MATTI KIVEKAS
Chief Financial Officer

MOHAMMED HUSSAIN
Finance Director

2017 was a challenging year for Saudi Airlines Catering Company. Oil prices remained relatively low and the global political situation was volatile. In our business, the greatest impact was seen in the Retail sector.

Despite the external challenges, the Company's net sales reached SR 2.2 billion, only 1.5 percent less than 2016. Our net profit after tax was SR 482 million, 7.2 percent less than 2016's SR 519 million, or 21.6 percent of net sales (2016: 23.0 percent). Increases in Zakat and income tax, and the loss from an associated company, explain half the difference. Less than 4.0 percent was due to reduced volumes and sales.

The Company also had a number of success stories. We secured several new clients – Flyadeal and Saudi Gulf Airlines being noteworthy in that both entrusted us with their in-flight catering – while our long-time client Flynas extended its scope of services with us.

In Retail, we entered the duty-free sector through a 40 percent ownership in a joint venture with Lagardère Travel Retail and Arabian Ground Handling and Logistics. In Catering & Facilities, we signed many new clients, after exiting several unprofitable contracts in 2016. We also extended our lounge business outside Saudi Arabia by opening a new Al Fursan Lounge in Cairo, Egypt. These achievements have positioned the Company well going into 2018.

In-Flight Catering Division, our solid core business, generated 81 percent of net sales in 2017. Nevertheless, we continue to broaden our base by entering new areas. As growth in the airline catering business moderates, contributions from new business lines such as retail and lounges are increasingly important.

We are uniquely placed to support – and benefit from – The Kingdom's Vision 2030 strategy. As the Kingdom prepares to welcome more pilgrims and tourists, the Company's portfolio of services connects many positively impacted areas, from traditional in-flight catering to food and hospitality services for pilgrims and tourists.

In 2017, we successfully implemented International Financial Reporting Standards (IFRS). The change from SOCPA standards to IFRS had less than SR 1 million impact on our retained earnings as we had already implemented the new standards where applicable. However, the task to ensure compatibility and to prepare ourselves for the change was significant.

We began our new finance and planning system in May 2017. This not only helps us meet the additional compliance and disclosure requirements associated with IFRS regulations, but also generates broader benefits for the business. We also implemented a new operational system in our Retail Division, continued the development of our catering ERP system, and brought all our catering operations and most of the procurement transactions under one system.

In 2018, we will combine key financial, HR, and operational data into one analytical platform. This will enable us to develop rigorous performance indicators for various aspects of the business and display these via dashboards for management and investors, enhancing visibility into the Company and enabling deeper levels of analysis and insight for decision-makers.

Improvements in our analytical capabilities and processes will allow us to counteract the pressure on profit margins in some business lines, and ensure the Company continues to deliver value to all stakeholders.

Matti Kivekas
Chief Financial Officer