SAUDI AIRLINES CATERING

GROWTH 2019
STRATEGY REVIEW PRESENTATION
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The Kingdom’s economy meets challenges, which have affected some of SACC business divisions in 2015 and 2016.

Inflight catering (IFC) business
- Considerably lower amount of Royal and Private flights
- Less than expected PAX growth
- SV fleet expansion slower than expected
- Downward service adjustments of SV and OAL
- Lounge baseline not affected, growth due to new outlets

Religious business
- SACC not affected by current environment (delay due to other reasons)

Retail business
- Sharp drop in retail on board mainly due to other reasons (IATA regulations, crew performance)
- Retail on ground strong growth based on new shops

Catering & facilities business
- 13% B&I catering baseline reduction
- Remote sites baseline stagnation
- Temporary closing of some rigs (SACC not yet affected)
- Camp management and laundry not affected

Key indicators:
- Oil price more than 50% down compared to 2014 – with negative effects on KSA budget
- 2016 real economic growth at 1.5% (slowest growth rate since 2002)
- TASI down about 50% compared to 2014

Sources: Euromonitor, Reuters
ENVIRONMENT
Economic Indicators (Outlook)

The economy is slowly recovering and the outlook is slightly positive – but it won’t be back on historic growth levels for a while.

IFC business
- Expected positive PAX growth will sustain the IFC business (SV, OAL)
- Downwards service level adjustments may continue, but SV signals are ambiguous
- Royal and Private Flights expected to recover to some extent as oil price recovers but price pressure remains

Religious business
- Hajj & Umrah PAX figures depend on official quotas (planned to raise)

Retail business
- On board sales supported by positive outlook but dependent on other factors (e.g. crew sales recovery)
- Retail sentiment 1) (still high) will support growth in retail on ground and online sales

Catering & facilities business
- Expected re-opening of rigs will help remote site business
- B&I catering will benefit from recovery
- SBUs depending on public funding (e.g. railway, remote sites) will grow slower than expected

Key indicators:
- Oil price to recover further in 2017
- GDP outlook 2017 onwards positive (but not back on highest rates)
- Strong demographic factors supporting future growth (age pyramid)
- Government spending focus

1) Source: Nielsen consumer confidence report Q2/2016
### Economic Indicators (KSA)

#### GDP Growth KSA 2016-2020F

<table>
<thead>
<tr>
<th>Year</th>
<th>Real GDP growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>10.0%</td>
</tr>
<tr>
<td>2012</td>
<td>5.4%</td>
</tr>
<tr>
<td>2013</td>
<td>2.7%</td>
</tr>
<tr>
<td>2014</td>
<td>3.6%</td>
</tr>
<tr>
<td>2015</td>
<td>3.4%</td>
</tr>
<tr>
<td>2016</td>
<td>1.5%</td>
</tr>
<tr>
<td>2017</td>
<td>1.9%</td>
</tr>
<tr>
<td>2018</td>
<td>2.5%</td>
</tr>
<tr>
<td>2019</td>
<td>3.1%</td>
</tr>
<tr>
<td>2020F</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

*Source: Trading economics & Jadwa Investments Quarterly GDP Updates Q2-16*

#### Economic key indicators KSA 2014-2017F

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016F</th>
<th>2017F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population, millions</td>
<td>30.3</td>
<td>31.0</td>
<td>31.7</td>
<td>32.4</td>
</tr>
<tr>
<td>Unemployment, Saudi, +15, %</td>
<td>11.7</td>
<td>11.5</td>
<td>11.4</td>
<td>11.2</td>
</tr>
<tr>
<td>Inflation (% change)</td>
<td>2.7</td>
<td>2.2</td>
<td>3.9</td>
<td>4.3</td>
</tr>
<tr>
<td>Average oil price (Saudi ($/b))</td>
<td>95.7</td>
<td>49.4</td>
<td>40.8</td>
<td>51.5</td>
</tr>
<tr>
<td>Current account (in % GDP)</td>
<td>9.8</td>
<td>-8.3</td>
<td>-8.3</td>
<td>-3.1</td>
</tr>
<tr>
<td>GDP per capita (USD)</td>
<td>24,878</td>
<td>20,828</td>
<td>19,840</td>
<td>21,322</td>
</tr>
</tbody>
</table>

*Source: Central department of statistics and information (CDSI); Jadwa Investments, Saudi Chartbook October 2016*

**Comment:**
- Demand for SACC’s products and services are linked to the Saudi Arabia’s economic growth, which slowed down substantially in ‘15/’16
- Despite the low oil price the Saudi economy is expected to grow gradually again from 2017 onwards
- Current account has been negative since 2015 and GDP per capita dropped by 20%

#### GDP Growth KSA 2016-2020F

- With declining oil prices the GDP growth came down from >5% levels in 2012 to an expected rate of 1.5% in 2016
- Despite the pressure on the oil price the economy of Saudi Arabia hasn’t met negative GDP growth rates so far
- The outlook for 2017 indicates an increasing growth rate
- The GDP growth rate is projected to reach 3.60 percent by 2020
**ENVIRONMENT**

**Economic Indicators (KSA)**

### Tadawul/SACC Development 2012-2016

- The Tadawul All-Share Index (TASI) dropped by -49% between September 2014 and October 2016 after a strong rally between 2012-2014
- SACC share price dropped by -52% during the same period – but is still well above IPO prices
- Net-income of listed companies in Q2 2016 was down by 14 percent year-on-year
- This development currently influences investments and purchasing decisions by private and government entities as well as consumer confidence

*Source: Bloomberg*

### Saudi Arabia Consumer Confidence

- Despite the drop of the consumer confidence index between 2015 and 2016 the index did not sink below 100% indicating pessimism
- Saudi Arabia still belongs to the 12 markets worldwide with an index above 100
- Consumers in the Kingdom in general maintain an optimistic level in the annual time period with an expected positive impact on the economy in KSA

*Source: Nielsen, Q2 2016 Consumer Confidence Report*
EXECUTIVE SUMMARY - ENVIRONMENT

Vision 2030

The vision 2030 will further fuel dynamic developments in the kingdom, especially in the fields that SACC is operating.

IFC business
- IFC will benefit greatly from the growing number of religious visitors and tourists
- Increased willingness to travel to and from KSA will keep PAX figures up
- Growing international focus will increase business travel from all continents

Religious business
- State of the art, safe and modern ways of feeding pilgrims will be a major growth field

Vision 2030
- Reduce dependence on oil & gas – grow in mining & metals, petrochemicals, manufacturing healthcare, finance & construction
- Promote women and Saudis in the business
- Increase number of Hajj and Umrah pilgrims up to 30m
- Promote tourism
- Army as new key segment
- State fund with diversified investment strategy

Retail business
- Buying power of young, open-minded, well travelled people will foster the retail business
- Online business may be a big opportunity

Catering & facilities business
- Army and financial sector will help to grow the B&I business
- Remote sector will remain strong – new sites outside of the oil & gas industry will open up
With limited further growth potential, increased cost pressure and upcoming competition in the core division (IFC), the chosen diversification strategy will provide great growth opportunities for SACC in the years to come.

From a classical inflight caterer ...

... to a multi-functional catering and multi-service company
SACC manages a large amount of SBUs. Many of them are strategic growth units while most of the biggest ones need to be defended – a huge challenge.
The share of the non-airline activities will increase from 30% in 2015 to 41% in 2019.
1. Inflight catering remains our core business. Main initiative in this segment will be to increase quality and efficiency → **Operational excellence program**

2. Thus, the strategy to secure Saudia contract beyond 2020 and other airline accounts is of highest importance → **Operational excellence program**

3. Based on a strong Inflight division, we continue to develop ourselves from a classical inflight caterer into a multi-functional catering and multi-service company → **Growth program**

4. Main growth opportunities to be pursued are to be found in Catering and Facilities (business & industry catering, remote sites, camp management) and Retail (Airport shops, both duty paid and duty free) → **Growth program**

5. We will continue to streamline processes and to increase an automation level in administrative and other support functions → **Structure program**

- The absolute profitability will continue its’ growth, but the relative profitability will decline due to emerging inflight catering competition and strong price pressure. The new business areas are profitable, but the profit ratios will not reach earlier inflight catering profit ratios
Operational excellence

- Develop operational excellence in service - delivery process
- Increase automation level
- Create CPU utilization strategy
- Increase innovation and R&D capabilities

Growth

- Revitalize service solutions in key business sectors
- Grow in selected sectors with targeted offering
- Develop new business offering for related sectors
- Study acquisition opportunities

Structure

- Ensure functional efficiency
- Enable transformation towards process management
INFLIGHT CATERING - MARKET OVERVIEW
Airline Market (KSA)

IATA PAX Growth

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td>3.0%</td>
<td>3.5%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Middle East</td>
<td>5.2%</td>
<td>5.0%</td>
<td>4.7%</td>
</tr>
<tr>
<td>World</td>
<td>3.1%</td>
<td>3.4%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

Source: IATA Air Passenger Forecast, April 2016

Gaca initiatives

<table>
<thead>
<tr>
<th>Airport</th>
<th>City</th>
<th>PAX 2015</th>
<th>PAX New</th>
<th>Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>KKIA</td>
<td>RUH</td>
<td>22.5 million</td>
<td>25.0 million</td>
<td>2015-2016</td>
</tr>
<tr>
<td>KAIA</td>
<td>JED</td>
<td>30.1 million</td>
<td>30.0 million</td>
<td>2018</td>
</tr>
<tr>
<td>PMIA</td>
<td>MED</td>
<td>6.3 million</td>
<td>8.0 million</td>
<td>2015</td>
</tr>
</tbody>
</table>

Source: GACA

Airport privatization

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>RUH T5</td>
<td>DAA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JED (new)</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DMM</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MED</td>
<td>TAV*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*)Built-Operate-Transfer (BOT) with Al-Rajhi and TAV
Source: Arabnews 27th March 2016

Comment:
- KSA PAX growth is estimated to be around the world average growth with 3.7% in the long-term (20 years)
- According to IATA KSA still belongs to the Top 20 growth markets worldwide
- SACC will take advantage within

Comment:
- International airports are already operating above designed capacity
- All airport development has been delayed
- Further investments into main and regional airports within the coming years are planned

Comment:
- Target: 100% private ownership of all 27 KSA airports by 2020 to increase productivity & efficiency
- Development supports government to diversify income streams while reducing state expenditure
- This will segregate regulator and operator
INFLIGHT CATERING - MARKET OVERVIEW

Saudi Arabian Airlines

Fleet development Saudia 2016

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>AB320</th>
<th>AB 330</th>
<th>AB33R</th>
<th>B744</th>
<th>B787</th>
<th>B777-200</th>
<th>B777-300</th>
<th>E70</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 31, 2015</td>
<td>50</td>
<td>12</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>22</td>
<td>19</td>
<td>13</td>
<td>119</td>
</tr>
<tr>
<td>Phase IN1</td>
<td>2</td>
<td>-</td>
<td>9</td>
<td>-</td>
<td>4</td>
<td>-</td>
<td>9</td>
<td>-</td>
<td>24</td>
</tr>
<tr>
<td>Phase OUT</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>13</td>
<td>19</td>
</tr>
<tr>
<td>Dec 31, 2016</td>
<td>52</td>
<td>12</td>
<td>9</td>
<td>-</td>
<td>4</td>
<td>19</td>
<td>28</td>
<td>-</td>
<td>124</td>
</tr>
</tbody>
</table>

Comment:
- 2016 Saudia will add four 787s and ten 330-300 regional wide-bodied in the fleet
- At the same time three 747s, three 777s and 13 low capacity E70s will be carved out
- Additional operating planes to be considered

Fleet development Saudia 2013-2020

Comment:
- Growth has been significantly slower than expected our previous strategic plan (variance was -38% at the end of 2015)
- Therefore the estimate in Plan 2019 is more conservative than SV forecast (based on history)
- Fleet development is assumed to be 10% below initial plan up to 2020
SAUDI AIRLINES CATERING

GROWTH 2019
RETAIL
RETAIL – MARKET OVERVIEW

Critical signs

Cash withdrawals and POS transactions

Comment:
- Cash withdrawals (SPAN and Banks) and POS transactions are down almost 5% year-on-year after a 10 year period of continuous year-on-year growth
- This reflects a new situation for the kingdom

Cash withdrawals and POS transactions≥

Comment:
- The declining cash withdrawals affect the wholesale and retail trade GDP which is down more than 1%
- This happens for the first time within the last 5 years
Positive signs

Comment:
- Saudi Arabia consumer spending recovered from a 2015 dip and is back on all-time high levels.
- This goes in line with Nielsen’s consumer confidence index which is well above 100 (positive) for the KSA (ranking amongst the worldwide top 12).

Further Facts:
- KSA 8th place in the global retail development index (GRDI) by A.T. Kearney despite a 15% GDP drop in 2015.
- Private (consumer) debt has increased 8% from 2014 to 2015 with a further expected increase in 2016.

* Source: Euromonitor, Saudi Arabian Monetary Agency (SAMA)
“There is a development plan worth US$97 billion for the introduction of a cross-country rail network.”

The National Business, June 2016
“Increase number of Hajj and Umrah pilgrims up to 30m by 2030”
- Vision 2030
A big window of opportunity is open in the Hajj & Umrah business. SACC has positioned itself as a strategic key partner for the new frozen meals category.

**NEW HAJJ FOOD CATEGORY**

**FROZEN MEALS**

- SACC introduced and set up the frozen meal category officially as of 2016
- SACC acts as a gatekeeper by operating a website (electronic Hajj services) for all service providers around frozen meals (food, transportation, serving)
- SACC started cooperation with selected service providers

**PILGRIM MISSIONS**
- consolidates pilgrims from a country
- Organizes food and transportation
- Relates with Tawafas for Housing and Visa

**SERVICE PROVIDERS**
- offer food, retail sales, transportation, logistics services around the holy sites
- can be booked via platform