416 in 2010 and the number of meals served on these flights increased by 4.1% from 3.3 million in 2009 to 3.5 million in 2010.

In 2011, In Flight Catering revenues from Saudia increased by 23.4% from SAR 791.1 million in 2010 to SAR 983.5 million in 2011; this increase was driven by a 9.3% increase in the number of meals served, from 20.2 million in 2010 to 22.1 million in 2011. In 2011, the Company reduced the cost of food charged to Saudia by 10% based on the Catering Agreement resulting in a discount of approximately SAR 69.0 million. This decline was partially offset by inflation and improved and more expensive meals requested by Saudia. The net impact of these changes translated into a net discount of around SAR 38.0 million for Saudia. In 2011, the number of Saudia domestic flights served by the Company increased by 6.6% from 72,068 in 2010 to 76,837 in 2011; the meals served on these flights increased by 11.1% from 8.6 million in 2010 to 9.6 million in 2011. The number of international flights increased by 7.4% from 27,206 in 2010 to 29,212 in 2011 whilst the number of meals served increased by 12.8% from 8.1 million in 2010 to 9.1 million in 2011. The relative increase in meals in relation to the increase in flights continued to be driven by the use of large aircrafts by Saudia and higher load utilization. In 2011, the number of Saudia, Hajj and other flights decreased by 27.3% from 10,416 in 2010 to 7,570 in 2011 and the number of meals served on these flights decreased by 3.4% from 3.5 million in 2010 to 3.3 million in 2011 partly because of the reclassification of Saudia Cargo as “Other Airline” and the transport of some Hajj passengers on Saudia’s scheduled flights.

In Flight Catering Revenues – Airline Equipment

In 2011, the Company started its new segment, Airline Equipment. As per the agreement with Saudia, the Company will be providing the food related equipment such as cutlery and chinaware to all Saudia flights. The Company's sales for 2011 were SAR 138.4 million.

Table 7-5 Number of Flights and Meals Served, 2009-2011

	2009	Growth 2009-10 (%)	2010	Growth 2010-11 (%)	2011
FLIGHTS					
Saudia Domestic	72,797	(1.0%)	72,068	6.6%	76,837
Saudia International	25,326	7.4%	27,206	7.4%	29,212
Saudia Hajj and other	9,659	7.8%	10,416	(27.3%)	7,570
Other airlines	30,429	14.4%	34,797	17.4%	40,852
Total Flights	138,211	4.5%	144,487	6.9%	154,471
MEALS (thousands)					
Saudia Domestic	8,256	4.3%	8,608	11.1%	9,564
Saudia International	7,981	1.5%	8,102	12.8%	9,141
Saudia Hajj and other	3,330	4.1%	3,465	(3.4%)	3,348
Other Airlines	3,015	18.8%	3,581	13.3%	4,058
Total Meals	22,581	5.2%	23,756	9.9%	26,112

Source: Company

In Flight Catering Revenues – Other Airlines

In 2010, revenues from other airlines increased by 22.0% from SAR 134.9 million in 2009 to SAR 164.6 million in 2010 driven by an increase in revenues from the regular flights operated by international and domestic airlines. In 2010, the Company served 3.6 million meals to other airlines, compared to 3.0 million meals in 2009, representing an 18.8% increase. This increase in meals for other airlines was driven by an increase of 14.4% in the flights served, from 30,429 in 2009 to 34,797 in 2010. In 2010, the Company also provided catering services to another domestic airline, Al Wafeer Air, which is dedicated to Hajj and Umrah operations. Though SAMA ceased operations towards the end of 2010, the loss in revenue was offset by an increase in revenue earned from NAS Air and Al Wafeer Air. Increased demand for Private Aviation services increased revenues from this segment by 24.7% in 2010 which were closer to the levels seen in 2008. Private Aviation clients are typically small charter and personal aircraft.

In 2011, revenues from other airlines increased by 14.8% from SAR 164.6 million in 2010 to SAR 188.9 million in 2011 as the Company was able to sign new contracts with Aramco Aviation and Iraqi Airways, which contributed around SAR 5.7 million, and the reclassification of Saudia Cargo as part of other airlines instead of being part of Saudia. In addition to this, meals provided to some of the existing clients increased as these airlines operated more flights and used larger aircrafts, especially Malaysia Airlines, Air France and Cathay Pacific. Revenues from dedicated Hajj flights declined by 16.1% as these flights decreased by 3.4% and the number of meals provided decreased by 11.8%. The decline in the number of meals was primarily driven by the Madinah airport lounge closure during the Hajj season due to the ongoing upgrade and refurbishment of that lounge. Revenues from Private Aviation increased by 22.2% in 2011 because of increased economic activity but primarily because of a 89.4% increase in the number of flights operated by one of the private aviation clients, which required an additional 56,000 meals per year.

7.4.1.3 Sky Sales Revenues

In 2010, revenues from Sky Sales declined by 4.8% from SAR 116.2 million in 2009 to SAR 110.7 million in 2010. The decrease was due to a continued general decline in demand for products. There was a decline in Sky Sales advertising income of 13.0% in 2010 from SAR 12.3 million in 2009 to SAR 10.7 million in 2010 as advertisers reduced their budgets. The Company believes that this trend was observed by other operators of In Flight retail businesses.

In 2011, revenues from Sky Sales increased by 32.8% from SAR 110.7 million in 2010 to SAR 147.1 million in 2011, primarily because of increased perfume and accessories sales which increased by 30.1% and 33.4% respectively on both domestic and international routes. The introduction of new perfumes and accessories on popular routes alongside a more tailored product offering contributed to this growth. There was also an increase in Sky Sales advertising income of 21.9% in 2011 from SAR 10.7 million in 2010 to SAR 13.0 million in 2011 as an improved product offering led to greater demand for advertising.

7.4.1.4 Al Fursan Lounge Revenues

In 2010, revenues from Al Fursan Lounges increased by 15.8% from SAR 30.6 million in 2009 to SAR 35.4 million in 2010, primarily because the passenger traffic to Al Fursan Lounges increased by 9.1% and 12.3% for international and domestic passengers respectively. The Company believes that this increase was attributable to improved lounges which were able to attract a higher share of premium class passengers that departed from the respective airports. In 2010, there was a decrease in the number of premium class passengers of 0.3% using the international terminals compared to 2009 and the Company attracted 54.3% of these passengers in 2010, compared to 51.3% in 2009. In the domestic lounges, the Company attracted 41.0% of relevant passengers in 2010, compared to 36.0% in 2009.

In 2011, revenue from Al Fursan Lounges increased by 12.9% from SAR 35.4 million in 2010 to SAR 40.0 million in 2011 driven by an increase in prices by around 21% for both international and domestic lounges charged by the Company to account for a more extensive menu requested by Saudia, as well as a 4.2% increase in total passengers, despite the closure of the lounge at PMIA for the entire year. This increase in pricing was because Saudia and other airlines asked for a more extensive menu and additional facilities at these lounges. The Company continued to attract a greater portion of the premium international passengers (59.5% in 2011 compared to 54.9% in 2010, excluding PMIA) and domestic passengers (48.0% in 2011 compared to 41.1% in 2010, excluding PMIA) passengers in 2011.

7.4.1.5 Other Revenues

In 2010, the other revenues increased by 27.7% from SAR 46.2 million in 2009 to SAR 59.0 million in 2010. In 2010, the revenue from meals provided to the Saudi Ground Services Company Limited staff increased by 13.8% from SAR 25.8 million in 2009 to SAR 29.3 million in 2010 due to an increase in the number of staff and better control in the number of meals being served. The consultancy fee charged by the Company to suppliers increased by 59.0% from SAR 13.2 million in 2009 to SAR 21.0 million in 2010 as certain new suppliers were added to the approved list of suppliers. The revenues from miscellaneous sales and exclusivity fees, which is a fee charged by the Company to certain suppliers to exclusively stock one brand in a product category, decreased by 55.1% and 12.3% respectively in 2010. The combined revenues from these two categories decreased from SAR 7.1 million in 2009 to SAR 4.6 million in 2010.

In 2011, the other revenue increased by 3.3% from SAR 59.0 million in 2010 to SAR 60.9 million in 2011 primarily because of an increase in revenues from the meals provided to the Saudi Ground Services Company Limited staff which increased by 9.7%. The revenues from miscellaneous sales increased by 305.1% from SAR 1.8 million in 2010 to SAR 7.1 million in 2011 primarily because of sale of equipment to Saudia Private Aviation.

7.4.1.6 Non-Airline Division Revenue

The Company's income from the Non-Airline Division amounted to SAR 10.2 million in 2009, being the year when the Company re-entered the non-airline market. This revenue was achieved because the Company was able to sign contracts with various banks, educational institutions and corporations in the mining, telecoms and other sectors. In 2010, the Company's revenues from the Non-Airline Division increased by 218.7% from SAR 10.2 million in 2009 to SAR 32.4 million in 2010 as this was the first full year of services being provided under contracts signed in 2009 and also as additional contracts were entered into. In 2011, the Company's revenues from the Non-Airline Division increased by 38.4% from SAR 32.4 million in 2010 to SAR 44.8 million. The reason for the increased revenue was that the contracts signed in late 2010 started generating revenue in 2011 as well as new contracts that were signed in 2011 (please refer to section 13 "*Legal Information*" for more information).

7.4.2 Cost of Revenues and Gross Margin

In 2010, the cost of revenues increased by 12.8% but gross profit increased by 19.2%. The gross profit margin increased from 44.4% to 45.7% because of an improvement in personnel and other costs compared to the increase in revenues. In 2011, cost of revenues increased by 40.0%, however the gross profit margin declined from 45.7% in 2010 to 38.1% in 2011 primarily because of the growth of the Non-Airline Division and the additional revenues that were earned from the Saudia Airline Equipment contract; both these sources of revenue have a different cost structure and lower margins compared with the rest of the business. In addition to this, an increased demand for perfumes and accessories also contributed to an increase in the cost of revenues and goods.

Table 7-6 Breakdown of Cost of Revenues, 2009-2011

	2009 (SAR 000s)	Growth 2009-10 %	2010 (SAR 000s)	Growth 2010-11 %	2011 (SAR 000s)
Cost of materials & goods	(327,906)	17.8%	(386,404)	49.7%	(578,396)
Personnel costs	(125,673)	(5.7%)	(132,878)	22.5%	(162,787)
Rent & caintenance of production units	(46,849)	24.8%	(58,461)	10.9%	(64,809)
Depreciation	(14,273)	(3.0%)	(13,847)	0.1%	(13,865)
Other costs	(59,512)	(5.6%)	(56,156)	54.8%	(86,952)
Total Cost of Revenues	(574,213)	12.8%	(647,747)	40.0%	(906,809)
Gross Profit	457,635	19.2%	545,414	2.4%	558,462

Source: Audited Financial Statements

Table 7-7 Breakdown of Cost of Revenues as a Percentage of Total Revenues, 2009-2011

	2009 (% Revenue)	2010 (% Revenue)	2011 (% Revenue)
Cost of materials & goods	(31.8%)	(32.4%)	(39.5%)
Personnel costs	(12.2%)	(11.1%)	(11.1%)
Rent & caintenance of production units	(4.5%)	(4.9%)	(4.4%)
Depreciation	(1.4%)	(1.2%)	(0.9%)
Other costs	(5.8%)	(4.7%)	(5.9%)
Total Cost of Revenues	(55.6%)	(54.3%)	(61.9%)
Gross Profit	44.4%	45.7%	38.1%

Source: Audited Financial Statements

7.4.2.1 Cost of Materials and Goods

The cost of materials and goods is the single largest component of the cost of revenues representing 57.1%, 59.7% and 63.8% of cost of revenues in 2009, 2010 and 2011 respectively. The cost of materials and goods represented 31.8% of revenues in 2009 compared to 32.4% in 2010 and 39.5% in 2011. The increase in the cost of materials and goods as a percentage of sales in 2010 and 2011 is primarily because the share of revenue accounted for by the lower margin Non-Airline business and airline catering equipment increased. The cost of materials and goods increased over the period primarily because of an increase in the purchase of production goods, increased airline catering equipment and Sky Sales products. The airline catering equipment alone contributed more than 20% of the 49.7% increase in the cost of material and goods in 2011. More production goods were purchased to meet the increased demand of meals from the airline clients in 2011, which included both Saudia and Non-Saudia airlines.

7.4.2.2 Personnel Costs

In 2010, personnel costs increased by 5.7% from SAR 125.7 million in 2009 to SAR 132.9 million in 2010 as the number of employees increased. As at 31 December 2010, the Company had 3,063 employees compared to 2,754 employees as at 31 December 2009. Employee costs related to vacation compensation and insurance costs decreased by around SAR 5.9 million because the Company was able to re-negotiate the insurance policy on better terms which partially offset the increased costs associated with hiring of the additional employees. The number of employees in Al Fursan Lounges declined by 2.8% from 107 employees in 2009 to 104 employees in 2010. In comparison, the number of employees in In Flight Catering increased by 3.2% from 1,712 employees in 2009 to 1,766 in 2010 and in Sky Sales the number of employees increased by 9.1% from 121 employees in 2009 to 132 employees in 2010. These employee numbers include employees performing administrative functions captured in the general and administrative expenses line.

In 2011, personnel costs increased by 22.5% from SAR 132.9 million to SAR 162.8 million as the number of employees increased by 8.7% from 3,063 in 2010 to 3,330 in 2011. More employees were hired to account for the expanding business, especially in the Non-Airline Division. The end of service rewards increased by 34.0% from SAR 84.9 million 2010 to SAR 94.6 million in 2011 because the basic salaries were revised upwards by around 12.0% to incorporate the cost of living allowance, in line with the incentives announced by the Government of Saudi Arabia in March 2011. Overtime paid to the employees during this period also increased by 29.6% from 16.9 million in 2010 to SAR 22.0 million because more hours were put in due to increased business volume. The additional salaries that were given to the employees, which were in line with the incentives announced by the Government of Saudi Arabia, also contributed to the increase in employee cost over the period. The employee medical insurance costs also increased by around 9.2% in 2011 from SAR 9.3 million in 2010 to SAR 10.2 million in 2011 primarily because of increase in number of employees.

7.4.2.3 Rent and Maintenance Expenses

In 2010, the rent and maintenance expenses increased by 24.8% from SAR 46.8 million in 2009 to SAR 58.5 million in 2010. The rent expenses for housing and office buildings increased by 8.7% from SAR 38.0 million in 2009 to SAR 41.4 million in 2010 because of the new rental agreements for the Madina and Riyadh units with GACA and the extension required in Riyadh due to the additional space required for the CPU. The repair and maintenance expenses increased by 94.0% from SAR 8.8 million in 2009 to SAR 17.1 million in 2010 partly as a result of expenditure in relation improving living conditions for employees as well as some work on the CPU building.

In 2011, rent and maintenance expenses increased by 10.9% from SAR 58.5 million in 2010 to SAR 64.8 million in 2011. The rent for office buildings increased by 26.0% because of new lease agreements that were signed between the Company and GACA for the Madina and Riyadh catering units. Repair and maintenance for the CPU building decreased by 63.2% from SAR 7.9 million in 2010 to SAR 2.9 million in 2011 as most of the work related to the CPU building was completed in 2010; this was offset by the increase in repair and maintenance required for buildings, kitchen equipment and vehicles which increased by 43.3% from SAR 9.1 million in 2010 to SAR 13.1 million in 2011.

7.4.2.4 Other Costs

In 2010, other costs decreased by 5.6% from SAR 59.5 million in 2009 to SAR 56.2 million in 2010. The costs mainly related to the temporary labor and security guards deployed at various units. There were also increases in disposable and packaging material costs, utilities costs, ground transportation costs and other expenses. The increase in other costs was offset by income related to the collection of old outstanding amounts and the reversal of certain accruals.

In 2011, other costs increased by 54.8% from SAR 56.2 million in 2010 to SAR 87.0 million in 2011. This was primarily due to an increase in the costs related to security services, maintenance and laundry services for the staff that increased by 314.2% from SAR 3.1 million in 2010 to SAR 12.8 million in 2011. Moreover, other expenses increased by 116.4% from SAR 3.8 million in 2010 to SAR 8.2 million in 2011 because of additional expenses related to the supply of equipment to Saudia as well as inventory and other provisions from previous years that were expensed in 2011. In addition to this, the transportation and storage costs increased by 297.7% from SAR 2.4 million in 2010 to SAR 9.6 million in 2011. The transportation costs increased because of the transportation of goods and materials, particularly the recently started airline catering equipment sales, from the central storage facility in Riyadh to other regions. The storage costs increased as the Company made more bulk purchases to accommodate increased business volume. The income related from the previous year decreased by 76.8% from SAR 18.5 million in 2010 to SAR 4.3 million in 2011 because of a decrease in reversals of account receivables against collections, the release of certain provisions and certain write-offs. The increase in costs was partially offset by the reclassification of the security charges as general and administrative expense.

7.4.3 General and Administrative Expenses

In 2010, the general and administrative expenses decreased by 0.9% from SAR 132.7 million in 2009 to SAR 131.4 million in 2010. The general and administrative expenses decreased primarily because of a decrease in payroll costs, depreciation and provisions for restructuring. Reductions in these costs were significantly higher than the addition of new categories of cost such as the management fee and board of director's remuneration. In 2011, the general and administrative expenses increased by 6.4% from SAR 131.4 million in 2010 to SAR 139.8 million in 2011. The general and administrative expenses increased primarily because of an increase in the allowance for doubtful debts, employee related costs, rent and marketing and promotional expenses.

Allowance for doubtful debts relates to receivables from certain non-Saudia airlines against which allowances are made. In 2010, the allowance for doubtful debts decreased by 34.0% from SAR 31.6 million in 2009 to SAR 20.8 million in 2010 as the Company established a department to monitor and collect outstanding receivables and this department proved effective in improving collections from local and foreign airlines. In 2011, the allowance for doubtful debts increased by 25.4% from SAR 20.8 million in 2010 to SAR 26.1 million in 2011 as the Company increased the provisioning against local non-Saudia airlines which include NAS Airlines, SAMA and Al Wafeer Air, in line with the change in its internal policy.

Payroll expenses, the main cost component of general and administrative expenses, increased by 7.2% from SAR 54.4 million in 2009 to SAR 58.4 million in 2010 as more employees were recruited due to the increase in business volume. In 2011, payroll expenses increased by 0.4% from SAR 58.4 million in 2010 to SAR 58.6 million in 2011.

In 2010, professional and technical services fees increased by 191.0% from SAR 3.1 million in 2009 to SAR 8.9 million in 2010, as a result of one-off costs related to consultancy services required for human resources, new business feasibility studies, SAP introduction and the conversion of the Company to a closed joint stock company. In 2011, the professional and technical services fee increased by 7.1% from SAR 8.9 million in 2010 to SAR 9.5 million in 2011 because of increased consultancy services for various projects.

In 2009, the Company incurred a management fee of SAR 9.0 million, payable to Newrest pursuant to the Management Agreement (see section 13.1.4 "*Legal Information-Related Party Agreements*") because the Company's net profit exceeded a certain target. In 2010, the management fee increased by 33.3% from SAR 9.0 million in 2009 to SAR 12.0 million in 2010. The management fee for 2011 was SAR 12.0 million.

Table 7-8 Breakdown of General and Administrative Expenses, 2009–2011

	2009 (SAR 000s)	Growth (2009-2010 %)	2010 (SAR 000s)	Growth (2010-11 %)	2011 (SAR 000s)
Payroll cost	(54,442)	7.2%	(58,384)	0.4%	(58,641)
Depreciation	(4,607)	(39.3%)	(2,795)	(20.0%)	(2,236)
Allowance for doubtful debts	(31,554)	(34.0%)	(20,823)	25.4%	(26,115)
Professional and technical fees	(3,053)	191.0%	(8,884)	7.1%	(9,512)
Rents	(6,711)	10.3%	(7,403)	18.7%	(8,786)
Marketing and promotional expenses	(2,721)	(17.8%)	(2,236)	43.7%	(3,213)
Utilities	(4,780)	(4.6%)	(4,562)	17.4%	(5,356)
Stationary and printing	(1,110)	(51.1%)	(543)	2.4%	(556)
Repair and maintenance	(162)	74.3%	(283)	(22.0%)	(221)
Travel expenses	(2,244)	11.4%	(2,499)	(18.5%)	(2,036)
Management fees	(9,000)	33.3%	(12,000)	0.0%	(12,000)
Board of directors fees and expenses	(1,699)	0.4%	1,696	17.3%	(1,990)
Others	(10,572)	(11.9%)	(9,318)	(1.7%)	(9,162)
Total General and Administrative Expenses	(132,656)	(0.9%)	(131,426)	6.4%	(139,824)

Source: Audited Financial Statements

Table 7-9 Breakdown of General and Administrative Expenses as a Percentage of Total Revenues, 2009–2011

	2009 (% Revenue)	2010 (% Revenue)	2011 (% Revenue)
Payroll cost	(5.3%)	(4.9%)	(4.0%)
Depreciation	(0.4%)	(0.2%)	(0.2%
Allowance for doubtful debts	(3.1%)	(1.7%)	(1.8%)
Professional and technical fees	(0.3%)	(0.7%)	(0.6%)
Rents	(0.7%)	(0.6%)	(0.6%)
Marketing and Promotional expenses	(0.3%)	(0.2%)	(0.2%)
Utilities	(0.5%)	(0.4%)	(0.4%)
Stationary and printing	(0.1%)	0.0%	0.0%
Repair and maintenance	0.0%	0.0%	0.0%
Travel expenses	(0.2%)	(0.2%)	(0.1%)
Management fees	(0.9%)	(1.0%)	(0.8%)
Board of directors' fees and expenses	(0.2%)	(0.1%)	(0.1%)
Others	(1.0%)	(0.8%)	(0.6%)
Total General and Administrative Expenses	(12.9%)	(11.0%)	(9.5%)

Source: Audited Financial Statements

7.4.4 Other Expenses and Income

Table 7-10 Other Expenses and Income, 2009-2011

	2009 (SAR 000s)	Growth (2009-2010 %)	2010 (SAR 000s)	Growth (2010-11 %)	2011 (SAR 000s)
Other income / (expenses)	(2,075)	(249.5%)	3,101	(38.0%)	1,924

Source: Audited Financial Statements

In 2010, other income amounted to SAR 3.1 million compared to other expenses of SAR 2.1 million in 2009. In 2010, other income consisted primarily of charges to Saudia of SAR 2.9 million for services provided to external consultants working for Saudia as well as exchange rate gains of SAR 0.3 million. In 2011, other income decreased by 38.0% from SAR 3.1 million in 2010 to SAR 1.9 million in 2011 primarily due to exchange rate losses and losses related to the sale of assets including equipment and vehicles.

7.4.5 Net Income before Zakat and Income Tax

In 2010, the Company's net income before income tax and Zakat provisions increased by 29.2% from SAR 322.9 million in 2009 to SAR 417.1 million in 2010. The net income margin before income tax and Zakat provisions increased to 35.0% in 2010 compared to 31.3% in 2009 due to the improved productivity and business volume.

In 2011, the Company recorded a growth of 0.8% in net income before income tax and Zakat provisions from SAR 417.1 million in 2010 to SAR 420.6 million in 2011. The net income margin before income tax and Zakat provisions decreased to 28.7% in 2011 compared to 35% in 2010 as the low margin businesses, such as Airline Equipment and Non-Airline, increased their share of the total revenues. The net income was also impacted because of the 10% discount on the food component of meal prices given by the Company to Saudia.

7.4.6 Zakat and Income tax

The Company is subject to the Regulations of the Department of Zakat and Income Tax. Prior to 2008, the Company was not subject to Zakat and income tax because it only obtained its Commercial Registration in January 2008. The Zakat charge is computed on the Zakat base, while income tax is calculated on adjusted net income. The Company has received the final Zakat certificates for 2008 and temporary certificates for 2009 and 2010 as the Zakat and Income Tax returns for these two years are still under review by DZIT.

The movement in the Zakat and income tax provision is provided below.

Table 7-11 Movement in Zakat Provision, 2009-2011

	2009 (SAR 000s)	2010 (SAR 000s)	2011 (SAR 000s)
Opening provision	8,792	12,616	21,329
Payments during the period	(9,271)	(13,023)	21,623
Under provision for previous period	479	113	-
Provision for the period	12,616	21,623	24,809
Closing provision	12,616	21,329	24,514

Source: Audited Financial Statements

Table 7-12 Movement in Income Tax Provision, 2009-2011

	2009 (SAR 000s)	2010 (SAR 000s)	2011 (SAR 000s)
Opening provision	10,089	3,006	4,983
Payments during the period	(17,542)	(10,967)	14,675
Under provision for previous period	(65)	48	-
Provision for the period	10,524	12,896	13,411
Closing provision	3,006	4,983	3,719

Source: Audited Financial Statements

7.4.7 Net Income after Zakat and Income Tax

According to the Saudi Organization of Public Accountants ("SOCPA") standards, zakat and income tax provisions for mixed companies (established as per the foreign investment law where not all shareholders have Saudi citizenship) are not reported on the profit and loss statement, but are shown as a separate line item in the statement of equity.

The Zakat and income tax provisions for the Company amounted to SAR 23.6 million in 2009, SAR 34.7 million in 2010 and SAR 38.2 million in 2011.

Table 7-13 Net Income, 2009-2011

	2009 (SAR 000s)	2010 (SAR 000s)	2011 (SAR 000s)
Net income before zakat and tax	322,904	417,090	420,562
Zakat and income tax provisions	23,554	34,680	38,220
Net income	299,350	382,410	382,342

Source: Audited Financial Statements

Net income increased by 27.7% from SAR 299.4 million in 2009 to SAR 382.4 million in 2010, representing an increase in the net income margin from 29.0% in 2009 to 32.1% in 2010, as the Company was able to increase revenues and at the same time manage its costs more efficiently. In 2011, the net income decreased marginally from SAR 382.4 million 2010 to SAR 382.3 in 2011 primarily because of the net discount of SAR 38.0 million given to Saudia. In 2011, the net income margin declined to 26.1% primarily because of airline equipment, which has low margins, and the discount provided to Saudia.

7.4.8 Dividends

The entire net income for 2009 and 2010 was retained by the Company thus no dividends were paid out.

Table 7-14 Dividends, 2009-2011

	2009 (SAR 000s)	2010 (SAR 000s)	2011* (SAR 000s)
Net Income before zakat and tax	322,904	417,090	420,562
**Transfer to Statutory reserve	23,382	-	42,056
Zakat and Income tax provision	23,554	34,680	38,220
Distributable net income	275,968	382,410	340,286
Distributed dividends	0	0	225,000
Percentage of distributable net Income	N/A	N/A	90%*

Source: Company, audited financial statements

** SAR 225 million was paid in respect of the first nine months of 2011 representing 90% of distributable net income for this period.*

***The statutory reserve was converted to share capital in 2010*

For the first nine months of 2011, the Company paid interim dividends amounting to SAR 225.0 million which represented 90.0% of distributable net income for the period of SAR 251.4 million, which is after zakat and income tax provisions and transfer of 10.0% to statutory reserve. The Company paid SAR 115.0 million dividends on 8 April 2012, as per the Shareholder's resolution dated March 7th, 2012, from the profits earned during the period ended December 2011. The total dividends paid from the 2011 distributable net income were SAR 340.0 million, representing 99.9% of the distributable net income of 2011.

7.5 Liquidity and Capital Resources for the Years Ended 31 December 2009, 2010 and 2011

Since the commencement of the Company's operations in January 2008, cash from operations has been the only source of funds for the Company's working capital requirements, dividend payments and capital expenditures.

Table 7-15 Balance Sheet, 2009-2011

	2009 (SAR 000s)	2010 (SAR 000s)	2011 (SAR 000s)
Cash and cash equivalent	115,614	760,824	655,053
Accounts receivable – trade	32,768	50,221	52,119
Due from related parties	526,012	252,992	511,816
Inventories	51,105	52,519	65,540
Prepaid expenses and other receivables	17,124	24,300	30,165
Total Current Assets	742,622	1,140,857	1,314,693
Property, plant and Equipment	71,443	67,283	109,770
Total Non-Current Assets	71,443	67,283	109,770
Total Assets	814,065	1,208,140	1,424,463
Account payable – trade	71,705	89,456	115,582
Accrued expenses and other liabilities	221,125	210,148	233,253
Total Current Liabilities	292,831	299,604	348,835
End-of-service indemnities	79,983	84,875	94,626
Total Non-Current Liabilities	79,983	84,875	94,626
Share capital	100,767	100,767	820,000
Statutory reserve	50,384	50,384	45,716
General reserve	14,132	13,718	-
Retained earnings	275,968	658,791	115,286
Total Shareholders' Equity	441,251	823,660	981,002
Total Liabilities and Shareholders' Equity	814,065	1,208,140	1,424,463

Source: Audited Financial Statements

7.5.1 Non Current Assets

Table 7-16 Non-Current Assets, Additions and Disposals, 2009-2011

	2009 (SAR 000s)	2010 (SAR 000s)	2011 (SAR 000s)
Land	-	-	33,786
Buildings	32,960	33,067	33,315
Leasehold improvements	18,707	17,001	18,931
Equipment	28,066	27,140	34,192
Motor vehicles	25,238	25,352	26,948
Capital work-in-progress	1000	-	13,465
Total	105,972	102,561	160,637
Depreciation expense for the year	18,880	16,643	16,101
Net Book Value	71,443	67,283	109,770
Additions	6,138	13,195	58,810
Disposals	9,595	16,605	(736)

Source: Audited Financial Statements

The Company's non-current assets comprise of buildings, leasehold improvements, equipment, motor vehicles and capital work-in-progress. The net book value of these non-current assets amounted to SAR 71.4 million in 2009. In 2010 the net book value of assets declined by 5.8% from SAR 71.4 million in 2009 to SAR 67.3 million in 2010 because the additional depreciation and disposals were greater than the fixed assets. In 2010, the additions were mainly related to equipment, in particular for the CPU, and motor vehicles. In 2011, the net book value of non-current assets increased by 63.1% from SAR 67.3 million in 2010 to SAR 109.8 million in 2011 primarily because of the purchase of land valued at SAR 33.8 million, which the Company plans to utilize for the staff camp in Jeddah.

The depreciation expense for 2010 decreased by 11.9% from SAR 18.9 million in 2009 to SAR 16.6 million in 2010. The declining trend in the depreciation expense for the years 2009 and 2010 is because many of the assets had largely depreciated over their useful lives and the Company had not made significant investments in fixed assets during that time. The declining trend in the depreciation expense continued for 2011 as it decreased by 3.3% from SAR 16.6 million in 2010 to SAR 16.1 million in 2011 despite the increase in the assets. The increase in assets was mainly because of the land, which is recorded at cost, and no depreciation is deducted.

Table 7-17 Assets Estimated Life

Assets	Number of years
Buildings	20 years
Leasehold improvements	5-20 years
Equipment	3-7 years
Motor vehicles	7-10 years

Source: Audited Financial Statements

In 2009, the Company incurred capital expenditure amounting to SAR 6.1 million. This amount was primarily spent on vehicles including vans, cooling units and trucks which were purchased to replace the older equipment. In 2010, the total capital expenditure increased by 115.0% from SAR 6.1 million in 2009 to SAR 13.2 million in 2010. The majority of the amount was spent on equipment and motor vehicles, particularly in relation to the Non-Airline Division, which comprised 84.4% of the total capital expenditure for 2010. An amount of SAR 2.0 million was spent on leasehold improvements in 2010, representing an increase of 103.9% from 2009. In 2011, the total capital expenditure increased by 345.7% from SAR 13.2 million in 2010 to SAR 58.8 million in 2011. This increase was primarily due to the purchase of land worth SAR 33.8 million. The capital work-in-progress of SAR 13.5 million primarily relates to the cost of high loaders (vehicles used to deliver food to the airplanes) purchased by the Company that, as at December 2011 were not delivered to the Company.

Table 7-18 Capital Expenditure, 2009-2011

	2009 (SAR 000s)	2010 (SAR 000s)	2011 (SAR 000s)
Land			33,786
Buildings	-	107	248
Leasehold improvements	960	1,954	1,750
Equipment	2,580	8,203	7,817
Motor vehicles	1,860	2,931	1,745
Capital work in progress	738	-	13,465
Total	6,138	13,195	58,810

Source: Audited Financial Statements

7.5.2 Current Assets

Current assets mainly comprises of cash and cash equivalents, due from related parties, inventory and pre-paid expenses and other receivables.

Table 7-19 Current Assets, 2009-2011

	2009 (SAR 000s)	2010 (SAR 000s)	2011 (SAR 000s)
Cash and cash equivalent	115,614	760,824	655,053
Accounts receivable – trade	32,768	50,221	52,119
Due from related parties	526,012	252,992	511,816
Inventories	51,105	52,519	65,540
Prepaid expenses and other receivables	17,124	24,300	30,165
Total Current Assets	742,622	1,140,857	1,314,693

Source: Audited Financial Statements

The current assets increased by 53.6% from SAR 742.6 million in 2009 to SAR 1,140.9 million in 2009 primarily because of SAR 500 million payment from Saudia towards payment of its outstanding payables due to the Company. The current assets increased by 15.2% in 2011 from SAR 1,140.9 to SAR 1,314.7 primarily because of due from related parties because of increased business volume.

7.5.3 Cash and Cash Equivalents

In 2010, the Company's cash and cash equivalents increased by 558.1% to SAR 760.8 million from SAR 115.6 million in 2009 primarily because of the lump sum payment of SAR 500.0 million received from Saudia towards the payment of its outstanding receivables due to the Company. However, in 2011, cash and cash equivalents decreased by 13.9% from SAR 760.8 million in 2010 to SAR 655.1 million in 2011 as the Company incurred capital expenditure related to various projects and paid out dividends amounting to SAR 225.0 million to its shareholders.

7.5.3.1 Accounts Receivables – Trade

In 2010, receivables from non-Saudia customers increased by 53.3% from SAR 32.8 million in 2009 to SAR 50.2 million in 2010, representing 19.6% of non-Saudia revenues. In 2011, receivables from non-Saudia customers increased by 3.8% from SAR 50.2 million in 2010 to SAR 52.1 million in 2011. The non-Saudia customers mainly comprise low cost local carriers and other airlines. The receivables increased due to the increased business volume related to these clients and accounted for 17.7% of revenue from non-Saudia customers.

7.5.3.2 Due from Related Parties

Due from related parties decreased by 51.9% in 2010 from SAR 526.0 million in 2009 to SAR 253.0 million because of a payment of SAR 500 million made by Saudia towards payment of its outstanding payables due to the Company. Due from related parties increased by 102.3% in 2011 from SAR 253.0

million in 2010 to SAR 511.8 million in 2011. The main reasons for this increase in the amount due from related parties were a lag in payments from Saudia to settle the invoices raised by the Company and increased sales for the period under consideration.

7.5.3.3 Inventory

The main inventory items relate to the consumable items and production goods as required by In Flight Catering and Sky Sales. Inventory levels in 2010 increased by 2.8% from SAR 51.1 million in 2009 to SAR 52.5 million in 2010. The inventory related to Sky Sales declined in 2010 but this decline was offset by the increased inventory levels of raw materials because of an increase in the business volume, particularly in the Non-Airline Division. In 2011, inventory increased by 24.8%, from SAR 52.5 million in 2010 to SAR 65.5 million in 2011 primarily due to an increase in production goods inventory. Inventory of catering goods increased by 35.1% from SAR 23.8 million in 2010 to SAR 32.1 million in 2011 as the Company's business volume increased. The inventory related to Sky Sales increased by 3.8% from SAR 27.0 million in 2010 to SAR 28.1 million in 2011 as increased business volume more than offset better inventory management.

7.5.3.4 Prepaid Expenses and Other Receivables

In 2010, the prepaid expenses and receivables increased by 41.9% from SAR 17.1 million in 2009 to SAR 24.3 million in 2010 because of advance payments related to the issuance of new labor visas, insurance, payments related to the staff and advance building rent to GACA for the Madinah catering unit. In 2011, prepaid expenses and receivables increased by 24.1% from SAR 24.3 million in 2010 to SAR 30.2 million in 2011 because of a SAR 7.1 million advance payment for the purchase of high loaders and a SAR 4.5 million rental deposit paid in advance for the Company's premises in Riyadh.

7.5.4 Current Liabilities

Current liabilities mainly comprises of accounts payables and accrued expenses and other liabilities.

Table 7-20 Current Liabilities, 2009-2011

	2009 (SAR 000s)	2010 (SAR 000s)	2011 (SAR 000s)
Account payable – trade	71,705	89,456	115,582
Accrued expenses and other liabilities	221,125	210,148	233,253
Total Current Liabilities	292,831	299,604	348,835

Source: Audited Financial Statements

7.5.4.1 Accounts Payables - Trade

In 2010, trade accounts payables increased by 24.8% from SAR 71.7 million in 2009 to SAR 89.5 million in 2010 due to increased business volume from non-Saudia airlines and especially from the Non-Airline Division. In 2011, trade accounts payable increased by 29.2% from SAR 89.5 million in 2010 to SAR 115.6 million in 2011 primarily because of continued increased business volume with Saudia and other airlines which led to increased amount due to the local and foreign vendors. The central procurement department has started to make more bulk purchases in order to minimize costs by obtaining discounts and to maintain an uninterrupted supply of the essential raw materials to all the regions.

7.5.4.2 Accrued Expenses and Other Liabilities

In 2010, accrued expenses and other liabilities decreased by 5.0% from SAR 221.1 million in 2009 to SAR 210.1 million in 2010. In 2011, accrued expenses and other liabilities increased by 11.0% from SAR 210.1 million in 2010 to SAR 233.3 million in 2011 as the total salary costs increased in line with the higher number of employees working for the Company.

7.5.4.3 Non-Current Liabilities

An end of service benefit is a required benefit under Saudi Labor Law and it is paid to employees when they leave the Company. In 2010, the end-of-service indemnities increased by 6.1% from SAR 80.0 million in 2009 to SAR 84.9 million in 2010. In 2011, the end-of-service indemnities increased by 11.5% from SAR 84.9 million in 2010 to SAR 94.6 million in 2011 as salaries were increased and the number of employees also increased.

7.5.4.4 Shareholders' Equity

In 2010, shareholders' equity increased by 86.7% from SAR 441.3 million in 2009 to SAR 823.7 million due to the retention of earnings of 2010. In 2011, shareholders' equity increased by 19.1% from SAR 823.7 million in 2010 to SAR 981.0 million due to the retention of earnings of 2011.

Table 7-21 Shareholders' Equity, 2009-2011

	2009 (SAR 000s)	2010 (SAR 000s)	2011 (SAR 000s)
Share capital	100,767	100,767	820,000
Statutory reserve	50,384	50,384	45,716
General reserve	14,132	13,718	
Retained earnings	275,968	658,791	115,286
Total Shareholders' Equity	441,251	823,660	981,002

Source: Audited Financial Statements

7.6 Analysis of Cash Flow for the years Ended 2009, 2010 & 2011

The following table summarizes the audited cash flow statements for the years ended 31 December 2009, 2010 and 2011.

Table 7-22 Cash Flow Statements, 2009-2011

	2009 (SAR 000s)	2010 (SAR 000s)	2011 (SAR 000s)
Cash generated from/(used in) operating activities	210,856	682,293	214,255
Cash used in investing activities	(6,061)	(13,093)	(58,728)
Net cash from/(used in) financing activities	(125,320)	(23,990)	(261,298)
Net change in cash and cash equivalents	79,475	645,210	(105,771)
Cash at beginning of period	36,139	115,614	760,824
Cash at end of period	115,614	760,824	655,053

Source: Audited Financial Statements

7.6.1 Cash Generated from Operating Activities

In 2010, cash flow from operations increased by 223.6% from SAR 210.9 million in 2009 to SAR 682.3 million in 2010 as the net income before income tax and Zakat provisions increased by 29.2% from SAR 322.9 million in 2009 to SAR 417.1 million in 2010. The cash flow from operations also improved because of an improvement in the working capital, primarily due to a reduction in the related party receivables because of a payment of SAR 500.0 million made by Saudia towards payment of its outstanding payables due to the Company. However, in 2011, cash flow from operations decreased by 68.6% from SAR 682.3 million in 2010 to SAR 214.3 million in 2011 primarily due to an increase in receivables due from Saudia.

7.6.2 Cash Used in Investing Activities

In 2010, cash flow used in investing activities increased by 116.0% from SAR 6.1 million in 2009 to SAR 13.1 million in 2010 as SAR 13.2 million was spent on the purchase of fixed assets comprising of equipment, vehicles and leasehold improvements. In 2011, cash flow used in investing activities increased by 348.6% from SAR 13.1 million in 2010 to SAR 58.7 million in 2011, primarily due to the purchase of land valued at SAR 33.8 million, which the Company plans to utilize for the staff camp in Jeddah.

7.6.3 Cash Used in Financing Activities

In 2009, the Company recorded cash out flow from financing activities of SAR 125.3 million which consisted of a Zakat and income tax payment of SAR 26.8 million and a dividend payment of SAR 98.5 million. In 2010, cash out flow from financing activities amounted to SAR 24.0 million which comprised of a Zakat and income tax payment. No dividends were paid in 2010 as the Company retained its entire net income in contemplation of an increase in capital during 2011. In 2011, the cash used in financing activities increased by 989.2% from SAR 24.0 million in 2010 to SAR 261.3 million in 2011 as the Company paid dividends of SAR 225.0 million and Zakat and income tax of SAR 36.3 million.

7.6.4 Changes in Operating Working Capital

In 2010, operating working capital (defined as receivables, plus inventory and prepaid expenses less payables and accrued expenses) decreased by 75.9% to SAR 80.4 million from SAR 334.2 million in 2009. This change in operating working capital was primarily due to the decrease in the net amount due in 2009 from related parties particularly deriving from a payment of SAR 500 million made by Saudia towards payment of its outstanding payables due to the Company. In 2011, operating working capital increased by 286.4% from SAR 80.4 million in 2010 to SAR 310.8 million in 2011. The working capital increased from 6.7% of total revenues in 2010 to 21.2% of total revenues in 2011. The principal reason for this change was an increase in amounts due from related parties which increased by 102.3% from SAR 253.0 million in 2010 to SAR 511.8 million in 2011. The main reasons for this increase in the amount due from related parties were a lag in payments from Saudia to settle the invoices raised by the Company and increased sales for the period under consideration.

Table 7-23 Operating Working Capital, 2009-2011

	2009 (SAR 000s)	2010 (SAR 000s)	2011 (SAR 000s)
Receivables due from trade and related parties	558,780	303,214	563,935
Inventories	51,105	52,519	65,540
Prepaid expenses and other receivables	17,124	24,300	30,165
Current Assets except Cash	627,009	380,033	659,641
Accounts payable – trade	71,705	89,456	115,582
Accrued expenses and other liabilities	221,125	210,148	233,253
Current Liabilities	292,831	299,604	348,835
Working Capital	334,178	80,429	310,806

Source: Audited Financial Statements

7.7 Commitments and Contingencies for the years Ended 2009, 2010 & 2011

As at 31 December, 2009, 2010 and 2011, the Company had commitments of SAR 624,674, SAR 2.0 million and SAR 4.3 million, respectively, in relation to future capital expenditure. The capital commitment increased in 2010 by 220.2% from SAR 624,674 to SAR 2.0 million which related to equipment and machinery required for the kitchens and refurbishments. In 2011, the capital commitments increased by 116.8% from SAR 2.0 million in 2010 to SAR 4.3 million in 2011; these primarily related to equipment and machines required for the kitchens in Riyadh, Jeddah and Dammam.

7.8 Related Party Transactions for the Years ended 31 December 2009, 2010 and 2011

As at the date of this Prospectus, the Company's largest shareholder is Saudia and it will continue to be the largest shareholder immediately after the conclusion of the Offering. A large portion of the Company's business is transacted with this shareholder. As explained in Section 4 (*"The Company"*), the Company provides passenger and crew meals for all of Saudia's flights. In addition, the Company provides additional services such as menu planning and, until 2009, it also provided a menu printing service, however, Saudia decided to undertake this activity itself. In the beginning of 2011, the Company also started to provide food related equipment such as cutlery and chinaware to all Saudia flights. If Saudia experiences an increase or decrease in the number of passengers, the Company's services to Saudia will also increase or decrease respectively. In addition, the Company provides services, mainly staff meals, to the Saudi Ground Services Company Limited.

Shortly after the Privatisation, Saudia's regional offices continued to pay, for example, for food products and payroll related expenses on behalf of the Company. In 2009, the charges of SAR 19.4 million mainly related to the purchases that were made in relation to the Cairo operations and other communication services provided by Saudia to the Company. In 2010, these increased to SAR 50.9 million as Saudia started to charge for activities such as security services. Since the end of 2010, the Company no longer depended on Saudia for its Cairo operations as the Company started making payments directly to its suppliers. Thus, in 2011, those payments declined by 52.9% from SAR 50.9 million in 2010 to SAR 24.0 million in 2011.

The services charged to Saudi Ground Services Company Limited increased by 43.3% in 2010 from SAR 21.5 million in 2009 to SAR 30.8 million in 2010 primarily because of the increased number of meals provided to Saudi Ground Services Company Limited, as the number of employees increased. In 2011, the amount charged to Saudi Ground Services Company Limited decreased by 4.3% from SAR 30.8 million in 2010 to SAR 29.5 million in 2011 because of a discount offered by the Company.

The net services rendered and charged by Saudi Airlines Cargo Company increased by 242.7% in 2010 from SAR 2.1 million in 2009 to SAR 7.2 million in 2010 because of an increased number of meals served. In 2011, the amount increased by 97.7% from SAR 7.2 million in 2010 to SAR 14.2 million in 2011 because of increased business volume.

In 2010, the Company provided services with a value of SAR 826.5 million to Saudia primarily related to In Flight Catering. This represents an increase of 13.7% in 2010 compared to 2009. In 2011, the Company provided services with a value of SAR 1,026.2 million, which represented an increase of 24.2% from 2010. The increase in the amount was primarily because of increased numbers of meals served on Saudia flights and additional revenue from the sale of food related equipment such as cutlery and chinaware to all Saudia flights.

Table 7-24 Related Party Transactions, 2009-2011

	2009 (SAR 000s)	2010 (SAR 000s)	2011 (SAR 000s)
Catering and other services rendered to Saudia	726,907	826,485	1,026,241
Services and other expenses charged by Saudia	19,398	50,918	23,963
Net services rendered and charged by Saudi Airlines Cargo Company	2,102	7,202	14,238
Net services charged and expenses re-allocated to Saudi Ground Services Company Limited	21,495	30,800	29,472
Management fees	9,000	12,000	12,000
Board of directors' fees and expenses	1,699	1,696	1,990

Source: Audited Financial Statements

The Company has an agreement with Newrest and SCCL pursuant to which Newrest provides various management services to the Company. Pursuant to this agreement, a fee will become payable to Newrest in the event that certain conditions are met (see section 13.1.4 "*Related Party Agreements*"). Under this agreement, the management fee was SAR 9.0 million in 2009 and SAR 12.0 million in 2010 and 2011 respectively.

In 2009, the Company had SAR 526.0 million receivables outstanding from Saudia. In 2010, the Company had SAR 253.0 million of receivables outstanding from Saudia representing a decrease of 51.9% from 2009. In 2011, the Company had SAR 511.8 million of receivables outstanding from Saudia representing an increase of 102.3% from 2010 because of the increased sales to Saudia, partly because of the new Airline Equipment contract, and because the aggregate amounts invoiced by the Company were in excess of the monthly payment it was receiving from Saudia.

7.9 Principal Investments Underway and Planned

The Company plans to invest in renewing and expanding its fleet of high loaders and other vehicles, and its meal production to meet the needs of the Non-Airline Division as well as in its staff camp and laundry projects.

Table 7-25 Expected Capex, 2012

Description	Expected Capex 2012 Replacement (SAR)	Expected Capex 2012 Expansion (SAR)
Building and services	765	86,676
Vehicles and high loaders	4,684	5,470
Computer and auxiliary	224	357
Furniture & fixtures, other equipment and security	6,248	31,052
Others	50	6,450
Total	11,971	130,005

Source: Company

In 2012, the Company plans to spend around SAR 86.7 million on buildings and associated services; the Company expects to spend around 69.0% (SAR 60.0 million) of this amount on the construction of the staff camp which is expected to be completed by the end of 2013. In addition to this, construction work for the laundry facilities in Jeddah and Riyadh will also start during 2012 and is expected to cost around SAR 15.7 million. The Company expects to spend around SAR 10.2 million on vehicles and high loaders; of which around 45.9% will be spent on the maintenance of the existing vehicles and high loaders and 53.6% is expected to be spent on new vehicles and high loaders. In 2012, the Company expects to spend around SAR 37.3 million on furniture, fixtures and security-related equipment. Of this SAR 37.3 million, the Company expects to spend SAR 9.0 million on the maintenance and repair of its equipment and the purchase of new equipment in the kitchens at its catering units in Jeddah, Riyadh, Dammam and Madinah; SAR 18.0 million will be spent on the equipment required for the laundry facilities in Jeddah and Riyadh; and approximately SAR 4.0 will be spent on the CPU in Riyadh during 2012.

7.10 Financial and Trading Prospects

For the financial years ended 31 December 2009, 2010 and 2011, the Company recorded a net profit after income tax and Zakat provisions of SAR 299.4 million, SAR 382.4 million and SAR 382.3 respectively, representing a compound annual growth of 12.9% over this period.

Table 7-26 Net Income, 2009-2011

	2009 (SAR 000s)	2010 (SAR 000s)	2011 (SAR 000s)
Net income	299,351	382,409	382,342

Source: Company

The Company believes its growth potential is attractive in the near term, driven by increased airline activity, some continued productivity improvements as well as through the development of its Non-Airline Division. The Company continues to invest in operating efficiency, such as in the CPU which became fully functional in June 2011, and in the Non-Airline Division. Details relating to new projects that have been approved by the Board are described in Section 4.10 (*New Initiatives and Plans*).

Based on the information available to the Directors as at 23 May 2012, being the latest practicable date prior to the publication of this Prospectus, they do not expect that there will be any material adverse change in the financial and trading prospects of the Company in the current financial year.

8. Description of Shares

8.1 Share Capital

The share capital of the Company is SAR 820,000,000, consisting of 82,000,000 Shares with a nominal value of SAR 10 per Share, all of which are ordinary shares.

8.2 Ordinary Shares

The Shares may not be issued at less than their nominal value. However, the Shares may be issued at an issue price higher than their nominal value, in which case the difference in value is to be added to the statutory reserve, even if the reserve has reached its maximum limit. A Share is treated as indivisible by the Company. In the event that a Share is owned by more than one person, they must select one of them to exercise, on their behalf, the rights pertaining to the Share, and such persons are jointly responsible for the obligations arising from the ownership of the Share. The transfer of Shares is governed by, and must comply with, the regulations governing companies listed on Tadawul. Transfers made other than in accordance with such regulations are void.

8.3 Rights of the Holders of Ordinary Shares

Under Article 108 of the Companies Regulations, a Shareholder is vested with all the rights attached to Shares, which include in particular the right to receive a share in the profits declared for distribution, the right to a share in the Company's assets upon liquidation, the right to attend Constituent General Assemblies and participate in the deliberations and vote on the resolutions proposed at such meetings, the right to dispose of Shares, the right to access to the Company's books and documents, the right to supervise the acts of the Board of Directors, the right to institute proceedings against the Directors and the right to contest the validity of the resolutions adopted at General Assemblies. According to the Companies Regulations, Shareholders are not entitled to require the Company to buy-back their Shares.

8.4 General Assemblies

A General Assembly duly convened is deemed to represent all the Shareholders and must be held in the city where the Company's head office is located. Any Shareholder, regardless of the number of Shares he holds, has the right to attend the meeting of the Constituent General Assembly, and any Shareholder who holds at least 20 Shares has the right to attend the meetings of the Ordinary and Extraordinary General Assemblies.

With the exception of the Constituent General Assembly, the general meetings of Shareholders are either Ordinary General Assemblies or Extraordinary General Assemblies. With the exception of those matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly deals with all matters concerning the Company. The Ordinary General Assembly must be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assemblies may be convened as required.

The Extraordinary General Assembly has the power to amend the By-Laws (to the extent permissible under the Companies Regulations). Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly, subject to the same requirements applicable to the Ordinary General Assembly.

8.5 Convening a General Assembly

The General Assembly must be convened by the Board of Directors. The Board of Directors must convene a meeting of the Ordinary General Assembly if requested to do so by the auditors or by Shareholders representing at least five percent (5%) of the Company's capital. The Company must publish an invitation to Shareholders to attend the General Assembly in the Official Gazette and in a daily newspaper circulated in the location of the head office of the Company, at least twenty-five (25) days prior to the date of the General Assembly. The invitation must include the agenda of the meeting. Alternatively, the Company may send a notice containing the invitation to the Shareholders to attend the General Assembly by registered mail during the period set out above. A copy of the notice and the agenda shall be sent during the notice period set out above to the Companies Department at MOCI. A list of Shareholders attending the General Assembly in person or by proxy shall be prepared.

8.6 Quorum of an Extraordinary General Assembly

A meeting of the Extraordinary General Assembly is quorate if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum is not present at the first meeting, a second meeting must be held within thirty (30) days following the time set for the first meeting. Notice of such meeting must be published in compliance with the procedures set out in paragraph 8.5 above.

The second meeting is quorate if attended by Shareholders representing at least twenty-five percent (25%) of the Company's capital.

8.7 Quorum of an Ordinary General Assembly

A meeting of the Ordinary General Assembly is quorate if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum is not present at the first meeting, a second meeting must be held within thirty (30) days following the time set for the first meeting. Notice of such meeting must be published in compliance with the procedures set out in paragraph 8.5 above. The second meeting is deemed quorate irrespective of the number of Shares represented at such meeting.

8.8 Transfer of Shares

Trading in Shares is governed by the regulations applicable to companies listed on Tadawul, and any trading in the Shares that does not comply with such regulations is deemed void.

8.9 Voting Rights

Each Shareholder owning at least twenty (20) Shares has the right to attend a General Assembly and may authorize in writing another Shareholder (other than a member of the Board of Directors who is a Shareholder) to attend the General Assembly on his behalf. Any Shareholder may attend the meeting of the Constituent General Assembly, regardless of the number of Shares he holds. Votes at the meetings of Ordinary and Extraordinary General Assemblies are counted on the basis of one vote for each Share represented at the meeting.

Resolutions of the Ordinary General Assembly are passed if supported by a simple majority of the Shares represented at the meeting. Resolutions of the Extraordinary General Assembly are passed if supported by a majority of at least two-thirds of the Shares represented at the meeting. If the resolution relates to an increase or reduction in the Company's capital, extending the Company's term, dissolving the Company prior to the end of its term specified under the By-Laws or merging the Company with another company or organization, then such resolution may only be passed if supported by a majority of at least three-quarters of the Shares represented at the meeting.

Each Shareholder has the right to discuss the items listed in the agenda for the General Assembly and to direct questions to the members of the Board and the Auditor in relation to such matters. The Board of Directors or the Auditor is required to answer questions from Shareholders other than where to do so may jeopardize the interests of the Company, for instance on commercially sensitive matters. Should a Shareholder consider the reply to be unsatisfactory, he can report to the General Assembly whose resolution will be considered final.

8.10 Term of the Company

The term of the Company is ninety-nine (99) years commencing on the date of issuance of the Minister of Commerce and Industry's resolution announcing the conversion of the Company from a limited liability company to a closed joint stock company. The term of the Company may be extended by a resolution adopted by the Extraordinary General Assembly at least one year prior to the expiry of its term.

8.11 Dissolution and Liquidation of the Company

Upon the expiry of the Company's term, or if, based on a proposal by the Board of Directors, the Extraordinary General Assembly decides to dissolve the Company, it will determine the method of liquidation and shall appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors cease upon the expiry of the Company's term. However, the Board of Directors remains responsible for the management of the Company until the liquidator(s) are appointed. The Company's administrative departments maintain their powers to the extent that they do not interfere with the powers of the liquidator(s).

9. Dividend Policy

The declaration and payment of any dividends will be recommended by the Board before being approved by the shareholders at a General Assembly meeting. The Company is under no obligation to declare a dividend and any decision to do so will depend on, amongst other things, the Company's historic and anticipated earnings and cash flow, financing and capital requirements, market and general economic conditions, the Company's zakat position as well as legal and regulatory considerations. The distribution of dividends is subject to certain limitations contained in the By-Laws (as described in section 12.36 "*Summary of Company's By-Laws – Distribution of Dividends*"). If declared, dividends will be paid in Saudi Riyals.

The table below sets out the amounts of dividends distributed by the Company since its incorporation on 20/1/1429H (corresponding to 29 January 2008G):

Table 9-1 Distributed Dividends 2008-2011

Year	Distributed Dividends (SAR)	Percentage of Distributable Net Income*
2008	210,000,000	94%
2009	-	
2010	-	
2011	225,000,000	90%**

Source: Company

**distributable net income refers to net income after income tax and Zakat provisions and after the transfer of 10% to statutory reserves. For information, see section 7.4.8 "Dividends"*

*** SAR225 million was paid in respect of the first nine months of 2011 representing 90% of distributable net income for this period.*

The Company did not distribute any dividends for the financial years 2009 and 2010 as the Company was preparing to increase its share capital by using its retained earnings. Pursuant to a resolution of the Extraordinary General Assembly dated 26 January 2011, the Company increased its share capital from SAR 100,767,000 to SAR 820,000,000. Pursuant to a Shareholders' resolution dated 11 May 2011G, the Board was granted a standing authority to declare interim dividends either quarterly or semi-annually. Pursuant to this authority, the Company paid out SAR 70 million on 11 May 2011, SAR 75 million on 3 August 2011, SAR 80 million on 13 October 2011 in the form of dividends in respect of the profits earned during the year ended 31 December 2011. The Company paid a dividend of SAR 115.0 million on 8 April 2012, pursuant to a Shareholder's resolution dated 7 March 2012, in respect of the period ended December 2011. The total dividends paid in respect of the distributable net income for the year ended 31 December 2011 amounted to SAR 340.0 million, representing 99.9% of the distributable net income of 2011.

Taking into account the Company's objectives, the commercial, legal and regulatory considerations described above and the Company's strong capital base and earnings to date, the Board currently anticipates that the Company will be able to distribute 60% to 80% of its annual profits in accordance with section 12.35 "*Distribution of Annual Profits*".

The Offer Shares will entitle holders to receive dividends declared by the Company after the approval of the Offering by CMA and for subsequent fiscal years.

10. Capitalization

Prior to the Offering, the Selling Shareholders owned the entire issued share capital of the Company and, following the completion of the Offering, Saudia and SCCL will collectively own 70% of the share capital of the Company.

The table below sets out the capitalization of the Company as derived from the audited financial statements for the financial years ended 31 December 2011, 2010 and 2009. The following table should be read in conjunction with the relevant financial statements, including the notes thereto, in section 17 "*Accountant's Report*".

Table 10-1 Capitalization for the Period 2009-2011

SAR	2009	2010	2011
Total Liabilities	372,813,938	384,479,297	443,460,835
Share Capital	100,767,000	100,767,000	820,000,000
Statutory Reserve	50,383,500	50,383,500	45,716,496
General Reserve	14,132,488	13,718,428	-
Retained Earnings	275,968,124	658,791,392	115,285,981
Total Shareholders' Equity	441,251,112	823,660,320	981,002,477
Total Liabilities and Shareholders' Equity	814,065,050	1,208,139,617	1,424,463,312

Source: Company

The Directors confirm that:

- none of the Company's share capital is under option;
- the Company does not have any debt instruments as of the date of this Prospectus; and
- subject to any material adverse change in the Company's business, they believe that its existing cash balances and its cash flows will be sufficient to meet its anticipated cash needs for working capital and capital expenditure for at least 12 months following the date of this Prospectus.

11. Use of Proceeds

The total proceeds from the Offering are estimated to be SAR 1,328,400,000 of which SAR 33 million will be applied towards the Offering expenses which include the fees of the Financial Advisor, legal advisors (to the Company and the Financial Advisor), reporting accountants, Underwriters, Selling Agents, marketing and printing and distribution fees as well as other fees related to the Offering.

The net proceeds of the Offering will be approximately SAR 1,295,400,000, which will be distributed to the Selling Shareholders pro rata to number of Offer Shares which will be sold by each of them in the Offering. The Company will not receive any part of the proceeds from the Offering.

No commissions, discounts, brokerage or other non-cash compensation has been granted by the Company to any Director or any Senior Officer in the two years immediately preceding the date of the Prospectus. The Selling Shareholders will be responsible for, and shall pay, all fees, costs and expenses relating to the Offering.

12. Summary of Company's By-Laws

12.1 Name of the Company

Saudi Airlines Catering Company, a Saudi joint stock company.

12.2 Head Office

The head office of the Company is in Jeddah, Saudi Arabia. The Board of Directors may open another branch, office or agencies within or outside of Saudi Arabia.

12.3 Objectives of the Company

The objectives of the Company are as follows:

- Provide cooked and non-cooked foods for the public and the private sector;
- Undertake retail sales on-board flights;
- Operate and manage free zones in airports in Saudi Arabia; and
- Operate and manage restaurants and grocery shops at airports.

12.4 Participation in Other Companies

The Company may acquire an interest in, merge with, or participate in any manner with other corporations or companies engaged in a business which is similar to the business of the Company or that may assist the Company to achieve its objectives. The Company may also invest in any other company provided that its interest in such company does not exceed (i) twenty percent (20%) of the Company's free reserves; and (ii) ten percent (10%) of the capital of the company in which it is investing. The total value of the Company's investments in other companies should not exceed its free reserves. The Ordinary General Assembly should be informed of any such investment(s) at its next meeting.

12.5 Term of the Company

The term of the Company is ninety-nine (99) years commencing on the date on which the Minister of Commerce and Industry issued the resolution announcing the conversion of the Company from a limited liability company to a closed joint stock company. The term of the Company may be extended by a resolution adopted by the Extraordinary General Assembly at least one year prior to the expiry of its term.

12.6 Capital of the Company

The share capital of the Company is eight hundred and twenty million Saudi Riyals (SAR 820,000,000), divided into eighty-two million (82 million) registered Shares of equal value of ten Saudi Riyals (SAR 10) each. All Shares are of nominal value and shall not be issued at less than the par value.

12.7 Share Register

The nominal Shares shall be transferred by recording such transfers in the Shareholders' register containing the names of the Shareholders, their nationalities, their occupations, their domicile and address, the serial numbers of the Shares, and the amount paid-up on such Shares. The transfer of title to a Share shall not be effective vis-à-vis the Company or any third party except from the date on which the transfer is recorded in the Shareholders' register or the completion of the transfer process through Tadawul. Subscription in or ownership of the Shares by a Shareholder entails the acceptance by the Shareholder of the Company's By-Laws and his submission to the resolutions duly passed by the General Assemblies in accordance with the By-Laws, regardless of whether the Shareholder was present at such General Assemblies or whether he voted in favour of such resolutions.

12.8 Increase of Capital

The Extraordinary General Assembly may, once it has ascertained the economic feasibility of a capital increase step and after obtaining the approval of the competent authorities, adopt a resolution to increase the Company's capital once or several times by issuing new Shares having the same nominal value as the original Shares, provided that the Company's capital shall have been paid in full and subject to the requirements of the Companies Regulations. Such resolution shall specify the mode of increasing the capital. The Shareholders, who shall have pre-emptive rights to subscribe for the new Shares, shall be notified of their pre-emptive rights by notice published in a daily newspaper or by written notice sent to the Shareholders by registered mail. Such notice shall notify each Shareholder of the capital increase and set out the terms of subscription in the new Shares. Each Shareholder may exercise his pre-emptive rights, within fifteen (15) days of the publication of such notice or receipt of such notice by registered mail.

Shares issued pursuant to an increase in capital shall be allotted to those Shareholders who have elected to exercise their pre-emptive rights pro-rata to their respective shareholdings in the Company, provided that the number of Shares allocated to each Shareholder does not exceed the number of new Shares for which he has applied. Any remaining new Shares shall be allotted to the original Shareholders who have applied for more than their proportionate entitlement in the new Shares pro-rata to their respective shareholdings in the Company, provided that the number of Shares allocated to each such Shareholder does not exceed the number of new Shares for which he has applied. Any remaining new Shares shall be offered for public subscription.

12.9 Decrease of Capital

The Company may reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. Such decision must be made by a resolution of the Extraordinary General Assembly and requires the approval of the Minister of Commerce and Industry. Such resolution may only be passed after the preparation of a report by the Company's auditor's setting out the reasons for the reduction of the Company's capital, the obligations of the Company and the effect of such reduction on such obligations. The resolution shall set out the manner in which the reduction in capital is to be effected. If the reason for reducing the capital is due to the reduced amount being in excess of the Company's needs, the Company's creditors must be invited to express their objection to such reduction in capital within sixty (60) days from the date of publication of the resolution relating to the reduction in a daily newspaper published in the city where the Company's head office is located. If any creditor objects to the reduction in the capital of the Company and submits to the Company, within the said period, documentary evidence of his debt, the Company must settle such debt if it is due, or provide adequate security for its payment if it has not fallen due at the time.

12.10 Constitution of the Board of Directors

The Board comprise of nine members appointed by the Ordinary General Assembly for a term not exceeding three years. As an exception to the foregoing, the current Board was appointed for a term of five (5) years commencing on 22/2/1432H (corresponding to 26 January 2011) being the date of the Ministerial Resolution declaring the Company's conversion from a limited liability company to a closed joint stock company.

12.11 Qualification Shares

Each member of the Board shall be a holder of a number of Shares having a nominal value of no less than ten thousand Saudi Riyals (SAR 10,000). Such Shares shall be deposited in a bank designated by the Minister of Commerce and Industry within thirty (30) days from the date of the appointment of the Director. Such Shares shall be held to guarantee the liability of the Board members and shall be non-negotiable until the expiry of the period specified for hearing any action set out under Article (76) of the Companies' Regulations or until a judgment is rendered in any such action. Should a Director fail to submit such qualification Shares within the specified period, his appointment to the Board shall be deemed null and void.

12.12 Vacancies

A Director's membership of the Board shall be terminated upon the expiry of the Board's term, on the Director's resignation or death or if he is declared bankrupt, insolvent or requests a settlement with his creditors or stops repaying his debts in accordance with any applicable laws or regulations in the Kingdom. If the seat of a Director becomes vacant, the Board may appoint a temporary member to the vacant seat, provided that such appointment shall be laid before the next Ordinary General Assembly. The new Director shall complete the rest of his predecessor's term.

If the number of Directors falls below the quorum required for a Board meeting, an Ordinary General Assembly must be convened as soon as possible to appoint new Directors to the vacant seats on the Board.

12.13 Powers of the Board of Directors

Without prejudice to the powers conferred on the General Assembly, the Board shall be vested with full powers to manage the business of the Company and supervise its affairs within and outside the Kingdom of Saudi Arabia. For example, the Board is empowered, without limitation, to represent the Company in its relationship with others and before all Government departments, the Shariah Courts, the Board of Grievances, Labor Offices, Primary and Supreme Committees of Settlement of Labor Disputes, the Committee for the Enforcement of Negotiable Instruments, all other courts of law or judicial bodies, Boards of Arbitration, Police Departments, the Directorate of Civil Rights, Chambers of Commerce and Industry, all companies and establishments, participate in tenders, award contracts, enter into sale, purchase, rent, lease, representation, hedging and other documents, transactions and deals on behalf of the Company, receive, repayment, receive rights with third parties, claim, defend, plead, settle, assign, deny, request oath, reject the same, pre-emptive rights, accept judgments and deny the same, arbitrate on behalf of the Company, request implementation of judgments; to accept and reject judgments on behalf of the Company, receive the resulting proceedings, obtain title deeds and request amendments thereof.

The Board of Directors of the Company may establish affiliates and participate in the establishment of new companies, open branches, sign all contracts and agreements, documents including, without limitation, articles of association of affiliated companies or those in which the Company shall participate, and to amend the same, their annexes, and all shareholders resolutions in such companies including the special resolutions pertaining to increase or decrease of the capital of these companies, assignments of shares, purchasing the same, attesting contracts and to sign at the Companies Department at MOCI and before the Notary Public, effect amendments, changes, additions, omissions, obtain and renew commercial registrations, grant loans to affiliate companies, guarantee their loans, sign agreements and deeds for public notaries and other official authorities, loan agreements, warranties, securities, assign priority in repayment of Company's debts, issue sharia powers of attorney on behalf of the Company, sell, purchase or real estates, lands, shares, and stocks in companies and other properties whether movable or immoveable, sell and pledge the Company's real properties and assets, movable and fixed to guarantee the debts of the Company and its affiliates pursuant to the following conditions:

- The Board shall specify in its resolution to sell such assets and/or properties the reasons and justifications of such sale;
- The sale price shall be at least equal to the market price of such assets and/or properties;
- The sale shall be undertaken with immediate effect unless the circumstances necessitate otherwise, in which case, sufficient guarantees should be obtained; and
- Such sale does not result in the Company's activities being suspended, or in any new obligations being assumed by the Company.

The Board shall have the right to discharge, accept the same, receive the price in any way it deems appropriate, receive, deliver, rent, lease, receive, pay, open, withdraw and deposit in banks, obtain loans, sign all documents, bonds and cheques and all bank transactions, invest the Company's funds in the domestic and international markets, inside and outside the Kingdom. The Board shall have the right to grant loans to companies, persons (subject to regulations), issue rewards, appoint lawyers, auditors, legal accountants, employees, labourers and discharge the same, request visas, recruit manpower from outside the Kingdom, contract with the same, determine their salaries, obtain residences, transfers of sponsorships and release the same.

The Board may conclude loan agreements with governmental funds and institutions regardless of the term of such loan agreements, conclude commercial loans, obtain loans and other credit facilities from government bodies and financial institutions and from any other credit companies inside and outside the Kingdom of Saudi Arabia, issue letters of guarantee in favor of any third party, if it deems at its discretion that such guarantees serve the Company's interest; execute order notes and other negotiable instruments; and enter into all types of banking transactions and agreements for any term not exceeding the term of the Company. The Board shall observe the following conditions in respect of any loan having a term exceeding three (3) years:

- the Board shall specify, in its resolution to approve any such loan, the manner in which the loan will be used and how it will be repaid by the Company; and
- that the terms of the loan and the guarantees provided in relation thereto do not prejudice the interests of the Company, its Shareholders or the securities offered to the Company's creditors.

The Board of Directors shall also have the right to approve the Company's internal, financial, administrative and technical regulations, its policies, procedures pertaining to employees, to authorize the Company's executive officers and others to sign on behalf of the Company pursuant to the rules and regulations set by the Board, and to approve the Company's operations plans and its annual balance sheets.

The Board shall have the right to discharge the Company's debtors from their obligations provided that the following conditions are fulfilled:

- one year has lapsed since the date on which the debt was created;
- the discharging of the debt shall not cause the Board to exceed the maximum amount of debt which the Board is entitled to discharge each year;
- the Board may not delegate its power to discharge debts to any party.

The Board has the right to delegate to one or more of its members or to third parties, any work or works or specific works, or any of its powers and to cancel such delegation or authorization in part or in its entirety.

12.14 Remuneration of Directors

The remuneration of Directors (if any) shall be determined by the Ordinary General Meeting in accordance with the decisions and instructions issued by Ordinary General Assembly and the provisions of the Companies Regulations and the laws and regulations which are complementary thereto. Directors may in addition be paid an attendance and transportation allowance as determined by the Board of Directors and the regulations and decisions issued by the Ordinary General Assembly in this respect.

The annual report submitted by the Board of Directors to the Ordinary General Assembly shall contain a statement of all payments made to the members of the Board during the relevant fiscal year including salaries, share in profits, attendance allowance, expenses, and other benefits. This report shall also contain a statement of payments made in consideration for technical, administrative or consultancy assignments carried out by Board member(s) in favor of the Company and previously approved by the Ordinary General Assembly.

12.15 Chairman, Managing Director and Secretary

The Board shall appoint a Chairman and Vice Chairman from among its members. The Board of Directors may also appoint a managing director (the "**Managing Director**") from among its members. The Chairman shall have the power to convene the Board to meet, preside over its meetings and represent the Company before official and media congregations. The Chairman has a casting vote.

The Chairman shall also be authorized to individually or jointly represent the Company in its relationship with others and before all Governmental and private bodies, third parties, Sharia Courts, judicial committees, the Board of Grievances and all judicial committees inside and outside the Kingdom of Saudi Arabia, to defend, plead and to sign on behalf of the Company, all articles of association of companies where the Company is a party, and amendments and supplements thereto, and to sign all types of contracts, agreements, assignments, representations, settlements or any other matters or procedures where the Company is a party whether before the notary public or before government and private organisations.

The Managing Director shall have such other powers as are specified by the Board of Directors and shall carry out such directions as are given to him by the Board of Directors.

The Board of Directors shall issue a resolution specifying the remuneration of each of the Chairman, the Vice Chairman and the Managing Director.

The Board of Directors shall appoint a Secretary from among its members or others and shall specify his duties, remuneration, and terms of service. The Secretary's duties shall include preparing, maintaining and keeping a register of proceedings and resolutions of the Board of Directors.

The term of the office of the Chairman, the Vice Chairman, the Managing Director, and the Secretary (if the Secretary is a Board member) shall not exceed their respective terms of service as Directors. The respective terms of the Chairman, the Managing Director, and the Secretary of the Board may be renewed.

12.16 Board Meetings

The Board of Directors shall be convened upon notice given by the Chairman or Vice Chairman. Such notice shall be in writing and delivered by hand or fax or email or sent by registered mail not less than seven (7) days prior to the date set for the meeting, unless otherwise agreed by the Directors. The Chairman shall call a meeting of the Board if so requested by any two Directors.

12.17 Quorum and Representation

A Board meeting shall be quorate only if attended by at least five members attending in person (provided that the number of members attending in person shall not be less than three). In the event that a Director appoints another Board member to attend a Board meeting as his proxy, then such proxy shall be appointed in accordance with the following guidelines:

- a member of the Board of Directors may not act as proxy for more than one Board member at the same meeting;
- a proxy shall be appointed in writing; and
- a Board member acting by proxy may not vote on resolutions on which his principal is prohibited from voting.

Resolutions of the Board shall be adopted with the approval of the majority vote of the members present in person or represented by proxy and otherwise eligible to vote on the matter in question. In case of an equality of votes, the Chairman of the Board or the Director presiding over the Board in the absence of the Chairman shall have a casting vote.

The Board may adopt a resolution by circulation of resolutions in writing unless a Board member requests a meeting to deliberate on such resolution. Such Resolutions shall be adopted with the approval of the majority vote of the Directors and shall be laid before the Board in its next meeting.

12.18 Minutes of Meetings

Deliberations and resolutions of the Board shall be recorded in the form of minutes to be signed by the Chairman and the Secretary after being signed by the Board members. Such minutes shall also be recorded in a register to be signed by the Chairman and the Secretary.

12.19 Executive Committee

The Board of Directors may appoint committees with such powers as it deems appropriate and coordinate between these committees in order to expedite the process of making decisions in respect of matters submitted to these committees.

12.20 General Assembly

A General Assembly duly convened shall be deemed to represent all the Shareholders, and shall be held in the city where the Company's head office is located. Each Shareholder owning twenty (20) Shares (or more) shall have the right to attend a General Assembly, and each Shareholder may authorize another Shareholder (other than a member of the Board of Directors or employees of the Company) to attend the General Assembly on his behalf.

12.21 Ordinary General Assembly

The general meetings of Shareholders are either Ordinary General Assemblies or Extraordinary General Assemblies. With the exception of those matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall deal with all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened as required.

12.22 Extraordinary General Assembly

The Extraordinary General Assembly shall have the power to amend the Company's By-Laws, (to the extent permissible under the Companies Regulations). Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly, subject to the same requirements applicable to the Ordinary General Assembly.

12.23 Manner of Convening General Assemblies

The General Assembly shall be convened by the Board of Directors. The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the auditors or by a number of Shareholders representing at least five percent (5%) of the Company's capital. The Company must publish an invitation to Shareholders to attend the General Assembly in the Official Gazette and in a daily newspaper circulated in the location of the head office of the Company, at least twenty-five (25) days prior to the date of the General Assembly. The invitation must include the agenda of the meeting. Alternatively, the Company may send a notice containing the invitation to the Shareholders to attend the assembly by registered mail during the period set out above. A copy of the notice and the agenda shall be sent during the notice period to the Companies Department at MOCI. A list of Shareholders attending the General Assembly in person or by proxy shall be prepared.

12.24 Quorum of Ordinary General Assembly

A meeting of the Ordinary General Assembly shall be quorate if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum is not present at the first meeting, a second meeting shall be held within thirty (30) days following the time set for the first meeting. Notice of such meeting shall be published in manner prescribed in Article (32) of the Company's By Laws. The second meeting shall be deemed quorate irrespective of the number of shares represented at such meeting.

12.25 Quorum of Extraordinary General Assembly

A meeting of the Extraordinary General Assembly shall be quorate if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum is not present at the first meeting, a second meeting shall be convened in the same manner as set out in section 12.24 above.

The second meeting shall be quorate if attended by Shareholders representing at least one-quarter (1/4) of the Company's capital.

12.26 Voting Rights

Each Shareholder shall have one vote for each Share he represents at the Constituent General Assembly. Votes at the meetings of Ordinary and Extraordinary General Assemblies shall be computed on the basis of one vote for each Share represented at the meeting.

12.27 Voting Majorities

Resolutions of the Consistent General Assembly and the Ordinary General Assembly shall be passed if supported by an absolute majority of the Shares represented at the meeting. Resolutions of the Extraordinary General Assembly shall be passed if supported by a majority of at least two thirds of the Shares represented at the meeting. If the resolution to be adopted at a General Assembly relates to an increase or reduction of the Company's share capital, extending the Company's term, dissolving the Company prior to the expiry of its term or merging the Company with another company or establishment, then such resolution shall be passed if supported by a majority of at least three-quarters (3/4) of the Shares represented at the meeting.

12.28 Rights of Shareholders at the Meetings of the General Assembly

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions to the members of the Board and the Auditor in relation to such matters. The Board of Directors or the Auditor shall answer the Shareholders' questions to the extent that this does not jeopardize the interests of the Company. Should a Shareholder consider the reply unsatisfactory, he can report to the General Assembly whose resolution will be considered final.

12.29 Proceedings of the General Assembly

The General Assembly shall be presided over by the Chairman or, in his absence, the Director designated by him. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes of the meeting shall be prepared showing the names of the Shareholders present in person or represented by proxy, the number of the shares held by each, the number of votes attaching to such Shares, the resolutions adopted at the meeting, the number of votes in favour of and opposing such resolutions, and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be recorded after each meeting in a register to be signed by the Chairman of the General Assembly, the secretary and the canvasser.

12.30 Appointment of Auditor

The Company shall have an auditor to be selected from the auditors licensed to practice in Saudi Arabia. The auditor shall be appointed annually and its compensation shall be fixed by the Ordinary General Assembly. The Ordinary General Assembly may further reappoint the same auditor.

12.31 Access to Records

The auditor shall have access at all times to the Company's books, records, and any other documents, and may request information and clarification as it deems necessary. It may investigate the Company's assets and liabilities.

12.32 Auditor's Report

The auditor shall submit a report annually to the Ordinary General Assembly setting out the extent to which the Company has provided the auditor with the information and clarifications it has requested, any violations of the Companies Regulations and the By-Laws which it has discovered and its opinion as to whether the Company's accounts are a true and fair reflection of the Company's position.

12.33 Financial Year

The Company's fiscal year shall commence on 1 January and expire on 31 December of each Gregorian year.

12.34 Annual Accounts

The Board of Directors shall prepare at the end of each fiscal year an inventory of the Company's assets and liabilities on such date, the Company's balance sheet and profit and loss account, a report on the Company's activities and its financial position for the preceding year and its proposals as to the distribution of the net profits. The Board of Directors shall prepare such documents at least sixty (60) days prior to the convening of the annual Ordinary General Assembly. The Board of Directors shall provide such documents to the auditor at least fifty-five (55) days prior to the time set for convening the annual Ordinary General Assembly. Such documents shall be signed by the Chairman of the Board and a set thereof shall be available at the Company's head office for inspection by Shareholders at least twenty-five (25) days prior to the time set for convening the General Assembly. The Chairman shall prompt the Company's balance sheet, profit and loss account, a comprehensive summary of the Board of Directors' report, and the full text of the auditor's report to be published in a newspaper circulated in the city where the Company's head office is located, and shall send copies of such documents to the Companies Department at MOCI at least twenty-five (25) days prior to the date set for convening the annual Ordinary General Assembly.

12.35 Distribution of Annual Profits

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

- ten percent (10%) of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when the statutory reserve totals one-half (1/2) of the Company's capital;
- the Ordinary General Assembly may, upon request of the Board of Directors, set aside a percentage of the annual net profits to form an additional reserve to be allocated for such purpose or purposes as may be approved by the Ordinary General Assembly; and
- the remainder shall be distributed to the Shareholders provided that it should not be less than five (5%) of the paid up capital.

12.36 Distribution of Dividends

The profits to be distributed among the Shareholders shall be paid at such place and time as determined by the Board of Directors, in accordance with the instructions issued by MOCI.

12.37 Company Losses

If the Company's losses total three-quarters (3/4) of its capital, then the members of the Board of Directors shall call a meeting of the Extraordinary General Assembly to consider whether the Company shall continue to exist or be dissolved prior to the expiry of the period specified therefore under Article six (6) of the By-Laws. The Extraordinary General Assembly's resolution shall be published in the Official Gazette.

12.38 Disputes

Each Shareholder shall have the right to bring an action in the name of the Company, against the members of the Board of Directors if they have committed a fault which has caused some particular damage to such Shareholder, provided that the Company still has the right to bring such action. The Shareholder shall notify the Company of his intention to file such action.

12.39 Dissolution and Winding up of the Company

Upon the expiry of the Company's term, or if it is dissolved prior to such time, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the expiry of the Company's term. However, the Board of Directors shall remain responsible for the management of the Company until the liquidator(s) are appointed. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidator(s).

12.40 The Companies Regulations

The Companies Regulations shall apply to all other matters not specifically provided for in the By-Laws.

13. Legal Information

13.1 Summary of Material Agreements

The Company has entered into a number of material agreements with (i) airline customers; (ii) non-airline customers; and (iii) related parties. The Company is also a party to a number of leases pertaining to premises occupied by the Company. These agreements and/or leases (summarised below) may or may not be material.

13.1.1 Agreements with Airline Customers

The revenue generated under the Saudia Catering Agreement and the Sky Sales Agreement in 2011 accounted for approximately 57.7% and 10.0%, respectively, of the Company's total revenues. Summaries of the Saudia Catering Agreement and the Sky Sales Agreement are set out in section 13.1.4 "*Legal Information - Related Party Agreements*".

The prices which the Company charges to each airline customer (other than Saudia) are determined based on the negotiations with each customer at the particular time and, as such, are largely driven by the prices of the various raw materials which are used in preparing the meals ordered by the said customer and the ancillary services that are provided, such as laundry. The prices are usually re-negotiated from time to time (within one month and one year on average) depending on the particular customer and the changes in the prices of raw materials.

Below is a brief summary of the catering agreements which the Company has entered into with four of its top ten airline customers:

13.1.1.1 Catering Agreement with Garuda Indonesia Airlines

The Company and Garuda Indonesia Airlines entered into a catering agreement which came into force on 1 January 2010. Pursuant to this agreement, the Company provides catering and a number of other associated services (including the provision of dry stores, equipment handling services, loading and unloading services, storage of supplies and equipment, laundry services and a number of administrative services) to flights operated by Garuda Indonesia Airlines out of KAIA in Jeddah, KKIA in Riyadh and PMIA in Madina. The agreement provides that Garuda Indonesia Airlines will inform the Company of the number of meals to be provided to each of its flights few hours before the scheduled departure time of the relevant flight. The prices of meals vary depending on the raw materials used in their preparation and are negotiated on a periodical basis between Company and Garuda Indonesia Airlines.

The term of this agreement is five years ending on 31 December 2014. However, the agreement can be terminated prior to the end of its term by either party giving at least 180 days' prior written notice to the other party. The agreement is governed by the laws of Saudi Arabia and any disputes arising thereunder shall be referred to the courts of the Kingdom.

13.1.1.2 Catering Agreement with NAS Airlines

Saudia and NAS Airlines entered into a catering agreement on 1 August 2003. This agreement is still in the name of Saudia but the Company has assumed the rights and obligations under the same. Pursuant to this agreement, the Company provides catering and a number of other associated services (including the provision of dry stores, equipment handling services, loading and unloading services, storage of supplies and equipment, laundry services and a number of administrative services) to flights operated by or on behalf of NAS Airlines at KKIA in Riyadh, KAIA in Jeddah, KFIA in Dammam, PMIA in Madinah and at Cairo International Airport in Egypt. The agreement provides that NAS Airlines will inform the Company of the number of meals to be provided to each of its flights few hours before the scheduled departure time of the relevant flight. The prices of meals vary depending on the raw materials used in their preparation and are negotiated on a periodical basis between the Company and Nas Airlines.

The agreement is for an indefinite term until terminated by either party pursuant to its terms. Each party is entitled to terminate the agreement by giving at least 180 days' prior written notice to the other party. The agreement is governed by the laws of Saudi Arabia and any disputes arising thereunder shall be referred to the courts of the Kingdom.

13.1.1.3 Catering Agreement with British Midland Airways

On 28 May 2009, the Company entered into a catering agreement with British Midland Airways pursuant to which the Company provides catering services and a number of other associated services (including the provision of wet and dry stores, provision of bonded goods, equipment handling and repair services, loading and unloading services, storage of supplies and equipment, laundry services and a number of administrative services) to flights operated by British Midland Airways out of KAIA in Jeddah and KKIA in Riyadh. The agreement provides that British Midland Airways will inform the Company of the number of meals to be provided to each of its flights few hours before the scheduled departure time of the relevant flight. The prices of meals vary depending on the raw materials used in their preparation and are negotiated on a periodical basis between the Company and British Midland Airways.

The term of the agreement is 36 months. However, British Midlands Airways is entitled to terminate the agreement by giving at least 90 days' prior written notice to the Company. The agreement is governed by the laws of Saudi Arabia and any disputes arising thereunder shall be referred to the courts of the Kingdom.

13.1.1.4 Catering Agreement with Turkish Airlines

Saudia and Turkish Airlines entered into a catering agreement on 1 February 2005. This agreement is still in the name of Saudia but the Company has assumed the rights and obligations under the same. Pursuant to this agreement, the Company provides catering and a number of other associated services (including handling equipment and bonded goods, transportation between the catering kitchen and the galley and loading/unloading services) to flights operated by Turkish Airlines out of Saudi Arabia. The agreement provides that Turkish Airlines will inform the Company of the number of meals to be provided to each of its flights few hours before the scheduled departure time of the relevant flight. The prices of meals vary depending on the raw materials used in their preparation and are negotiated on a periodical basis between the Company and Turkish Airlines.

The agreement is for an indefinite term until terminated by either party pursuant to its terms. Each party is entitled to terminate the agreement by giving at least 60 days' prior written notice to the other party. The agreement is governed by the laws of Saudi Arabia and any disputes arising thereunder shall be referred to the courts of the Kingdom.

13.1.2 Catering Agreements with Non-Airline Customers

The prices which the Company charges to its non-airline customers vary depending on the type and scope of the provided services and the requirements of each customer.

The customers in this segment broadly fall under two categories. In the first category, the Company rent the food halls/cafeterias at the customer's premises and sells its food items directly to the customers' employees.

In the second category, the Company provides its services at the customer's premises without paying rent. In this category, the Company negotiates the prices of the services with customer. The prices differ generally depending on the customer's location and, in the case of catering services, the prices of raw materials that the Company uses in preparing the food items under the relevant contract.

Below is a brief summary of four of the key catering agreements which the Company has entered into with its non-airline customers:

13.1.2.1 Catering Agreement with Jeddah Prep and Grammar School ("JPGS")

The Company entered into a catering agreement with JPGS on 1 September 2009. Pursuant to this agreement, the Company provides catering services to the staff and students of JPGS who purchase meals and various food items directly from the Company. The prices of the meals and food items sold by the Company under this agreement are agreed between the Company and JPGS at the beginning of the school year. The Company also pays JPGS an annual rent of SAR21,600 for using the cafeteria at JPGS for the provision of its services. The term of the agreement is one year which is renewable by agreement of the parties. The current term of the agreement will end on 1 September 2012. The agreement is governed by the laws of Saudi Arabia and any disputes arising thereunder shall be referred to the courts of the Kingdom.

13.1.2.2 Catering Agreement with Alsalam Aircraft Company Limited ("Alsalam")

The Company and Alsalam entered into a catering agreement on 30 January 2010. Pursuant to this agreement, the Company operates three pay-as-you-go cafeterias at Alsalam's aircraft maintenance facilities at KKIA in Riyadh. The prices are negotiated between the two parties. The current term of the agreement expires on 6 March 2013 unless terminated earlier by either party giving at least 60 days' prior written notice to the other party. The agreement is governed by the laws of Saudi Arabia and any disputes arising thereunder shall be referred to the courts of the Kingdom.

13.1.2.3 Agreement with Saudi Telecom Company ("STC")

On 18 November 2009, the Company entered into an agreement with STC pursuant to which the Company leases, manages and operates eight food halls/canteens at different premises occupied by STC. The Company pays STC a fixed annual fee in respect of each food hall/cafeteria. The Company sells various food-items directly to STC's employees at the relevant premises at which the halls/cafeterias are located. The agreement has a fixed term of three years commencing on 1 January 2010. The agreement is governed by the laws of Saudi Arabia and any disputes arising thereunder shall be referred to the courts of the Kingdom.

13.1.2.4 Agreement with Ma'aden Gold & Base Metals Company ("Ma'aden")

The Company entered into a catering and janitorial services agreement with Ma'aden on 15 February 2010. Pursuant to this agreement, the Company provides catering, cleaning, janitorial, pest control, laundry, maintenance, garbage collection and housekeeping services at ten sites operated by Ma'aden in the Kingdom, including mines, exploration sites, camps and offices. The catering services include providing breakfast, lunch, dinner as well as packed meals to Ma'aden's employees. The agreement is for a period of three years commencing on 1 March 2010. Ma'adan is entitled to terminate the agreement with immediate effect. The agreement is governed by the laws of Saudi Arabia and any disputes arising thereunder are to be referred to the Board of Grievances of the Kingdom.

13.1.3 Leases

The key premises leased by the Company are those used by its CUs at KAIA, KKIA, KFIA, PMIA and Cairo International Airport. The Company currently occupies buildings used by the CUs at KAIA and KFIA pursuant to lease agreements executed between Saudia and GACA. The Company is currently in discussions with GACA to transfer the leases in respect of these two buildings to the Company.

The Company has recently entered into new lease agreements with GACA in respect of the buildings used by the Riyadh CU and the Madina CU in KKIA and PMIA, respectively. Below is a brief summary of the terms of these lease agreements:

13.1.3.1 The Lease Agreement in respect of the CU building at KKIA

On 16 April 2011, the Company and GACA executed a new lease agreement in respect of the building used by the CU at KKIA. The term of lease commenced on 1 January 2010 and ends on 31 August 2019. The rent payable by the Company to GACA under the lease agreement comprises a fixed annual amount of SAR 17,407,000 plus a variable amount if the Company's revenues from the Riyadh CU exceed a certain threshold. In 2011, the variable amount payable by the Company is expected to be approximately SAR 9 million. The Company is also obliged under the lease agreement to construct and equip a business centre at the building, which will mainly be used by businessmen on short visits to Riyadh, and to pay to GACA a percentage of revenues generated from leasing the business centre to third parties. This percentage will be agreed between the Company and GACA at a later stage once the business centre is completed early 2012.

13.1.3.2 The Lease Agreement in respect of the CU building in PMIA

On 4 March 2010, the Company and GACA executed a new lease agreement in respect of the building and an adjacent land plot used by the CU at PMIA. The term of the lease commenced on 18 December 2009 and ends on 4 November 2013. The annual rent payable by the Company under the lease agreement amounts to SAR 3,581,970.

13.1.3.3 The Lease Agreement in respect of the CU Building at KFIA

On 5 December 1992, Saudia and GACA executed a lease agreement in respect of the building used by the CU at KFIA. The Company has assumed the rights and obligations under this lease agreement but the agreement is still in the name of Saudia. The term of this lease agreement will expire on 5 December 2012. On 14 February 2012, the Company received a letter from GACA confirming that the lease agreement relating to the building used by the Company's catering unit at KFIA had been transferred to the Company. The annual rent payable by the Company under the current lease agreement amounts to SAR 527,040.

13.1.3.4 The Lease Agreement in respect of the CU Building at KAIA

On 21 April 1985, Saudia and GACA executed a lease agreement in respect of the building used by the CU at KAIA. The Company however continue to assume the right and obligations under this lease agreement. The term of this lease agreement has expired in May 2009. Following the receipt of a licence from GACA in respect of the CU at KAIA, as at the date of this Prospectus, the Company is in negotiations with GACA to enter into a new lease agreement which will be in the Company's name. The annual rent payable by the Company under this lease agreement is SAR 14,124,871.

Furthermore, the Company leases a residential building in KFIA from GACA for the purpose of providing accommodation to its employees working at the Dammam Catering Unit. The Company also leases a number of properties in Jeddah from Saudia to accommodate its expatriate workforce. In addition, the Company leases a number of properties which are located close to the other International Airports and provides some of its employees with accommodation in such buildings.

13.1.4 Related Party Agreements

13.1.4.1 Catering Agreement with Saudia

Overview

On 29 January 2008G, the Company and Saudia entered into a catering agreement pursuant to which the Company provides catering and a number of other associated services (including provision of dry stores and sundry items, equipment handling, loading and unloading services, storage services, laundry services, provision of passenger amenities and various administrative services) to flights operated by or on behalf of Saudia at KAIA in Jeddah, KKIA in Riyadh, PMIA in Medina, KFIA in Dammam and at Cairo International Airport in Egypt. On 27 January 2012, the Company and Saudia agreed to amend this agreement as described below under the sub-heading "*Pricing and Payment Arrangements*".

Exclusivity

The Company is the exclusive provider of catering services to flights operated by or on behalf of Saudia at these airports. This exclusive arrangement is due to end on 29 January 2015G, except that Saudia is entitled to source any of the services from a third party in the event that the Company (i) gives notice to Saudia that it is unable to provide any of such services; (ii) fails to respond to Saudia's request for the provision of any services and/or additional catering services; or (iii) fails to provide the catering services in accordance with the specifications set out in the agreement or commits any material or persistent breach of the agreement.

Pricing and Payment Arrangements

Prices of various services under this agreement are either fixed or calculated pursuant to different formulas set out in the agreement. The prices are revised and agreed between the Company and Saudia on a quarterly basis.

Pursuant to the agreement, the Company invoices Saudia at the end of each month for the services provided during the previous month, based on an agreed profit margin. Saudia is required to settle invoices within ninety (90) days of their receipt from the Company. It should be noted however that the agreement does not subject Saudia to any penalties or fines if it fails to do so within this period. In June 2008, the Company and Saudia agreed that Saudia would pay the Company a monthly fixed amount of SAR 50 million on account of services received from the Company.

Pursuant to the terms of the agreement, in January 2011, the Company began applying a 10% discount in respect of all catering services provided to Saudia. This 10% discount will remain in place until the expiry of the agreement in 29 January 2015G.

On 27 January 2012, the Company and Saudia agreed to increase the SAR 50 million monthly payment to SAR 60 million per month and to provide for a formal review of all receivables due from Saudia to the Company, and all payables due from the Company to Saudia, every six months such that, after setting-off any such receivables and payables (in each case whether under the Saudia Catering Agreement or otherwise), the party that has an obligation to make a payment to the other is contractually obliged to make such payment in full within 10 business days of such date.

Saudia is entitled at any time to instruct its auditors or an independent firm of accountants to verify invoices received from the Company.

Term and Termination

The agreement has an initial term of seven years commencing from 29 January 2008G unless terminated earlier in accordance with its terms. The term may be renewed or extended with the mutual agreement of the parties, except that prior to the expiry of the initial term, Saudia shall provide the Company with the terms upon which Saudia will be prepared to continue the arrangements with the Company after the end of this initial term. If the Company and Saudia fail to agree on new terms within 60 days, Saudia will be free to enter into a catering agreement with another party.

Saudia is entitled to terminate the agreement if the Company fails to provide services in accordance with the specifications and the requirements set out in the agreement and fails to rectify such failure within 30 days of receiving written notice from Saudia, or if the Company commits any material or persistent breach of, or materially or persistently omits to observe, any of the standards required under the agreement. Saudia may also terminate the agreement if it has the right to terminate the Shareholders' Agreement. Either party may terminate the agreement if certain insolvency-related events occur in relation to the other party.

Governing Law and Dispute Resolution

The agreement is governed by the laws of Saudi Arabia and any dispute arising thereunder shall be referred to the Board of Grievances.

13.1.4.2 Sky Sales Agreement with Saudia

Overview

On 29 January 2008G, the Company and Saudia entered into the Sky Sales Agreement. Pursuant to this agreement, the Company has the exclusive right to sell certain products and provide the associated services on board certain domestic and international flights operated by Saudia. The Company is responsible for training the Saudia staff to carry out these sales. Under the terms of the agreement, the Company has the sole right to choose and set the retail prices of all the products to be sold on-board. The revenue from sales on-board each flight is handed over by Saudia's crew to a representative of the Company at the end of each flight. In return, Saudia receives 10 percent of the revenues generated from such sales. The agreement also provides that Saudia's crew on each flight on which the products are sold will be entitled to receive 10 per cent of the revenue generated by the sales on such flight. Although the agreement provides that the Company shall pay Saudia's share of the sales revenue on a monthly basis, in practice, Saudia invoices the Company annually at the end of its financial year.

Term and Termination

The agreement has an initial term of seven years commencing on 29 January 2008G unless terminated earlier in accordance with its terms. The term of the agreement may be renewed or extended with the mutual agreement of the parties, except that prior to the expiry of the initial term, Saudia shall provide the Company with the terms upon which Saudia will be prepared to continue the arrangements with the Company after the end of the initial term. If the Company and Saudia fail to agree on new terms within 60 days, Saudia will be free to enter into an agreement with another party.

Saudia is entitled to terminate the agreement if the Company (i) fails to undertake the Sky Sales activities in a manner which is material or persistent; (ii) fails to make payments due to Saudia under the agreement; (iii) is in breach of the applicable laws and regulations; or (iv) is subject to certain insolvency-related events. The agreement automatically terminates on termination of the Saudia Catering Agreement.

Governing Law and Dispute Resolution

The agreement is governed by the laws of Saudi Arabia and any dispute arising thereunder shall be referred to the Board of Grievances.

13.1.4.3 Shareholders' Agreement

On 23 September 2007, Saudia (on behalf of itself and the Company (prior to its incorporation)), SCCL, Newrest, Al Fozan Holding Company, Abdullatif and Mohammad Al Fozan Company, Abdulmohsen Abdulaziz Fahad Al Hokair and Abdulmohsen Al Hokair Group for Tourism and Development Company entered into a shareholders' agreement relating to the operation and business of the Company and their respective rights and obligations towards the Company.

On 11 May 2011, the Company, Saudia, SCCL, Newrest, Injaz and Al Hokair entered into an amended shareholders' agreement. This amended agreement is conditional upon, will only come into effect on, the Shares being admitted to the Official List and the Offer Shares admitted to trading on the Exchange in accordance with the Listing Rules. The principal terms of the agreement are as follows:

Restrictions on Dealings and Transfers

Saudia and SCCL undertake not to create any security interest or enter into an agreement in respect of the votes attached to any of their respective Shares, or any direct or indirect interest in any of their respective Shares, without the prior consent of the other party and, if applicable, the CMA.

Saudia is not permitted to transfer any of its Shares without the prior consent of SCCL (other than to Saudia's affiliates) until 31 December 2016. SCCL is also not permitted to transfer any of its Shares without the prior consent of Saudia (other than to a wholly owned subsidiary) until 31 December 2016. Furthermore, Newrest, Injaz and Al Hokair have undertaken not to transfer their Shares in SCCL to any third party (other than to their respective affiliates, to any other shareholder in SCCL or to any affiliate of such shareholder) until 31 December 2016.

If either Saudia or SCCL wishes to transfer any Shares to a third party after 31 December 2016, the other party shall have a right of first refusal to acquire those Shares.

Corporate Governance

The parties have agreed that the Board shall consist of nine members. Saudia and SCCL shall be entitled to nominate four and three members of the Board, respectively.

The agreement also sets out certain matters which neither Saudia nor SCCL (or their respective representatives on the Board) shall vote in favour of without obtaining the prior written consent of the other party. These matters include, amongst other things, the approval of annual budget, the business plan, any related-party contracts and changing the nature of the Company's business in a material manner.

Under this agreement, SCCL has the right, until 31 December 2014, to nominate the CEO but the final appointment will be made by the Board. The parties have also agreed to grant the CEO certain powers to enable him to undertake the day-to-day management of the Company.

Further undertakings

Saudia and SCCL agreed to take such actions within their control to cause the Company to distribute its distributable reserves to the Shareholders by way of dividend.

Saudia and SCCL have also undertaken not to engage, directly or indirectly, in a business that is similar to the Company's business within Saudi Arabia until 31 December 2014.

Termination

The agreement will terminate (i) if either Saudia or SCCL cease to own at least twenty per cent. of the share capital of the Company or (ii) with their written agreement. Saudia and SCCL are also entitled to terminate this agreement in certain circumstances including, but not limited to, if one of the parties is subject to an insolvency event or commits a material breach of its obligations under the agreement.

Governing Law

The agreement is governed by the laws of Saudi Arabia and any dispute arising thereunder shall be referred to the Board of Grievances.

13.1.4.4 Management Services Agreement

The Company, Newrest and SCCL entered into the Management Services Agreement on 1 May 2010. Pursuant to this agreement, Newrest provides the Company with various management services including:

- advising the Company on the development and implementation of its business strategy;
- advising the Company in respect of the recruitment of key staff; and
- advising and assisting the Company in relation to quality control procedures already adopted, or to be adopted, by the Company.

The fees payable under this agreement are calculated by reference to the net profit of the Company, subject to a certain threshold. The fee payable is between 3.5 per cent to 4.5 per cent of the Company's net profit. The maximum fee payable by the Company to Newrest under this Agreement is SAR 12 million.

The agreement has an initial term of five years from 1 January 2009G. Upon the expiry of the initial term, the agreement shall automatically renew for successive periods of one year each until it is terminated by any party giving three months' notice. On termination of the agreement, the Company may not be entitled to continue using any know-how provided by Newrest. The agreement is governed by the laws of Saudi Arabia and any dispute arising thereunder shall be referred to the Board of Grievances.

13.1.4.5 Trademark Licensing Agreement

On 8 February 2012G, the Company, Newrest and SCCL entered into a trademark licensing agreement, pursuant to which, Newrest granted the Company a non-exclusive, non-transferable and non-assignable licence to use Newrest's trademark in the Company's business activities of the Non-Airline Division in the Kingdom of Saudi Arabia. The Company does not pay any royalty fees to use the Newrest trademark under this agreement.

The Company imposes various restrictions in relation the use of the Newrest trademark by the Company and obligations in respect of the protection of the trademark, including the requirement to notify Newrest of any infringement of its trademark in Saudi Arabia.

The agreement will remain valid for the duration of the Technical Services Agreement (including any renewals of that agreement) and to terminate on the earlier to occur of:

- the termination of the Management Services Agreements; and
- Newrest ceasing to hold, directly or indirectly, at least 10% of the share capital of the Company.

The agreement is governed by the laws of Saudi Arabia and any dispute arising thereunder shall be referred to the courts of the ICC International Court of Arbitration in Paris.

13.1.4.6 Equipment Sale Agreement

The Company and Saudia entered into an agreement which came into effect on 1 January 2012G. Pursuant to this Agreement, the Company will source certain equipment to Saudia which, pursuant to the Saudia Catering Agreement, shall be provided by Saudia to the Company to be used in the provision of the catering services to Saudia. Such equipment includes chinaware, cutlery and plates. Under the terms of the agreement, the Company charges Saudia for the cost of the equipment supplied to Saudia plus an agreed profit margin.

The term of this agreement will expire on 31 December 2013 and it will be automatically renewed unless terminated by Saudia or the Company. The agreement is governed by the laws of Saudi Arabia and any disputes arising thereunder shall be referred to the Grievances Board.

13.1.4.7 Agreements in respect of Al Fursan Lounges

Saudia and its catering unit entered into two agreements which became effective on 29 January 2008G being the date on which the Company was incorporated. Pursuant to these agreements, the Company took over the management of Al Fursan Lounges.

Pursuant to these agreements, Saudia pays the Company a flat fee for each first and business class passenger using any of the Al Fursan Lounges. The Company invoices Saudia at the end of each month with the total amounts accrued under these agreements at that time. Saudia is required to settle invoices within ninety (90) days of their receipt from the Company. The agreements do not have a specific term.

13.1.4.8 Catering Agreement with Saudi Airlines Cargo Company

On 1 January 2011, the Company entered into a catering agreement with Saudi Airlines Cargo Company. Pursuant to this agreement, the Company provides catering and a number of other associated services (including the provision of certain equipment, loading and unloading services, storage of supplies and equipment, laundry services and a number of administrative services) to flights operated by, and on behalf of, the Saudi Airlines Cargo Company. The price of the meals to be supplied vary depending on the raw materials used in the preparation of the meals and such prices are negotiated periodically between the Company and the Saudi Airlines Cargo Company.

The term of this agreement will expire on 30 December 2013. The agreement is governed by the laws of Saudi Arabia and any disputes arising thereunder shall be referred to the Grievances Board.

13.1.4.9 IT Service Level Agreement with Saudia

On 23 April 2012, the Company entered into an IT service level agreement with Saudia. Pursuant to this agreement, Saudia has agreed to provide a number of information technology related services to the Company. These services include granting the Company access to certain software and a communications platform provided by SAP to Saudia. The fees for the provision of these services are calculated on a cost per user basis. The term of the agreement is one year.

13.2 Licences and Permits

As at the date of this Prospectus, the Company has obtained the GACA licence in respect of its catering units at KAIA, KFIA, KKIA and PMIA. The Company believes that it does not require any additional licences or permits in respect of these catering units.

13.3 Intellectual Property

On 4 March 2012 the Company registered its trademark under categories 37 and 43 (which comprises the Company's names and the shapes of two swords, a palm tree and a crescent), under its name at the Directorate of Trademarks at MOCI.

The Company does not own or licence any other intellectual property.

13.4 Insurance

The Company has aviation liability insurance cover up to US$ 100 million provided by Med Gulf Insurance Company, pursuant to which the Company is insured against certain liabilities arising out of, or in connection with, the provision of services to its airline customers, including liabilities in respect of loss or damage to aircraft or aircraft equipment and in respect of any bodily injury or property damage arising from the possession, use, consumption or handling of the Company's products. The Company is also covered by a worldwide insurance policy taken out by Newrest for the benefit of companies within its group, including the Company, against product liability. The cover provided under this policy is SAR 500 million.

In addition, the Company has obtained two policies from SALAMA Saudi IAIC Cooperative Insurance Company: a money insurance policy up to SAR 1,000,000, and motor insurance policies in respect of its vehicles and any potential third party liability arising in relation to such vehicles. The third party liability insurance is limited to SAR 5,000,000.

Furthermore, the Company has also obtained a Property All Risks insurance cover from Allianz and Tenants Liability insurance cover from Ace Arabia Corporate Company in the amount of SAR 55,900,000 and SAR 180,000,000, respectively.

13.5 Litigation

The Company has a number of on-going employment disputes with 35 of its current and former employees. As at the date of this document, the maximum liability under these disputes is approximately SAR 3 million. The Board of Directors confirms that the Company is not a party to any dispute or proceedings (whether existing or threatened) which could have a material adverse effect on the Company's financial position.

13.6 Contracts and Assets under the name of Saudia

A number of the Company's catering contracts with its airline customers remain in the name of Saudia and have not yet been legally transferred to the Company. The total revenue generated from these catering contracts represents approximately 4.9% and 3.7% of the Company's total revenues in 2010 and in 2011 respectively. Although these catering contracts have not yet been legally transferred from Saudia to the Company, the Company has assumed the rights and liabilities under these contracts and has, since it was incorporated on 29 January 2008, been providing catering services to the relevant customers under these contracts.

The list below sets out the customers whose contracts have not yet been legally transferred from Saudia to the Company.

- Middle East Airlines
- Nas Airlines
- Turkish Airlines
- Cyprus Airways Ltd.
- Royal Air Maroc
- British Airways

The Company is currently in discussions with these airline customers to transfer their respective contracts from Saudia to the Company. The Company wrote to each airline customer on 20 November 2011 informing it of the planned Offering and seeking the customer's consent to transfer its respective contract to the Company. The Company requested that each customer raise any objections it may have within 15 days of the date of the letter but no response has been received from any customer. Accordingly, it is not possible to state any expected date for the transfer of any contract but the Company will continue its efforts to obtain the necessary consents to transfer each contract as soon as possible following the Offering. The potential risks associated with these contracts not being transferred to the Company are described in section 2.1.5 "*Contracts in the Name of Saudia*".

Furthermore, the lease agreement in respect of the buildings used by the CU at KAIA is still in the name of Saudia (see section 13.1.3 "*Leases*"). Saudia wrote to GACA on 9/2/1433H (corresponding to 3 January 2012G) to: (i) state that, in its opinion, this lease agreement is still in force and has been transferred to the Company; and (ii) request that GACA confirms this in writing and enter into a new lease agreement with the Company in relation to the buildings used by this CU. It is not possible to state any expected date for the renewal or transfer of the lease agreement but the Company will continue its efforts to progress negotiations as soon as possible following the Offering. The potential risks associated with a new lease agreement in respect of KAIA not being entered into between GACA and the Company, are described in section 2.1.6 "*Leases in the Name of Saudia*".

The Company currently uses 99 vehicles which are registered in the name of Saudia. The Company is currently in the process of transferring the registration of such vehicles to its name and expects this process to be completed by 30 September 2012.

14. Underwriting

14.1 Underwriters

The Company, the Selling Shareholders and the Underwriters (being SFC and SHC) have entered into the Underwriting Agreement pursuant to which the Underwriters have agreed, subject to certain conditions, to fully underwrite the Offering of 24,600,000 Shares. The principal terms of the Underwriting Agreement are set out below.

14.2 Sale and Underwriting of the Offer Shares

Under the terms of the Underwriting Agreement:

a) the Selling Shareholders undertake to the Underwriters that, on the first business day after the CMA approves the allocation of the Offer Shares following the end of the Subscription Period (the "**Allocation Date**"), they will:

- sell and allocate the Offer Shares to any Subscriber or Institutional Investor whose application for Offer Shares has been accepted by a Selling Agent; and/or
- sell and allocate to the Underwriters any Offer Shares that are not purchased by Individual Investors or Institutional Investors pursuant to the terms of the Offering; and

b) the Underwriters undertake to the Selling Shareholders that, on the Allocation Date, they will purchase any Offer Shares that are not subscribed for by Individual Investors or Institutional Investors pro rata in the proportions stated below.

Underwriter	Number of Offer Shares underwritten	Percentage of Offer Shares underwritten
Saudi Fransi Capital	12,300,000	50%
Saudi Hollandi Capital	12,300,000	50%

The Company has committed to satisfy all terms of the Underwriting Agreement.

14.2.1 Commission and Expenses

The Selling Shareholders will pay to the Underwriters an underwriting fee based on the total value of the Offering.

15. Subscription Terms and Conditions

All Subscribers must carefully read the subscription terms and conditions prior to completing the Subscription Application Form, since signing the Subscription Application Form constitutes acceptance and agreement to the subscription terms and conditions.

15.1 Subscription to Offer Shares

The Offering will consist of 24,600,000 Shares with a fully paid nominal value of SAR 10 per share representing 30% of the share capital of the Company at an Offer Price of SAR 54 per Share. The Offering is restricted to:

Tranche (A): Institutional Investors

This tranche includes a number of institutions that were approached by the Bookrunner after consulting the Company and the Selling Shareholders and based on predefined criteria set forth by the CMA. Institutional Investors will initially be allocated 24,600,000 Shares, representing 100% of the Offer Shares. In the event that there is sufficient demand by Individual Investors, the Bookrunner has the right to reduce the number of Offer Shares provisionally allocated to Institutional Investors to 12,300,000, Shares, representing 50% of the Offer Shares, subject to the CMA's consent.

Tranche (B): Individual Investors

This tranche comprises individual investor including Saudi Arabian natural persons, including Saudi women who are divorced or widowed and who have children by a non-Saudi husband who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit provided that any such women provides evidence that she is the child's mother and that she is widowed or divorced. The subscription by a person in the name of his divorced wife shall be deemed invalid in such cases, the relevant regulations shall be enforced against such person. Individual Investors may be allocated a maximum of 12,300,000 Shares representing 50% of the Offer Shares.

Establishment of Subscription Orders Register and Subscription by the Institutional Investors

The Institutional Investors shall submit an irrevocable subscription order for purchase of the Offer Shares accompanied with an undertaking of payment, prior to conclusion of fixing the Offer Price, which precedes commencement of the Offering Period. The Institutional Investor shall determine the number of Offer Shares they intend to subscribe for, which shall not be less than 100,000 Offer Shares and not more than what is mentioned on the instructions provided in the bid forms for institutional investors. In addition to the required Offer Price. Subscriptions by the Institutional Investors shall commence during the Offering Period, which also include the Individual Investors, according to the terms, conditions and details contained in the Subscription Applications Forms that have been delivered to the Institutional Investors

Subscription by Individual Investors

Subscription Application Forms will be available during the Offering Period from branches of the Selling Agents and on their respective websites. The subscription will be open through the Internet, telephone and automated teller machines ("ATMs") at the branches of the Selling Agents that provide some or all of these channels to Subscribers who have recently participated in previous initial public offerings in Saudi Arabia, provided that the following requirements are satisfied:

- the Subscriber must have a bank account at the Selling Agent which offers such services; and
- there have been no changes to the personal information of the Subscriber since he/she last participated in an initial public offering.

The Selling Shareholders own 100% of the issued share capital of the Company. Institutional Investors and Individual Investors may obtain both a copy of this document, the mini prospectus and Subscription Application Forms from the following Selling Agents:

Selling Agents

	Al Rajhi Bank Olaya Road P.O. Box 28, Riyadh 11411 Kingdom of Saudi Arabia Tel: +966 1 462 9922 Fax: +966 1 462 4311 www.alrajhibank.com.sa
	Arab National Bank King Faisal Street P. O. Box 9802, Riyadh 11423 Kingdom of Saudi Arabia Tel: +966 1 402 9000 Fax: +966 1 402 7747 www.anb.com.sa
	Bank Albilad Salahuddin Road P.O. Box 140, Riyadh 11411 Kingdom of Saudi Arabia Tel: +966 1 479 8888 Fax: +966 1 479 8898 www.bankalbilad.com
	Bank Aljazira Khalid bin Alwalid Street P.O. Box 6277, Jeddah 21442 Kingdom of Saudi Arabia Tel: +966 2 651 8070 Fax: +966 2 653 2478 www.baj.com.sa
	Banque Saudi Fransi Maathar Street P.O. Box 56006, Riyadh 11554 Kingdom of Saudi Arabia Tel: +966 1 404 2222 Fax: +966 1 404 2311 www.alfransi.com.sa
	The National Commercial Bank King Abdulaziz Road P.O. Box 3555, Jeddah 21481 Kingdom of Saudi Arabia Tel: +966 2 649 3333 Fax: +966 2 643 7426 www.alahli.com.sa
	Riyad Bank King Abdulaziz Road P.O. Box 22622, Riyadh 11614 Kingdom of Saudi Arabia Tel: +966 1 401 3030 Fax: +966 1 404 2618 www.riyadbank.com
	Samba Financial Group King Abdulaziz Road P.O. Box 833, Riyadh 11421 Kingdom of Saudi Arabia Tel: +966 1 477 4770 Fax: +966 1 479 9402 www.samba.com.sa

Selling Agents

	The Saudi British Bank Prince Abdulaziz bin Musaed bin Jlawy Street P.O. Box 9084, Riyadh 11413 Kingdom of Saudi Arabia Tel: +966 1 405 0677 Fax: +966 1 405 0660 www.sabb.com
	The Saudi Hollandi Bank Prince Abdulaziz bin Musaed bin Jlawy Street P.O. Box 1467, Riyadh 11431 Kingdom of Saudi Arabia Tel: +966 1 401 0288 Fax: +966 1 403 1104 www.shb.com.sa
	The Saudi Investment Bank Maathar Street P. O. Box 3533, Riyadh 11431 Kingdom of Saudi Arabia Tel: +966 1 478 6000 Fax: +966 1 477 6781 www.saib.com.sa

The Selling Agents will commence receiving Subscription Application Forms at their branches throughout Saudi Arabia for 7 days from 28/7/1433H to 4/8/1433H (corresponding to 18/6/2012G to 24/6/2012G). Once the Subscription Application Form is signed and submitted, the Selling Agents will stamp it and provide the Subscriber with a copy of the completed Subscription Application Form. In the event that the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Selling Agents, the Subscription Application Form will be considered void.

Each Subscriber is required to specify the number of Offer Shares applied for in the Subscription Application Form at the Offer Price. Subscriptions for less than 10 Offer Shares or fractional numbers will not be accepted.

Each Subscriber is required to submit the Subscription Application Form during the Offering Period accompanied with an:

- Original and copy of the Subscriber's national identification card (in the case of individuals);
- Original and copy of the family identification card (for family members);
- Original and copy of a power of attorney (issued in favor of the person submitting the Subscription Application Form on behalf of Subscriber);
- Original and copy of certificate of guardianship (for orphans);
- Original and copy of the divorce deed (in the case of minor children of a Saudi woman who is divorced from a non-Saudi husband);
- Original and copy of the death certificate (in the case of minor children of a Saudi woman from a deceased non-Saudi husband); and
- Original and copy of the birth certificate (in the case of minor children of a Saudi woman who is widowed or divorced from a non-Saudi husband).

In the event that an application is made on behalf of a Subscriber (parents and children only), the name of the person signing on behalf of the Subscriber should be stated in the Subscription Application Form accompanied with an original and a copy of the power of attorney supporting such person's authority to act on the behalf of the Subscriber. The power of attorney must be issued before a notary public for those who are in Saudi Arabia and must be legalized through a Saudi embassy or consulate in the relevant country for those residing outside Saudi Arabia. The Selling Agents will verify all copies against the originals and will return the originals to the Subscriber.

One Subscription Application Form should be completed for each head of family applying for himself and members appearing on his family identification card if dependent Subscribers apply for the same number of Offer Shares as the prime Subscriber. In this case: (i) all Offer Shares allocated to the prime Subscriber and dependent Subscribers will be registered in the prime Subscriber's name; (ii) the prime Subscriber will receive any refund in respect of amounts not allocated and paid for by himself and dependent Subscribers; and (iii) the prime Subscriber will receive all dividends distributed in respect of the Offer Shares allocated to himself and the dependent Subscribers (in the event the Shares are not sold or transferred). If a wife wants to subscribe for the Offer Shares in her name/to her account, she must complete a separate Subscription Application Form as a prime Subscriber. In such case, applications made by husbands on behalf of their spouses will be cancelled and the independent Subscription Application Form of the wives will be processed by the Selling Agent.

Separate Subscription Application Forms must be used if: (i) the Offer Shares that will be allocated are to be registered in a name other than the name of the prime Subscriber/head of the family; (ii) dependent Subscribers wish to apply for a different number of Offer Shares than the prime Subscriber; and (iii) a wife subscribes for Offer Shares in her name and to her account (in which case she must complete a separate Subscription Application Form as a prime Subscriber). In the latter case, the Subscription Application Forms made by husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Selling Agent.

Saudi women who are divorced or widowed and who have children by a non-Saudi husband who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit. The subscription by a person in the name of his divorced wife shall be deemed invalid and in such cases, the relevant regulations shall be enforced against that person.

During the Offering, only a valid Iqama will be an acceptable form of identification for non-Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mother and cannot subscribe as primary Subscribers. The maximum age for non-Saudi dependents to be included with their mother is 18. Any documents issued by a foreign government must be notarized (attested) by the Saudi Consulate or Embassy of the country of issue.

Each Subscriber agrees to subscribe for and purchase the number of Offer Shares specified in the Subscription Application Form submitted by the Subscriber for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price. Each Subscriber shall be deemed to have purchased the number of Offer Shares allotted to him/her upon: (a) delivery by the Subscriber of the completed Subscription Application Form to the Selling Agents; (b) payment in full by the Subscriber to the Selling Agents of the total value of Offer Shares subscribed for; and (c) delivery to the Subscriber by the Selling Agents the allotment letter specifying the number of Offer Shares allotted to him/her.

The total value of the Offer Shares subscribed for must be paid in full to a branch of the Selling Agents by the Subscriber authorizing a debit of its account held with the Selling Agent where the Subscription Application Form is being submitted.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offering, the Company shall have the right to reject, in full or in part, such an application. The Subscriber shall accept any number of Offer Shares allocated to him or her, as long as the number does not exceed the number of Offer Shares he has subscribed for.

15.2 Allocation and Refunds

The Selling Agents shall open and operate escrow accounts named "SACC IPO". Each of the Selling Agents shall deposit all amount received by the Subscribers into the escrow accounts mentioned above.

Allocation of Offer Shares to Institutional Investors

Following the allocation of offer Shares to the Individual Investors, the Allocation of Offer Shares to Institutional Investors shall be determined by the Company (as it deems appropriate) after discussions with the Lead Manager after the allocation of Offer Shares to the Individual Investors is completed provided, however, that the number of Offer Shares allocated to the Institutional Investors shall not be less than 12,300,000 Shares representing 50% of the Offer Shares.

Allocation of Offer Shares to Individual Investors

The minimum allocation per Subscriber is 10 Offer Shares, and the balance of the Offer Shares (if available) will be allocated on a pro-rata basis. In the event that the number of Subscribers exceeds 1,230,000; the Company will not guarantee the minimum allocation of 10 Offer Shares per Subscriber, and the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds 12,300,000; the allocation will be determined at the discretion of the CMA. Excess subscription monies, if any, will be refunded to the Subscribers without any charge or withholding by the Selling Agents. Notification of the final allotment and refund of subscription monies, if any, will be made by 11/8/1433H (corresponding to 1/7/2012G).

Excess subscription monies, if any, will be refunded to the Subscribers without any charge or withholding by the Selling Agents. The Company will notify the Subscribers of the date on which the excess subscription monies will be refunded by the publication of a notice in local newspapers in Saudi Arabia and will instruct the Selling Agents to refund the excess subscription to the Subscribers on such date.

The Selling Agents will send confirmation/notification letters to their Subscribers informing them of the final number of Offer Shares allocated together with the amounts, if any, to be refunded. The Selling Agents will also refund to the Subscribers any monies in respect of which no Offer Shares have been allocated to the relevant Subscribers, as provided in the confirmation/notification letters. Subscribers should communicate with the branch of the Selling Agents where they submitted their Subscription Application Form for any further information.

15.3 Acknowledgements

By completing and delivering the Subscription Application Form, the Subscriber:

- accepts that he is subscribing for the Offer Shares with the number of Offer Shares specified in the Subscription Application Form;
- warrants that he had read the Prospectus and understood all its contents;
- accepts the By-Laws and all subscription instructions and terms mentioned in the Prospectus;
- keeps his/her right to sue the Company for damages caused by incorrect or incomplete information contained in the Prospectus, or by ignoring material information that should have been part of the Prospectus and could affect his/her decision to purchase the Offer Shares;
- declares that neither himself nor any of his family members included in the Subscription Application Form has previously subscribed for any Offer Shares and that the Company has the right to reject all duplicate applications;
- accepts the number of Offer Shares allocated to him (to a maximum of the amount he has subscribed for) and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form; and
- warrants that he will not cancel or amend the Subscription Application Form after submitting it to the Selling Agents.

15.4 Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators, and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests, or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

The Prospectus has been released in both Arabic and English languages. In the event of a discrepancy between the English and Arabic text, the Arabic text of the Prospectus will prevail.

15.5 The Saudi Arabian Stock Exchange (Tadawul)

In 1990, full electronic trading in Saudi Arabia equities was introduced. Tadawul was founded in 2001 as the successor to the Electronic Securities Information System.

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from trade order through to settlement. Trading occurs each business day between 11:00 am and 3.30 pm. After close of exchange trading, orders can be entered, amended or deleted from 10:00 am to 11:00 am. From 10:00 am new entries and enquiries can be made. The trading hours change during the holy month of Ramadan.

Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. Market orders (orders placed at the best price) are executed first, followed by limit orders (orders placed at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers such as Reuters. Exchange transactions are settled on a T+0 basis, meaning that ownership transfer takes place immediately after the trade is executed.

Issuers are required to report all material announcements via Tadawul for onward dissemination to the public. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

15.6 Entry of Orders

Trading in shares occurs on ”Tadawul” system through an integrated mechanism covering the entire trading process from execution of the trade transaction through settlement thereof. Trading occurs on each business day of the week between 11:00 am to 3:30 pm, Saturday to Wednesday, during which orders are executed. However, during other than those times, orders can be entered, amended or deleted from 10:00 am in addition to the pre-closing phase from 3:30 pm to 4:40 pm. The said times change during the month of Ramadan and they are announced by the Management of Tadawul.

Tadawul performs the matching of orders based on the price and then time of entry. In general, market orders are executed first, followed by orders of limited price, and if several orders are entered at the same price, they are executed as they occur according to the time of entry. Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website on the Internet and Tadawul Information Link, which supplies trading data in real time to the information providers such as Reuters. Exchange transactions are settled on a T+0 basis the same day, meaning that shares ownership transfer takes place immediately after the trade transaction is executed.

The Company is required to disclose all decisions and information that are important for the investors via Tadawul. Surveillance and monitoring of the Market is the responsibility of Tadawul system in its automated capacity in which the Market functions, to ensure fair trading and smooth flow of trading in shares.

15.7 Trading in the Shares on Tadawul

It is expected that dealings in the Shares will commence on Tadawul after finalization of the allocation of the Offer Shares. Tadawul will announce the start date of trading once this has been determined. Dates and times included in this Prospectus are indicative and may be changed or extended subject to the approval of the CMA.

The Shares can only be traded after (i) the allocated Offer Shares have been credited to Subscribers' accounts at Tadawul, (ii) the Company has been registered in the Official List, and (iii) its Shares listed on the Saudi Stock Exchange. Pre-trading is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in such an event. Trading in the Shares on Tadawul is only effective if the trades are executed through the Exchange's electronic registration system. Any trading in the Shares through the transfer of the share certificates shall be void. A Shareholder may request a share certificate only as proof of ownership of his Shares but such certificates cannot be used to trade in the Shares.

16. Documents available for Inspection

The following documents will be available for inspection at the Company's head office in Jeddah, between the hours of 9:00 am to 5:00 pm Saturday to Wednesday one week prior to and during the Offering Period:

- The By-Laws, together with amendments;
- The Articles of Association;
- Audited Financial Statements for the years ended 31 December 2009, 2010 and 2011;
- Valuation report prepared by the Financial Advisor (in the English language);
- The market study conducted by Digma Management Consulting AG (in the English language);
- "Airline Industry Forecast, 2010-2014" published by the International Air Transport Association (in the English Language);
- The economic report titled "Quota Counting" published by BSF's economic research department on 14 June 2011 (in the English Language);
- Letters of consent (in the English language) from:
  - Clifford Chance LLP to the inclusion of their name and logo in the Prospectus;
  - Al-Jadaan & Partners Law Firm to the inclusion of their name and logo in the Prospectus;
  - Deloitte & Touche Bakr Abulkhair & Co. to the publication of their Accountant's Report and the inclusion of their name and logo in the Prospectus;
  - Digma Management Consulting AG to the publication of their report on the non-airline catering market in Saudi Arabia and the inclusion of their name and logo in the Prospectus;
  - IATA to the publication of extracts from their report published in October 2010 and titled "Airline Industry Forecast, 2011-2015" in the Prospectus;
  - SFC to the inclusion of its name and logo in the Prospectus;
  - Freshfields Bruckhaus Deringer LLP to the inclusion of their name and logo in the Prospectus; and
  - The Law Firm of Salah Al-Hejailan to the inclusion of their name and logo in the Prospectus;
- CMA approval to the Offering; and
- Copies of the following agreements
  - Lease agreements

    1- Lease agreements in respect of CU building at KKIA

    2- Lease agreements in respect of CU building at PMIA

    3- Lease agreements in respect of CU building at KFIA

    4- Lease agreements in respect of CU building at KAIA
  - Shareholders' agreement
  - Trademark & licensing agreement
  - Management & services agreement (Newrest)
  - IT services level agreement with Saudia

17. Accountant’s Report

SAUDI AIRLINES CATERING COMPAN`Y

(LIMITED LIABILITY COMPANY)

REISSUED FINANCIAL STATEMENTS

AND AUDITORS’ REPORT

YEAR ENDED DECEMBER 31, 2010

Deloitte.

Deloitte & Touche
Bakr Abulkhair & Co.
Public Accountants
P.O. Box 442, Jeddah 21411
Kingdom of Saudi Arabia

Tel: +966 (2) 6572725
Fax: +966 (2) 6572722
www.deloitte.com
Head Office: Riyadh

AUDITORS' REPORT

To the shareholders
Saudi Airlines Catering Company
Jeddah, Saudi Arabia

Scope of Audit

We have audited the reissued balance sheet of SAUDI AIRLINES CATERING COMPANY (a Saudi limited liability company) as of December 31, 2010, and the related reissued statements of income, shareholders' equity and cash flows for the year then ended, and notes 1 to 19 which form an integral part of these reissued financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These reissued financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these reissued financial statements based on our audit.

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

Unqualified Opinion

In our opinion, the reissued financial statements present fairly, in all material respects, the reissued financial position of the Company as of December 31, 2010, and the reissued results of its operations and its reissued cash flows for the year then ended in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia and appropriate to the nature of the Company.

Other Matters

Without qualifying our opinion, we draw the attention that the accompanying reissued financial statements for the year ended December 31, 2010 have been adjusted to reflect the revised calculation of the management fees in accordance with the agreement with a related party (note 18).

As discussed in note 1 to the reissued financial statements, the accompanying reissued financial statements for the periods ended December 31, 2010, 2009 and 2008 have been presented for comparability purposes and those are derived from the statutory reissued audited historical financial statements of the Company.

AUDITORS' REPORT - Continued

To the shareholders
Saudi Airlines Catering Company
Jeddah, Saudi Arabia

This report is intended solely for your use and for the use of the management and the financial advisors of Saudi Airlines Catering Company and should not be used by, or circulated, quoted, disclosed or distributed to, no shall reference to such report be made to anyone without our prior written consent.

Deloitte & Touche
Bakr Abulkhair & Co.

Al-Mutahhar Y. Hamiduddin
License No. 296
7 Rabi'II, 1432
March 12, 2011

SAUDI AIRLINES CATERING COMPAN`Y

(LIMITED LIABILITY COMPANY)

REISSUED FINANCIAL STATEMENTS AND AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2010

SAUDI AIRLINES CATERING COMPAN`Y

	Note	2010	2009
ASSETS			
Current assets			
Cash and cash equivalents	3	760,824,027	115,613,858
Accounts receivable - trade	4	50,221,395	32,767,757
Due from related parties	9	252,992,115	526,011,915
Inventories	5	52,519,452	51,105,364
Prepaid expenses and other receivables		24,299,981	17,123,583
Total current assets		1,140,856,970	742,622,477
Non-current assets			
Property, plant and equipment	6	67,282,647	71,442,573
Total non-current assets		67,282,647	71,442,573
TOTAL ASSETS		1,208,139,617	814,065,050
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable - trade		89,456,242	71,705,048
Accrued expenses and other liabilities	7	210,147,574	221,125,493
Total current liabilities		299,603,816	292,830,541
Non-current liabilities			
End-of-service indemnities	8	84,875,481	79,983,397
Total non-current liabilities		84,875,481	79,983,397
Shareholders' equity			
Share capital	1	100,767,000	100,767,000
Statutory reserve	11	50,383,500	50,383,500
General reserve	13	13,718,428	14,132,488
Retained earnings		658,791,392	275,968,124
Total shareholders' equity		823,660,320	441,251,112
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,208,139,617	814,065,050

The accompanying notes form an integral part of these reissued financial statements

SAUDI AIRLINES CATERING COMPANY

(LIMITED LIABILITY COMPANY)

REISSUED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2010

(Expressed in Saudi Riyals)

	Note	2010	2009
Revenues:			
In Flight catering revenue		955,622,005	828,660,158
Sky sales revenue		110,710,846	116,234,843
Business lounge revenue		35,423,993	30,590,358
Non-airlines revenue		32,398,250	10,165,652
Other revenues		59,005,981	46,196,756
Total revenues	9	1,193,161,075	1,031,847,767
Cost of revenues			
Cost of materials and goods		386,404,175	327,905,645
Personnel costs		124,012,552	125,673,397
Rent and maintenance of production units		58,461,054	46,848,608
Depreciation		13,847,222	14,273,391
Other costs		65,021,577	59,512,057
Total cost of revenues		647,746,580	574,213,098
Gross profit		545,414,495	457,634,669
General and administrative expenses	14	131,426,197	132,655,940
Operating income		413,988,298	324,978,729
Other revenues/(expense), net		3,101,384	(2,074,744)
NET INCOME		417,089,682	322,903,985

The accompanying notes form an integral part of these reissued financial statements

SAUDI AIRLINES CATERING COMPANY

(LIMITED LIABILITY COMPANY)

REISSUED STATEMENT OF SHAREHOLDERS' EQUITY

YEAR ENDED DECEMBER 31, 2010

(Expressed in Saudi Riyals)

	Note	Saudi Arabian Airlines Corporation	Strategic Catering Company Limited	Total
Share capital:				
Balance, December 31, 2009		51,391,170	49,375,830	100,767,000
Balance, December 31, 2010		51,391,170	49,375,830	100,767,000
Statutory reserve:				
Balance, January 1, 2009		13,770,750	13,230,721	27,001,471
Appropriation from net income for the year	11	11,924,835	11,457,194	23,382,029
Balance, December 31, 2009		25,695,585	24,687,915	50,383,500
Balance, December 31, 2010		25,695,585	24,687,915	50,383,500
General reserve:				
Balance, January 1, 2009		-	-	-
Transfer from retained earnings	13	7,207,569	6,924,919	14,132,488
Balance, December 31, 2009		7,207,569	6,924,919	14,132,488
Movement during the year	13	(285,202)	(128,858)	(414,060
Balance, December 31, 2010		6,922,367	6,796,061	13,718,428
Retained earnings:				
Balance, January 1, 2009		118,700,245	105,432,243	224,132,488
Dividends	12	(111,492,676)	(98,507,324)	(210,000,000
Transfer to general reserve	13	(7,207,569)	(6,924,919)	(14,132,488
Net income for the year		164,681,032	158,222,953	322,903,985
Transfer to statutory reserve	11	(11,924,835)	(11,457,194)	(23,382,029
Zakat and income tax	10	(7,799,048)	(15,754,784)	(23,553,832
Balance, December 31, 2009		144,957,149	131,010,975	275,968,124
Movement during the year		285,202	128,858	414,060
Net income for the year		212,715,738	204,373,944	417,089,682
Zakat and income tax	10	(12,953,149)	(21,727,325)	(34,680,474)
Balance, December 31, 2010		345,004,940	313,786,452	658,791,392

The accompanying notes form an integral part of these reissued financial statements

SAUDI AIRLINES CATERING COMPANY

(LIMITED LIABILITY COMPANY)

REISSUED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2010

(Expressed in Saudi Riyals)

	2010	2009
OPERATING ACTIVITIES		
Net income	417,089,682	322,903,985
Adjustments for:		
Depreciation	16,642,684	18,880,387
Allowance for doubtful debts	20,823,061	31,554,430
Loss from sale of property, plant and equipment	609,952	3,046,748
Allowance for slow moving inventories	285,830	3,377,191
End-of-service indemnities	13,230,838	10,967,869
Changes in operating assets and liabilities:		
Accounts receivable - trade	(25,350,719)	(10,514,029)
Due from related parties	260,093,820	(153,952,939)
Inventories	(1,699,918)	6,408,447
Prepaid expenses and other receivables	(7,176,398)	2,071,099
Accounts payable – trade	17,751,194	(56,216,669)
Accrued expenses and other liabilities	(21,668,048)	41,020,737
Cash generated from operations	690,631,978	219,547,256
End-of-service indemnities paid	(8,338,754)	(8,690,928)
Net cash from operating activities	682,293,224	210,856,328
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(13,195,253)	(6,138,192)
Proceeds from sale of property, plant and equipment	102,543	76,762
Net cash used in investing activities	(13,092,710)	(6,061,430)
FINANCING ACTIVITIES		
Zakat and income tax paid	(23,990,345	(26,812,765
Dividends paid	-	(98,507,324
Net cash used in financing activities	(23,990,345	(125,320,089
Net change in cash and cash equivalents	645,210,169	79,474,809
Cash and cash equivalents, January 1	115,613,858	36,139,049
CASH AND CASH EQUIVALENTS, DECEMBER 31	760,824,027	115,613,858
Additional disclosure for non-cash transactions		
Unpaid declared dividends credited to Saudia's current account	-	111,492,676
Bad debts written-off	10,753,973	3,418,308
Inventory written-off	742,516	394,706

The accompanying notes form an integral part of these reissued financial statements

(Expressed in Saudi Riyals)

1. ORGANIZATION AND ACTIVITIES

Saudi Airlines Catering Company ("the Company") is a Saudi limited liability company registered on 20 Muharram 1429 (January 29, 2008) under commercial registration number 4030175741. The share capital of the Company, amounting to SR 100,767,000, is 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 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 Saudia 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 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).

Accordingly the share capital of the Company will be as follows:

	Shares	Value
Strategic Catering Company Limited	4,937,583	49,375,830
Saudi Arabian Airlines Corporation	4,836,816	48,368,160
Saudia Airlines Company Limited	100,767	1,007,670
Saudia Private Aviation Company Limited	100,767	1,007,670
Saudia Real Estate and Development Company Limited	100,767	1,007,670
	10,076,700	100,767,000

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 free zone in Saudi Arabia airports and operation and management of restaurants and groceries at airports.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The following is a summary of significant accounting policies applied by the Company:

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 generally accepted accounting standards. 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.

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. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. The estimated useful lives of the principal classes of assets are as follows:

Buildings	20 years
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.

Financial assets and financial liabilities

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

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

Impairment of financial assets

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

Certain categories of financial assets, such as accounts receivable, 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.

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

3. CASH AND CASH EQUIVALENTS

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

	2010	2009
Cash on hand	2,046,242	996,518
Bank balances	258,777,785	114,617,340
Short-term deposit	500,000,000	-
	760,824,027	115,613,858

(Expressed in Saudi Riyals)

4. ACCOUNTS RECEIVABLE - TRADE

	2010	2009
Trade receivables	121,504,448	106,907,702
Less: Allowance for doubtful debts	(71,283,053)	(74,139,945)
	50,221,395	32,767,757

Balances from 5 customers represent 70% (2009: 63%) of total trade receivables.

5. INVENTORIES

	2010	2009
Catering (food, beverages and other items)	23,777,254	18,798,905
Sky sales items	27,030,521	32,008,760
Packing and other materials	4,022,954	2,962,758
Spare parts	3,622,673	3,725,577
Allowance for slow moving and obsolete inventories	(5,933,950)	(6,390,636)
	52,519,452	51,105,364

6. PROPERTY, PLANT AND EQUIPMENT

	January 1	Additions	Disposals	Transfers	December 31
Cost:					
Buildings	32,960,232	107,110	-	-	33,067,342
Leasehold improvements	18,707,635	1,954,163	(3,660,316)	-	17,001,482
Equipment	28,065,594	8,203,137	(9,678,515)	550,000	27,140,216
Motor vehicles	25,238,419	2,930,843	(2,816,928)	-	25,352,334
Capital work-in-progress	999,676	-	(449,676)	(550,000)	-
Total Cost	105,971,556	13,195,253	(16,605,435)	-	102,561,374
Accumulated Depreciation:					
Buildings	4,501,807	2,178,593	-	-	6,680,400
Leasehold improvements	6,660,895	3,032,513	(3,660,316)	-	6,033,092
Equipment	13,783,699	6,267,001	(9,662,785)	-	10,387,915
Motor vehicles	9,582,582	5,164,577	(2,569,839)	-	12,177,320
Total Depreciation	34,528,983	16,642,684	(15,892,940)	-	35,278,727
Net Book Value at January 1	71,442,573				
Net Book Value at December 31					67,282,647

(Expressed in Saudi Riyals)

Buildings are constructed on land leased by Saudia from the Ministry of Defense and Civil Aviation for a period of 20 years which started from 1992 for an annual amount of SR 527,000. At the expiry of its term, the lease is renewable upon agreement between Saudia and the lessor. The lease has been assigned to the Company on its incorporation.

7. ACCRUED EXPENSES AND OTHER LIABILITIES

	2010	2009
Employees' accruals	27,454,687	48,248,867
Accrued expenses and other liabilities	128,298,039	128,243,820
Provision for restructuring	28,082,899	29,010,986
Zakat and income tax (note 10)	26,311,949	15,621,820
	210,147,574	221,125,493

Accrued expenses and other liabilities include services provided by Saudia but not invoiced amounting to SR 65,866,649 ((2009: SR 53,989,808) and management fees due to Newrest Group Holding S.L amounting to SR 11,040,000 (2009: SR 8,280,000) net of withholding tax of SR 960,000 (2009: SR 720,000).

8. END-OF-SERVICE INDEMNITIES

	2010	2009
January 1	79,983,397	77,706,456
Additional provision	13,230,838	10,967,869
Utilization of provision	(8,338,754)	(8,690,928)
December 31	84,875,481	79,983,397

(Expressed in Saudi Riyals)

9. RELATED PARTY TRANSACTIONS

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

Name	Relationship
Saudi Arabian Airlines Corporation (“Saudia”)	Shareholder
Newrest Group Holding S.L.	One of the ultimate shareholders
Saudi Airlines Cargo Company	Affiliate
Board of directors	Directors

The significant transactions and the related amounts are as follows:

	2010	2009
Catering and other services rendered to Saudia	826,485,252	726,906,626
Services and other expenses charged by Saudia	50,918,449	19,398,082
Net services charged and expenses re-allocated to Saudia Ground Services Division	30,799,602	21,494,897
Net services rendered and charged by Saudi Airlines Cargo Company	7,201,965	2,101,818
Management fees	12,000,000	9,000,000
Board of directors’ fees and expenses	1,705,000	1,699,013

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

	2010	2009
Saudi Arabian Airlines Corporation (“Saudia”) (net of allowance for doubtful debts of SR 15,581,063 and SR 2,655,083 in 2009)	243,681,147	523,902,915
Saudi Airlines Cargo Company	9,310,968	2,109,000
	252,992,115	526,011,915

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

The details of these transactions and balances are as follows:

	2010	2009
Revenue from Saudia	826,485,252	726,906,626
Percentage of revenue from Saudia	69%	70%
Saudia’s receivable	243,681,147	523,902,915
Percentage of Saudia’s receivables to the total receivables	80%	94%

(Expressed in Saudi Riyals)

10. ZAKAT AND INCOME TAX

The zakat base is comprised of the following:

	2010	2009
Non-current assets	67,282,647	71,442,573
Non-current liabilities	84,875,481	79,983,397
Shareholders' equity	441,251,112	141,900,959
Net income	417,089,682	322,903,985

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

The movement in zakat provision is as follows:

	2010	2009
January 1	12,615,644	8,792,025
Payments during the year	(13,023,472)	(9,270,876)
Under provision for previous year	113,223	478,851
Provision for the year	21,623,293	12,615,644
December 31	21,328,688	12,615,644

The movement in income tax provision is as follows:

	2010	2009
January 1	3,006,176	10,088,728
Payments during the year	(10,966,873)	(17,541,889)
Under/(over) provision for previous years	47,899	(64,791)
Provision for the year	12,896,059	10,524,128
December 31	4,983,261	3,006,176

The zakat and income tax provision is included in accrued liabilities and other accounts payable.

The Company has finalized its zakat position until 2008.

The Company has submitted its zakat and income tax declaration for the year 2009 and paid the amount due according to the declaration which is currently under review by the DZIT.

11. STATUTORY RESERVE

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

12. DIVIDENDS

The shareholders of the Company resolved on their annual meeting dated November 29, 2010 that no dividend shall be paid from the Company's profits available for distribution in respect of the financial year ended December 31, 2009.

(Expressed in Saudi Riyals)

13. GENERAL RESERVE

The shareholders of the Company resolved at their annual meeting held on March 14, 2009, to transfer the remaining balance of retained earnings as of December 31, 2008 amounting to SR 14.1 million after the distribution of dividends of SR 210 million to a distributable general reserve.

The shareholders of the Company resolved at their annual meeting held on November 29, 2010 to deduct from the general reserve the variance of SR 414,060 relating to zakat and income tax for the financial year ended December 31, 2008.

14. GENERAL AND ADMINISTRATIVE EXPENSES

	2010	2009
Payroll cost	54,528,764	54,442,442
Depreciation	2,795,462	4,606,995
Allowance for doubtful debts	20,823,061	31,554,430
Professional and technical fees	8,884,063	3,052,754
Rents	7,403,001	6,711,446
Marketing and promotional expenses	2,235,858	2,720,697
Utilities	4,561,583	4,779,941
Stationery and printing	542,506	1,109,695
Repair and maintenance	283,137	162,413
Travel expenses	2,498,812	2,244,047
Management fees	12,000,000	9,000,000
Board of directors' fees and expenses	1,705,000	1,699,013
Others	13,164,950	10,572,067
	131,426,197	132,655,940

15. OPERATING LEASE ARRANGEMENTS

	2010	2009
Payments under operating leases recognized as an expense during the year	38,613,110	44,742,967

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

The Company subleases certain facilities to Saudia Ground Services Division for an annual lease amount of SR 4,533,232 (2009: SR 4,533,232).

16. COMMITMENTS AND CONTINGENCIES

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

	2010	2009
Commitments for future capital expenditure	2,000,308	624,674

17. FAIR VALUE

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

18. REISSUED FINANCIAL STATEMENTS

As per the agreement between the Company and Newrest Group Holding S.L "Newrest" the management fees due to Newrest for the year ended December 31, 2010 should have been SR 12 million instead of SR 16 million as previously calculated and reported by the management. Consequently, the Company has revised these financial statements to reflect the change in the management fees. This change has also affected notes 7, 9, 10 and 14 to the reissued financial statements.

19. COMPARATIVE FIGURES

Certain figures for 2009 have been reclassified to conform with the presentation in the current year.

SAUDI AIRLINES CATERING COMPANY

(CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2011

Deloitte.

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Head Office: Riyadh

AUDITORS' REPORT

To the shareholders
Saudi Airlines Catering Company
Jeddah, Saudi Arabia

Scope of Audit

We have audited the balance sheet of SAUDI AIRLINES CATERING COMPANY (a Saudi closed joint stock company) ("the Company") as of December 31, 2011, and the related statements of income, shareholders' equity and cash flows for the year then ended, and notes 1 to 21 which form an integral part of these financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Unqualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia and appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the Company's byelaws as these relate to the preparation and presentation of these financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

Al-Mutahhar Y. Hamiduddin
License No. 296
12 Rabi'I, 1433
February 4, 2012

SAUDI AIRLINES CATERING COMPANY

(CLOSED JOINT STOCK COMPANY)

BALANCE SHEET

AS OF DECEMBER 31, 2011

(Expressed in Saudi Riyals)

	Note	2011	2010
ASSETS			
Current assets			
Cash and cash equivalents	3	655,052,918	760,824,027
Accounts receivable - trade	4	52,118,786	50,221,395
Due from related parties	9	511,816,225	252,992,115
Inventories	5	65,540,117	52,519,452
Prepaid expenses and other receivables		30,165,441	24,299,981
Total current assets		1,314,693,487	1,140,856,970
Non-current assets			
Property, plant and equipment	6	109,769,825	67,282,647
Total non-current assets		109,769,825	67,282,647
TOTAL ASSETS		1,424,463,312	1,208,139,617
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable – trade		115,581,607	89,456,242
Accrued expenses and other liabilities	7	233,253,008	210,147,574
Total current liabilities		348,834,615	299,603,816
Non-current liabilities			
End-of-service indemnities	8	94,626,220	84,875,481
Total non-current liabilities		94,626,220	84,875,481
Shareholders' equity			
Share capital	1	820,000,000	100,767,000
Statutory reserve	11	45,716,496	50,383,500
General reserve	13	-	13,718,428
Retained earnings		115,285,981	658,791,392
Total shareholders' equity		981,002,477	823,660,320
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,424,463,312	1,208,139,617

The accompanying notes form an integral part of these financial statements

SAUDI AIRLINES CATERING COMPANY

(CLOSED JOINT STOCK COMPANY)

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2011

(Expressed in Saudi Riyals)

	Note	2011	2010
Revenues:			
In Flight catering revenue		1,172,451,082	955,622,005
Sky sales revenue		147,052,010	110,710,846
Business lounge revenue		39,980,130	35,423,993
Non-airlines revenue		44,844,701	32,398,250
Other revenues		60,943,165	59,005,981
Total revenues	9	1,465,271,088	1,193,161,075
Cost of revenues			
Cost of materials and goods		578,395,699	386,404,175
Personnel costs		162,787,231	132,877,821
Rent and maintenance of production units		64,809,480	58,461,054
Depreciation		13,864,780	13,847,222
Other costs		86,952,358	56,156,308
Total cost of revenues		906,809,548	647,746,580
Gross profit		558,461,540	545,414,495
General and administrative expenses	14	139,823,782	131,426,197
Operating income		418,637,758	413,988,298
Other revenues, net		1,924,001	3,101,384
NET INCOME		420,561,759	417,089,682
Earnings per share from net operations	16	5.13	5.09

The accompanying notes form an integral part of these financial statements

SAUDI AIRLINES CATERING COMPANY

(CLOSED JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' EQUITY

YEAR ENDED DECEMBER 31, 2011

(Expressed in Saudi Riyals)

	Note	Saudi Arabian Airlines Corporation	Saudi Airlines Company Limited	Saudia Private Aviation Company Limited	Saudia Real Estate and Development Company Limited	Strategic Catering Company Limited	Total
Share capital:							
Balance, January 1, 2010		51,391,170	-	-	-	49,375,830	100,767,000
Balance, Dcember 31, 2010		51,391,170	-	-	-	49,375,830	100,767,000
Transfer between shareholders	1	(3,023,010)	1,007,670	1,007,670	1,007,670	-	-
Increase in share capital	1	345,231,840	7,192,330	7,192,330	7,192,330	352,424,170	719,233,000
Balance, December 31, 2011		393,600,000	8,200,000	8,200,000	8,200,000	401,800,000	820,000,000
Statutory reserve:							
Balance, January 1, 2010		25,695,585	-	-	-	24,687,915	50,383,500
Balance, December 31, 2010		25,695,585	-	-	-	24,687,915	50,383,500
Transfer between the shareholders	1	(1,511,505)	503,835	503,835	503,835	-	-
Transferred to capital increase	1	(22,427,126)	(467,232)	(467,232)	(467,232)	(22,894,358)	(46,723,180)
Appropriation from net income for the year	11	20,186,964	420,562	420,562	420,562	20,607,526	42,056,176
Balance, December 31, 2011		21,943,918	457,165	457,165	457,165	22,401,083	45,716,496
General reserve:							
Balance, January 1, 2010		7,207,569	-	-	-	6,924,919	14,132,488
Movement during the year	13	(285,202)	-	-	-	(128,858)	(414,060)
Balance, December 31, 2010		6,922,367	-	-	-	6,796,061	13,718,428
Transfer between shareholders	1	(411,552)	137,184	137,184	137,184	-	-
Transferred to capital increase	1	(6,510,815)	(137,184)	(137,184)	(137,184)	(6,796,061)	(13,718,428)
Balance, December 31, 2011		-	-	-	-	-	-

The accompanying notes form an integral part of these financial statements

SAUDI AIRLINES CATERING COMPANY

(CLOSED JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' EQUITY - Continued

YEAR ENDED DECEMBER 31, 2011

(Expressed in Saudi Riyals)

	Note	Saudi Arabian Airlines Corporation	Saudi Airlines Company Limited	Saudia Private Aviation Company Limited	Saudia Real Estate and Devel-opment Company Limited	Strategic Catering Company Limited	Total
Retained earnings:							
Balance, January 1, 2010		144,957,149	-	-	-	131,010,975	275,968,124
Movement during the year		285,202	-	-	-	128,858	414,060
Net income for the year		212,715,738	-	-	-	204,373,944	417,089,682
Zakat and income tax	10	(12,953,149)	-	-	-	(21,727,325)	(34,680,474)
Balance, December 31, 2010		345,004,940	-	-	-	313,786,452	658,791,392
Transfer between shareholders	1	(19,763,742)	6,587,914	6,587,914	6,587,914	-	-
Transferred to capital increase	1	(325,241,198)	(6,587,914)	(6,587,914)	(6,587,914)	(313,786,452)	(658,791,392)
Net income for the year		201,869,643	4,205,618	4,205,618	4,205,618	206,075,262	420,561,759
Share of Strategic Catering Company Limited in capital increase covered by Saudia		8,947,299	-	-	-	(8,947,299)	-
Dividends	12	(110,657,710)	(2,305,369)	(2,305,369)	(2,305,369)	(107,426,183)	(225,000,000)
Transfer to statutory reserve	11	(20,186,964)	(420,562)	(420,562)	(420,562)	(20,607,526)	(42,056,176)
Zakat and income tax	10	(13,906,808)	(289,725)	(289,725)	(289,725)	(23,443,619)	(38,219,602)
Balance, December 31, 2011		66,065,460	1,189,962	1,189,962	1,189,962	45,650,635	115,285,981

The accompanying notes form an integral part of these financial statements

SAUDI AIRLINES CATERING COMPANY

(CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011

(Expressed in Saudi Riyals)

	2011	2010
OPERATING ACTIVITIES		
Net income	420,561,759	417,089,682
Adjustments for:		
Depreciation	16,100,647	16,642,684
Allowance for doubtful debts	26,115,366	20,823,061
Loss from sale of property, plant and equipment	140,474	609,952
Allowance for slow moving inventories	(475,542)	285,830
End-of-service indemnities	17,614,179	13,230,838
Changes in operating assets and liabilities:		
Accounts receivable - trade	(25,283,520)	(25,350,719)
Due from related parties	(261,553,347)	260,093,820
Inventories	(12,545,123)	(1,699,918)
Prepaid expenses and other receivables	(5,865,460)	(7,176,398)
Accounts payable - trade	26,125,365	17,751,194
Accrued expenses and other liabilities	21,184,133	(21,668,048)
Cash generated from operations	222,118,931	690,631,978
End-of-service indemnities paid	(7,863,440)	(8,338,754)
Net cash from operating activities	214,255,491	682,293,224
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(58,810,474)	(13,195,253)
Proceeds from sale of property, plant and equipment	82,175	102,543
Net cash used in investing activities	(58,728,299)	(13,092,710)
FINANCING ACTIVITIES		
Zakat and income tax paid	(36,298,301)	(23,990,345)
Dividends paid	(225,000,000	-
Net cash used in financing activities	(261,298,301)	(23,990,345)
Net change in cash and cash equivalents	(105,771,109)	645,210,169
Cash and cash equivalents, January 1	760,824,027	115,613,858
CASH AND CASH EQUIVALENTS, DECEMBER 31	655,052,918	760,824,027
Additional disclosure for non-cash transactions:		
Capital increase from retained earnings, general reserve and statutory reserve	719,233,000	-
Bad debts written-off	3,966,804	10,753,973
Inventory written-off	475,915	742,516

The accompanying notes form an integral part of these financial statements

(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 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 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).

Accordingly the share capital of the Company became as follows:

	Shares	Value
Strategic Catering Company Limited	4,937,583	49,375,830
Saudi Arabian Airlines Corporation	4,836,816	48,368,160
Saudi Airlines Company Limited	100,767	1,007,670
Saudia Private Aviation Company Limited	100,767	1,007,670
Saudia Real Estate and Development Company Limited	100,767	1,007,670
	10,076,700	100,767,000

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. Consequently, the current shareholding of the Company after these changes became as follows:

	Shares	Value
Strategic Catering Company Limited	40,180,000	401,800,000
Saudi Arabian Airlines Corporation	39,360,000	393,600,000
Saudi Airlines Company Limited	820,000	8,200,000
Saudia Private Aviation Company Limited	820,000	8,200,000
Saudia Real Estate and Development Company Limited	820,000	8,200,000
	82,000,000	820,000,000

The Company finalized the related formalities and obtained the amended commercial registration on 26 Jamad'I 1432 (April 30, 2011).

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 free zone in Saudi Arabia airports and operation and management of restaurants and groceries at airports.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The following is a summary of significant accounting policies applied by the Company:

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.

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. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. The estimated useful lives of the principal classes of assets are as follows:

Buildings	20 years
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.

Financial assets and financial liabilities

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

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

Impairment of financial assets

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

Certain categories of financial assets, such as accounts receivable, 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.

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.

(Expressed in Saudi Riyals)

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian Labor Law, are provided in the 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 leases are charged to income on a straight-line basis over the term of the operating lease.

3. CASH AND CASH EQUIVALENTS

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

	2011	2010
Cash on hand	2,169,153	2,046,242
Bank balances	652,883,765	258,777,785
Short-term deposit	-	500,000,000
	655,052,918	760,824,027

4. ACCOUNTS RECEIVABLE - TRADE

	2011	2010
Trade receivables	146,126,595	121,504,448
Less: Allowance for doubtful debts	(94,007,809)	(71,283,053)
	52,118,786	50,221,395

Balances from 5 customers represent 73% (2010: 70%) of total trade receivables.

5. INVENTORIES

	2011	2010
Catering (food, beverages and other items)	32,125,004	23,777,254
Sky sales items	28,063,378	27,030,521
Packing and other materials	6,663,190	4,022,954
Spare parts	3,671,038	3,622,673
Allowance for slow moving and obsolete inventories	(4,982,493)	(5,933,950)
	65,540,117	52,519,452

(Expressed in Saudi Riyals)

6. PROPERTY, PLANT AND EQUIPMENT

	January 1	Additions	Disposals	Transfers	December 31
Cost:					
Land	-	33,786,058	-	-	33,786,058
Buildings	33,067,342	247,800	-	-	33,315,142
Leasehold improvements	17,001,482	1,749,976	(162,868)	342,488	18,931,078
Equipment	27,140,216	7,817,239	(423,451)	(342,488)	34,191,516
Motor vehicles	25,352,334	1,744,808	(149,207)	-	26,947,935
Capital work-in-progress	-	13,464,593	-	-	13,464,593
Total Cost	102,561,374	58,810,474	(735,526)	-	160,636,322
Accumulated Depreciation:					
Buildings	6,680,400	2,211,222	-	-	8,891,622
Leasehold improvements	6,033,092	3,003,227	(89,283)	48,213	8,995,249
Equipment	10,387,915	6,223,273	(345,013)	(48,213)	16,217,962
Motor vehicles	12,177,320	4,662,925	(78,581)	-	16,761,664
Total Depreciation	35,278,727	16,100,647	(512,877)	-	50,866,497
Net Book Value at January 1	67,282,647				
Net Book Value at December 31					109,769,825

Buildings are constructed on land leased by Saudia from the Ministry of Defense and Civil Aviation for a period of 20 years which started from 1992 for an annual amount of SR 527,000. At the expiry of its term, the lease is renewable upon agreement between Saudia and the lessor. The lease has been assigned to the Company on its incorporation.

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

7. ACCRUED EXPENSES AND OTHER LIABILITIES

	2011	2010
Employees' accruals	20,722,956	27,454,687
Accrued expenses and other liabilities	156,260,996	128,298,039
Provision for restructuring	28,035,806	28,082,899
Zakat and income tax (note 10)	28,233,250	26,311,949
	233,253,008	210,147,574

Accrued expenses and other liabilities include services provided by Saudia but not invoiced amounting to SR 59,304,380 ((2010: SR 65,866,649) and management fees due to Newrest Group Holding S.L amounting to SR 10,200,000 (2010: SR 11,040,000) net of withholding tax of SR 1,800,000 (2010: SR 960,000).

(Expressed in Saudi Riyals)

8. END-OF-SERVICE INDEMNITIES

	2011	2010
January 1	84,875,481	79,983,397
Additional provision	17,614,179	13,230,838
Utilization of provision	(7,863,440)	(8,338,754)
December 31	94,626,220	84,875,481

9. RELATED PARTY TRANSACTIONS

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

Name	Relationship
Saudi Arabian Airlines Corporation (“Saudia”)	Shareholder
Newrest Group Holding S.L.	One of the ultimate shareholders
Saudi Airlines Cargo Company	Affiliate
Board of directors	Directors

The significant transactions and the related amounts are as follows:

	2011	2010
Catering and other services rendered to Saudia	1,026,240,990	826,485,252
Services and other expenses charged by Saudia	23,963,273	50,918,449
Net services charged and expenses re-allocated to Saudia Ground Services Division	29,471,960	30,799,602
Net services rendered to/charged by Saudi Airlines Cargo Company	14,237,681	7,201,965
Management fees	12,000,000	12,000,000
Board of directors’ fees and expenses	1,989,574	1,696,000

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

	2011	2010
Saudi Arabian Airlines Corporation (“Saudia”) (net of allowance for doubtful debts of SR15,004,869 and SR 15,581,063 in 2010)	503,200,989	243,681,147
Saudi Airlines Cargo Company	8,615,236	9,310,968
	511,816,225	252,992,115

(Expressed in Saudi Riyals)

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

The details of these transactions and balances are as follows:

	2011	2010
Revenue from Saudia	1,026,240,990	826,485,252
Percentage of revenue from Saudia	70%	69%
Saudia's receivable	503,200,989	243,681,147
Percentage of Saudia's receivables to the total receivables	89%	80%

10. ZAKAT AND INCOME TAX

The zakat base is comprised of the following:

	2011	2010
Non-current assets	109,769,825	67,282,647
Non-current liabilities	94,626,220	84,875,481
Shareholders' equity	823,660,320	441,251,112
Net income	420,561,759	417,089,682

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

The movement in zakat provision is as follows:

	2011	2010
January 1	21,328,688	12,615,644
Payments during the year	(21,623,293)	(13,023,472)
Under provision for previous year	-	113,223
Provision for the year	24,808,674	21,623,293
December 31	24,514,069	21,328,688

The movement in income tax provision is as follows:

	2011	2010
January 1	4,983,261	3,006,176
Payments during the year	(14,675,008)	(10,966,873)
Under/(over) provision for previous years	-	47,899
Provision for the year	13,410,928	12,896,059
December 31	3,719,181	4,983,261

The zakat and income tax provision is included in accrued liabilities and other accounts payable.

The Company has finalized its zakat position until 2008.

The Company has submitted its zakat and income tax declarations for the years 2009 and 2010 and paid the amount due according to the declaration which is currently under review by the DZIT.

(Expressed in Saudi Riyals)

11. STATUTORY RESERVE

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

12. DIVIDENDS

On March 19, 2011 the shareholders decided not to distribute dividends and 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.

In their annual general meeting on May 11, 2011, the shareholders resolved to authorize the Board of Directors to declare and pay interim dividends; consequently, the Board of Directors resolved during the year to distribute interim dividends amounting to SR 225 million from the Company's retained earnings.

13. GENERAL RESERVE

The shareholders of the Company resolved at their annual meeting held on March 14, 2009, to transfer the remaining balance of retained earnings as of December 31, 2008 amounting to SR 14.1 million after the distribution of dividends of SR 210 million to a distributable general reserve.

The shareholders of the Company resolved at their annual meeting held on November 29, 2010 to deduct from the general reserve the variance of SR 414,060 relating to zakat and income tax for the financial year ended December 31, 2008.

14. GENERAL AND ADMINISTRATIVE EXPENSES

	2011	2010
Payroll cost	58,641,407	58,384,456
Depreciation	2,235,867	2,795,462
Allowance for doubtful debts	26,115,366	20,823,061
Professional and technical fees	9,511,675	8,884,063
Rents	8,786,208	7,403,001
Marketing and promotional expenses	3,213,460	2,235,858
Utilities	5,356,206	4,561,583
Stationery and printing	555,636	542,506
Repair and maintenance	220,796	283,137
Travel expenses	2,035,517	2,498,812
Management fees	12,000,000	12,000,000
Board of directors' fees and expenses	1,989,574	1,696,000
Others	9,162,070	9,318,258
	139,823,782	131,426,197

(Expressed in Saudi Riyals)

15. OPERATING LEASE ARRANGEMENTS

	2011	2010
Payments under operating leases recognized as an expense during the year	47,069,150	38,613,110

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

During 2011, the Company leased the catering building from Saudi Arabian Airlines Corporation for a period of 1 year which started from March 27, 2011 for an annual amount of SR 295,315. At the expiry of its term, the lease is renewable upon agreement between the Company and Saudia.

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

The Company subleases certain facilities to Saudia Ground Services Division for an annual lease amount of SR 4,533,232 (2010: SR 4,533,232).

16. EARNINGS PER SHARE

	2011	2010
EPS from net operations		
Net income	420,561,759	417,089,682
Weighted average number of shares	82,000,000	82,000,000
Earnings per share	5.13	5.09
EPS from continuing operations		
Operating income	418,637,758	413,988,298
Weighted average number of shares	82,000,000	82,000,000
Earnings per share	5.11	5.05
EPS from non-operating operations		
Non-operating income	1,924,001	3,101,384
Weighted average number of shares	82,000,000	82,000,000
Earnings per share	0.02	0.04

(Expressed in Saudi Riyals)

17. COMMITMENTS AND CONTINGENCIES

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

	2011	2010
Commitments for future capital expenditure	4,337,537	2,000,308

18. 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 year ended December 31, 2011 and 2010 by business segments are detailed below:

2011	Catering	Sky sales	Total
Assets	1,218,717,892	205,745,420	1,424,463,312
Liabilities	409,633,356	33,827,479	443,460,835
Sales and revenues	1,318,219,078	147,052,010	1,465,271,088
Net income	380,567,499	39,994,260	420,561,759
2010			
Assets	1,083,960,106	124,179,511	1,208,139,617
Liabilities	367,816,930	16,662,367	384,479,297
Sales and revenues	1,082,450,229	110,710,846	1,193,161,075
Net income	393,715,638	23,374,044	417,089,682

The Company operates in the principal geographical area of the Kingdom of Saudi Arabia.

19. RISK MANAGEMENT

a) Liquidity risk

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

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

b) Credit risk

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

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

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

20. FAIR VALUE

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

21. COMPARATIVE FIGURES

Certain figures for 2010 have been reclassified to conform with the presentation in the current year.

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