

Saudi Arabia at a glance

Official name: Kingdom of Saudi Arabia

Location: On the Arabian Peninsula between the Red Sea and the Arabian Gulf; neighbors include Yemen, the United Arab Emirates, Qatar, Bahrain, Oman, Kuwait, Iraq and Jordan

Area: 784,000 square miles (2 million square kilometers), one-fifth the size of the continental United States

Population: More than 27 million people

Official language: Arabic

Capital: Riyadh

Other key cities: Jeddah, Mecca, Medina and Dammam

Gross domestic product, 2010 estimate: \$622.5 billion (U.S. dollars)

GDP growth rate, 2010 estimate: 3.8 percent

Largest export partners: Japan, South Korea, the United States, China, India

Military spending as part of GDP, 2005: 10 percent

Sources: U.S. government

PHOTO: The skyline of Riyadh, Saudi Arabia's capital city, with the Kingdom Centre—the nation's tallest building at almost 1,000 feet (300 meters)—in the foreground. Boeing Saudi Arabia's headquarters is located in the city.

SHUTTERSTOCK



“Boeing has a golden name in Saudi Arabia. It is a company that’s regarded to be at the cutting edge of technology.”

— Ahmed Jazzar, president of Boeing Saudi Arabia

PHOTO: ASSOCIATED PRESS

Boeing and Saudi Arabia have a strong partnership that goes beyond defense and commercial products

By Eric Fetters-Walp

The discovery of huge oil reserves established Saudi Arabia as an economic force in the 20th century. In the 21st century, the nation is counting on technology to do the same, and Boeing is certain to be involved.

“I don’t believe Boeing’s ever been in a position with the kingdom that’s better than it is now,” said Ahmed Jazzar, president of Boeing Saudi Arabia. “With the economy booming, opportunities are opening up.”

In 2010, Saudi Arabia signaled its intent to the U.S. government to proceed with the single largest acquisition of defense products in Boeing’s history. The purchase includes 84 new F-15 jet fighters, upgrades to 72 of Saudi Arabia’s existing F-15s, 70 Apache helicopters and 36 AH-6i light attack helicopters. Other defense products and services also are included in the proposed deal.

Boeing continues to work closely with the U.S. government and the Kingdom of Saudi Arabia on these programs, which are designed to strengthen security in the region.

The nation’s flag carrier airline also has ordered eight 787 Dreamliners and 22 777s and will take delivery of some of them this year.

Those new orders build on a solid foundation dating back decades. The kingdom’s fleet of older F-15s and its Apache helicopters are a crucial part of Saudi Arabia’s defense forces.

Over the past 50 years, Boeing Commercial Airplanes has delivered 138 jetliners to Saudi customers. The nation also has been one of the most active markets for Boeing Business Jets and other VIP airplanes.

But the relationship between Boeing and Saudi Arabia isn’t limited to buying aircraft.

Boeing has invested in the aviation industry, technology research and education in the nation for nearly 30 years. In 1982, Boeing established Boeing Middle East Limited, or BMEL, in Saudi Arabia’s capital of Riyadh, giving the enterprise full commercial contracting and employee sponsorship rights equal to any other Saudi-owned and registered company.

A few years later, when Boeing won a large contract to provide Saudi Arabia with Airborne Warning and Control System, or AWACS, aircraft and other ground-based defenses, it launched a large industrial participation program that created Alsalam Aircraft Co., a profitable modification, repair and overhaul business.

“The confidence that Saudi Arabia has put in Boeing, on both the commercial side and the defense side, is really significant,” said Shep Hill, president of Boeing International and senior vice president of Business Development and Strategy. “And over time, we’ve increased our presence in Saudi Arabia to the point where we have strong partnerships there, from Alsalam to the universities.”

Boeing is a founding member of Alfaisal University, the first private university in Saudi Arabia. Since it began teaching classes in 2008, the school has attracted world-class teaching and research talent in engineering, science, business and medicine. At the newly established King Abdullah University of Science and Technology, Boeing is a member of the public institution’s

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NEW HORIZONS

With strong ties to local universities, Boeing is growing its opportunities in Saudi Arabia

Saudi Arabia isn't shy in its ambition to become a world-class hub for technology. At the new King Abdullah University of Science and Technology on the nation's western coast, state-of-the-art laboratories and research equipment are drawing researchers from far and wide.

In this case, starting an initiative from scratch is proving to have benefits, said Pete Hoffman, director of Global Research and Development, Boeing Research & Technology.

Describing the university's newly installed electron microscopes, magnetic resonating machines and more, he said: "The infrastructure is definitely a draw for bringing in great minds from around the world. [The school is] successfully attracting world-renowned scientists who are experts in key areas of interest to the kingdom."

In a country where relationships are valued, Boeing has grown strong ties to a number of universities and industrial businesses to help train new generations in engineering and aerospace.

"Our partnerships in Saudi Arabia are typical, I think, of those we establish all over the world," Hoffman explained. "They're driven by the opportunity to tap into the best technology, to co-invest and to establish a presence in key markets."

That's what Boeing did more than 20 years ago when it helped launch Alsalam Aircraft Co., a joint venture between Boeing, Saudi Arabian Airlines, Saudi Advanced Industries Corp., Gulf Investment Corp. and National Investment Corp.

Alsalam provides modification, repair and overhaul services for commercial and military aircraft as well as completion installations for VIP aircraft, technical support, manufacturing and training. Boeing owns half of the business, which has 3,500 employees throughout Saudi Arabia and neighboring Bahrain. First created out of Boeing's industrial participation pledge to Saudi Arabia, Alsalam has become a profitable, important venture that benefits Boeing, said Mohammed Fallatah, president and chief executive of Alsalam Aircraft.

"Our cost structure and local character often give us a competitive advantage, and having reach-back capability to Boeing allows Alsalam to leverage Boeing's strengths to enhance our mutual position in the market," Fallatah said. "The vision of Boeing back in the 1980s—to have a strong link to the Saudi market through developing the joint venture—has paid dividends not just from a monetary view but from the perception of commitment to the growth of Saudi national talent."

With that track record, Boeing is a welcome partner on other ventures and at research institutions in Saudi Arabia, Fallatah said. At King Abdullah University of Science and Technology, the company is involved in research to develop new tools to analyze the long-term performance of composite materials. Additionally, Hoffman said, Boeing is ramping up a new project to create the next generation of aircraft interior plastics with a Saudi Arabia-based company and helping Saudi scientists design new thin-film solar cell technology.

"They're very excited that Boeing is investing in technology and not just showing up when there's an order to be placed," Hoffman said of the scientific community in Saudi Arabia. "They also know we have a great record of living up to the commitments we make."



Boeing helps individuals and communities throughout Saudi Arabia

Early childhood education, training for families that have autistic children and increasing awareness on breast cancer are among the important causes in Saudi Arabia receiving support from Boeing's Global Corporate Citizenship organization.

Boeing helps a number of organizations across the nation, including the Saudi Autistic Society's early intervention program, which teaches caregivers how to recognize autistic symptoms in children; the Zahra Breast Cancer Society; and the Early Childhood Center/Gulf Women Association, which trains teachers for quality early child education programs.

Omar Shesha, Boeing International and Global Corporate Citizenship leader in Saudi Arabia, said the company's giving is focused on critical education, health and human services needs there.

"Our contribution to local nongovernmental organizations in the kingdom is part of a commitment to help individuals and communities deal with issues and needs," Shesha said. "These organizations in Saudi Arabia are making great efforts through well-designed programs, and we are delighted to take part in these initiatives."

Global Corporate Citizenship also supports the Learning Disability Program at Prince Salman Center for Disability Research, which conducts research into improving language proficiency among disabled Arabic speakers. Boeing has worked closely with the Hope Center for Exceptional Needs, the National Home Healthcare Foundation, the First Welfare Women's Society, Gulf Women Association, King Abdulaziz Charitable Association and Al-Nahda Philanthropic Society in Saudi Arabia.

"The contribution made by Boeing lays the ground for the development of necessary instructional tools to serve disabled children," said Uzma Raheem, director of the Hope Center for Exceptional Needs, which provides skills training for children with Down syndrome, autism, learning disabilities and related conditions. "This helps us create knowledge and awareness among families who need to recognize the disability symptoms in order to help their children."

PHOTOS: (Clockwise, from top) Alsalam employees perform an operations check on a Saudi F-15, one of the many aircraft models that the Saudi Arabia-based maintenance, repair and overhaul company supports. **ALSALAM AIRCRAFT** Two Alsalam Aircraft technicians perform maintenance and refurbishment on a transport aircraft cockpit. Boeing owns half of the business, which was created more than 20 years ago to satisfy an industrial partnership obligation. **ALSALAM AIRCRAFT** Students in a lab class at King Abdullah University of Science and Technology in Saudi Arabia. Boeing has partnered with the university on research in several fields, including composite materials. **ALFAISAL UNIVERSITY**

industrial collaboration program. Boeing also is the aerospace sector partner with the Saudi Arabian General Investment Authority.

Jazzar said his fellow Saudi citizens notice Boeing's commitment to helping the nation advance. "It is a fact that Boeing has a golden name in Saudi Arabia. It is a company that's regarded to be at the cutting edge of technology," Jazzar said.

Majed Al Harbi, Information Technology Business Engagement manager for Boeing Saudi Arabia, said the company's reputation attracts some of the kingdom's best talent.

"Boeing is recognized as a strong and reputable company, and I desired being a part of it since starting my education and career in technology," he said. "Boeing continues to seek out and foster new business relationships that benefit all parties involved. These continued contributions will hopefully push the Saudi economy into the forefront of technologically advanced nations."

Saudi Arabia will reap benefits for Boeing as well. Only recently has Saudi Arabia begun to encourage private airlines, and there will be more potential airplane customers as that industry grows. As a result, Boeing Capital Corporation sees the nation as a logical place to expand investment in commercial aircraft financing. It has presented aircraft financing seminars in both Riyadh and Jeddah during recent years, said John Matthews, Boeing Capital's

managing director for the Middle East, Africa and South Asia.

"Commercial aircraft investments have outpaced other asset classes, due to an aircraft's long, useful life and its extremely mobile nature," he said. "This isn't lost on the savvy Saudi investors with capital looking to connect with great opportunities in the aviation financing market. Also, aircraft are ideal assets for Islamic financing, which must be asset-based."

Boeing's active investment in educating Saudi Arabian financiers distinguishes it among other aviation industry competitors, Matthews added.

Jazzar, who was born and raised in Saudi Arabia and earned an engineering degree in the United States, said the company's past and present willingness to invest time, effort and money into Saudi Arabia is important for its future there.

"What's unique about Saudi Arabia, and you can say it's the case with almost all the Gulf countries, is that it's all about relationships," Jazzar said. "There are a very few decision-makers, with lots of responsibility and authority."

That makes the trust Boeing has built with the nation's leaders vitally important, he said.

It has also made the "One Boeing" approach used by Boeing Saudi Arabia's 300 employees a necessity, Hill said.

The company's major organizations—Commercial Airplanes; Defense, Space & Security; Engineering, Operations & Technology; as well as Boeing Capital Corporation, the Shared Services Group and Global Corporate Citizenship—are all active and working together in the Boeing Saudi Arabia offices in Riyadh.

"I'm very proud of the one-company approach we have in Saudi Arabia," Hill said. "It's not always been so, but there is a sea change in how we operate there."

As a growing nation—with one of the largest populations in the Middle East, about half under 20 years old—Saudi Arabia is poised to be an important and strategic power in the coming decades. With that prospect, and the resulting potential for great economic growth, Hill said Boeing's longtime interest and investment in Saudi Arabia is well-placed.

"We're following a strategy that is very sound," Jazzar added. "We're involved and active in the country. By doing that, by working with the country and listening to their aspirations and helping them reach goals, we're creating a differentiator for us." ■

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From the DC-3 to the 787

It started with a Douglas DC-3 presented by U.S. President Franklin D. Roosevelt to the late King Abdulaziz Al Saud, founder of modern Saudi Arabia. Sixty-six years later, Saudi Arabian Airlines is the second-largest carrier in the growing Middle East market.

"Before that, there was no aviation in the kingdom," said Ahmed Jazzar, president of Boeing Saudi Arabia. "That airplane became the nucleus of Saudi Arabian Airlines."

Saudi Arabian Airlines, the nation's flag carrier, is still the dominant airline. And it has remained an important Boeing customer. In 1961, it became the first Middle Eastern airline to enter the jet age by taking delivery of a Boeing 707.

In all, Saudi Arabian Airlines has taken delivery of 114 Boeing airplanes, and its fleet now includes four 747-400s, nine 747-300s, one 747-200, 23 777-200s, four MD-11s and 29 MD-90s. This year, Boeing and Saudi Arabian Airlines are scheduled to finish a major interior modernization project of the airline's 777-200ER (Extended Range) airplanes.

Additionally, Saudi Arabian has ordered a dozen 777-300ERs, with options for 10 more 777s. It has ordered eight 787 Dreamliners.

In the past five years, the government has changed regulations to allow for more airlines to compete more easily with the national carrier. The first new private airline, Nasair, flies an all-Airbus and Embraer fleet.

"The environment is still changing, so it will become more attractive for more players," Jazzar said, noting that the nation of 27 million represents the largest market in the Arabian Gulf region. "You have the market, the population and the demand. Mark my words: The future is still coming."

Boeing Commercial Airplanes also has found customers in Saudi Arabia outside of the traditional airline market. Aramco Aviation, the world's largest corporate airline, has owned and operated a fleet of Boeing 737-300s and, more recently, 737-700 aircraft to transport the oil company's employees around the region.

Outside of its airlines, Saudi Arabia is a notable market for Boeing Business Jets and other VIP aircraft. In the past three years, Boeing has sold more than \$1 billion worth of such aircraft to Saudi customers. Overall, the kingdom represents about 70 percent of the BBJ sales to the Arabian Gulf area and has the dominant market share of business jets in the Middle East region.

PHOTOS: (Left) A 707 military aircraft in an Alsalam Aircraft hangar near Riyadh's King Khalid International Airport. **ALSALAM AIRCRAFT (Above)** A Saudi Arabian Airlines 777-200ER (Extended Range). The airline has more than a dozen new models on order, with eight 787s. **BOEING**

