Roland Berger Strategy Consultants

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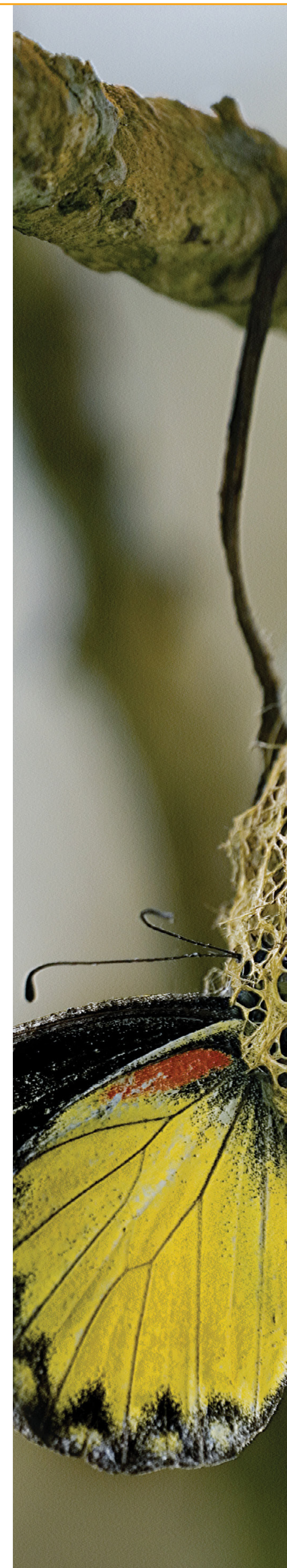
COMPANY RESTRUCTURING IN THE GCC
Transform today, succeed tomorrow

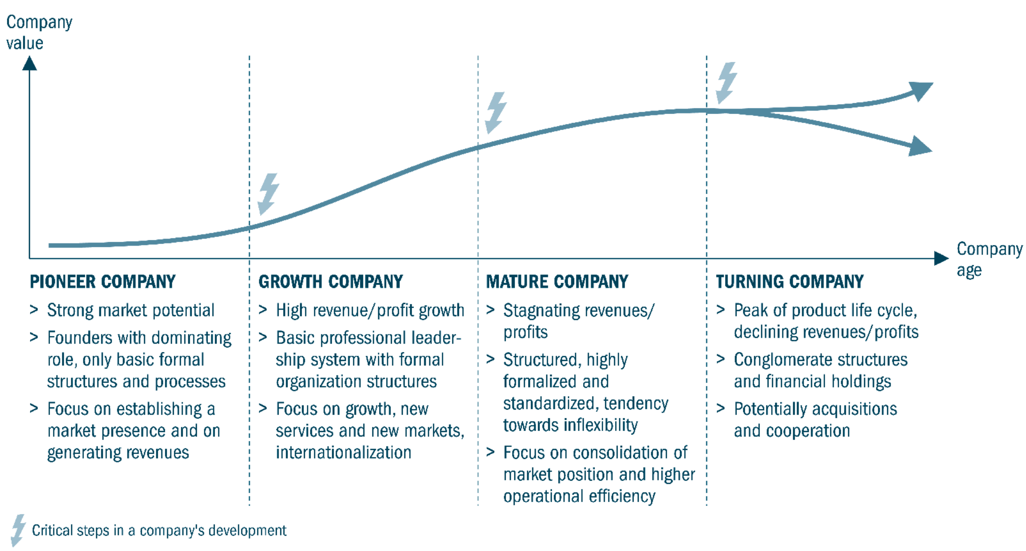
Roland Berger Turkey. Middle East & Africa



Adapting to change is the key to continued success

A successful past does not guarantee an equally successful future. Industrial icons, take Palm Inc., Motorola or Kodak as examples, bear witness that failing to adapt to change may be fatal. Companies in the GCC are in the midst of change: Whilst they have become increasingly mature in recent years, they face added pressure from slower market growth and rising foreign competition. These drivers lead to declining margins and slower revenue growth and thus impact companies' valuations. As GCC corporations and their home markets continue to mature, the owners and management of these companies must assess how to adapt to the changing environment today, to safeguard a successful future.

FIGURE 1: TYPICAL CORPORATE LIFECYCLE

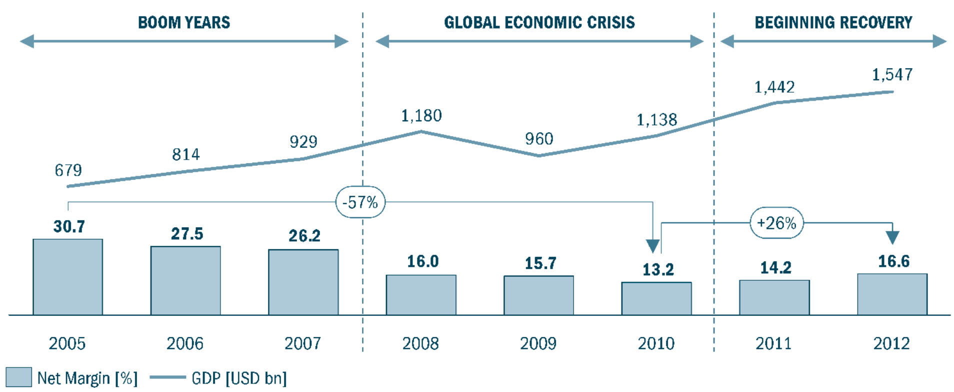


Profitability today at substantially lower levels than before the crisis

From 2000-2008, oil prices rose from USD 29 to USD 104 per barrel. At the same time, oil production by GCC countries expanded from 22% to 24% of global production, while Qatar's natural gas production increased more than three fold. Fuelled by these riches, GCC countries started sizeable spending programs to improve their social and economic infrastructure. These programs included projects to build roads, facilities and networks for water and electricity generation and distribution, residential and commercial real estate as well as investments in industrial infrastructure. Until 2008, the economic stimulus these programs provided pushed GDP growth in the GCC to the stellar rate of 15% annually. In this environment, local companies enjoyed high growth rates and remarkable margins, supported by low cost bases and restrictions on foreign competitors. As a side-effect, they also developed highly diversified structures to capture as much growth as possible.

In 2008, the financial and economic crisis struck economies across the world. GCC governments were impacted by lower demand for oil and declining oil prices. Furthermore, government action focused on stabilizing the ailing financial sector and several development projects were put on hold. GDP dipped and the net margins of GCC companies decreased substantially, reaching lows in 2010. However, since 2011, lower oil exports by Iran and Libya and the strong recovery in oil prices to above USD 100 per barrel has greatly benefited GCC countries. This allowed them to restart development programs and marked the beginning of the current GDP recovery. Nevertheless, net margins did not improve in line with this, indicating that lower profitability is likely going forward.

FIGURE 2: NET MARGIN DEVELOPMENT OF GCC COMPANIES



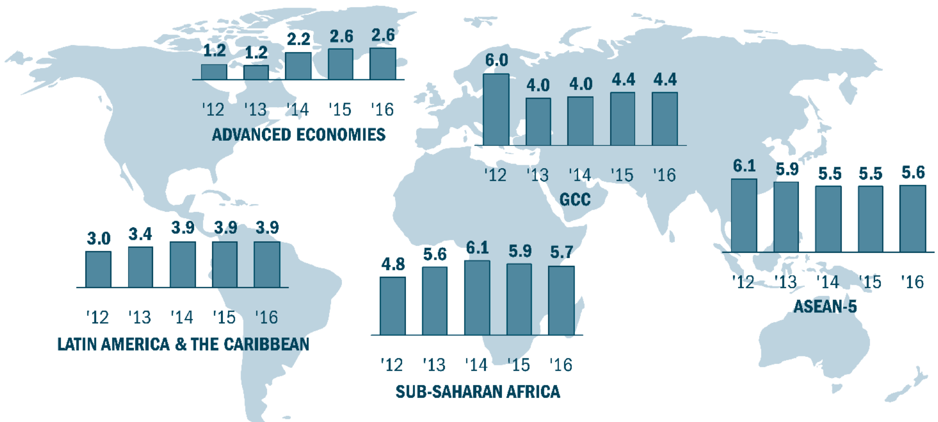
Source: Roland Berger analysis of 475 publicly listed GCC companies with annual revenues over USD 50 million across all industries

GCC economies will remain attractive growth markets in the coming years – but competition is increasing

The Gulf countries remain highly attractive markets as governments continue to spend on housing, education and health as well as large infrastructure projects such as the planned pan-GCC high-speed rail network or the FIFA World Cup 2022 in Qatar. Also, they offer better business environments than growth markets in other regions: All six of the GCC countries rank amongst the top 40 most competitive countries in the Global Competitiveness Index of the World Economic Forum, whereas faster growing African and Asian economies rank substantially lower.

Growth rates, however, are expected to remain below the extraordinary levels of the boom years. Moreover, GCC economies are being increasingly deregulated as governments aim to attract more foreign investors. In this context, key policies that in the past helped to protect local companies against foreign competition were eased – Saudi Arabia for example allows foreign companies full ownership of their Saudi operations if they meet specific requirements and obtain a license from the Saudi Arabian General Investment Authority.

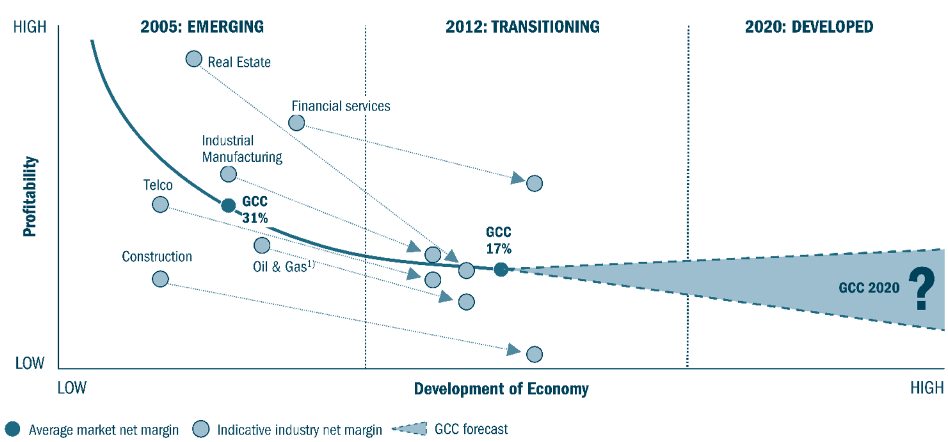
FIGURE 3: GROWTH EXPECTATIONS FOR REAL GDP, 2012-2016 [%]



For GCC, the real GDP growth rates of individual countries were weighted by the GDP at purchase-price parity
Source: International Monetary Fund

The combination of continued growth potential and increasing foreign investor friendliness has raised the interest of international companies to expand into the Gulf. For example, recent research from Eurochambers and by the GCC liaison offices of German chambers of commerce amongst their members suggests that many European mid-sized companies are interested in considering new or add-on investments in GCC countries to benefit from the strong macro-economic environment there.[1)]

FIGURE 4: PROFITABILITY DEVELOPMENT IN KEY GCC INDUSTRIES – INDICATIVE



1) Petrochemicals, refining, oil & gas field services

Source: Roland Berger analysis of 475 publicly listed companies with annual revenues over USD 50 million across all industries

The impact of market liberalization and increasing foreign competition is evident for example in the telecommunications sector: As a result of deregulation since 2000 and the ensuing market entries of foreign companies, government-owned telecom companies experienced a strong increase in competition. This decreased the profitability of incumbent monopolists

1) EU GCC Invest Report 2013 by German Emirati Joint Council for Industry and Commerce, Delegation of German Industry and Commerce in Saudi Arabia and Yemen, Eurochambers, Federation of GCC Chambers

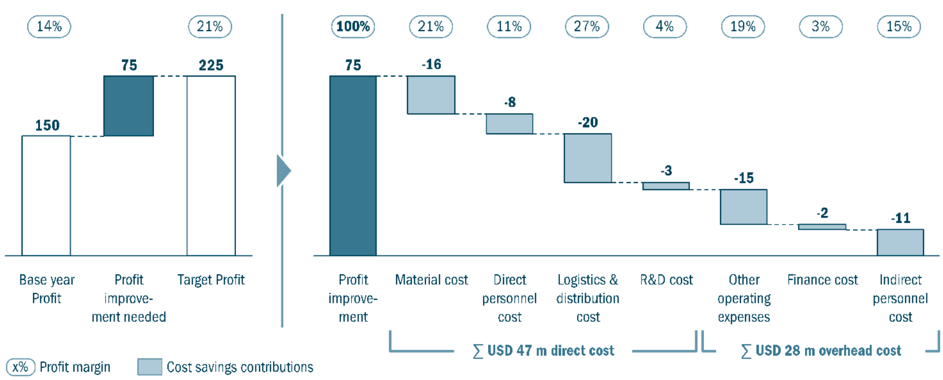
between 2005 and 2012, e.g. Saudi Telecom's net margins eroded from 38% to 12% and Ooreedoo's in Qatar from 40% to 8%. This trend will continue as GCC markets grow and develop further – local corporations across all industries should expect more market entries by companies from advanced economies in search of growth.

Companies need to continuously re-assess their businesses in a holistic manner

"March on. Do not tarry. To go forward is to move toward perfection."
Khalil Gibran, Lebanese writer and poet (1883-1931)

Indeed, moving ahead is critical for GCC companies to cope with the drivers of change: Increasing maturity of their home markets, intensifying international competition, continuing globalization and increasing professionalism of customers are just some of the key dynamics. In the changing market environment, GCC companies should assess their existing businesses for the need of proactive and decisive transformation so as to remain competitive. Moreover, they should identify potential market opportunities the ongoing changes will bring about.

FIGURE 5: TARGET SETTING AND COST SAVINGS CONTRIBUTIONS [USD m] – ILLUSTRATIVE



As an initial step, corporations should define a profit target that enables them to stay competitive in the mid-term. This target should be derived from international best-in-class benchmarks in the specific industry and the target level should strike a balance between being sufficiently ambitious to mobilize the organization and also being achievable to avoid overstretching.

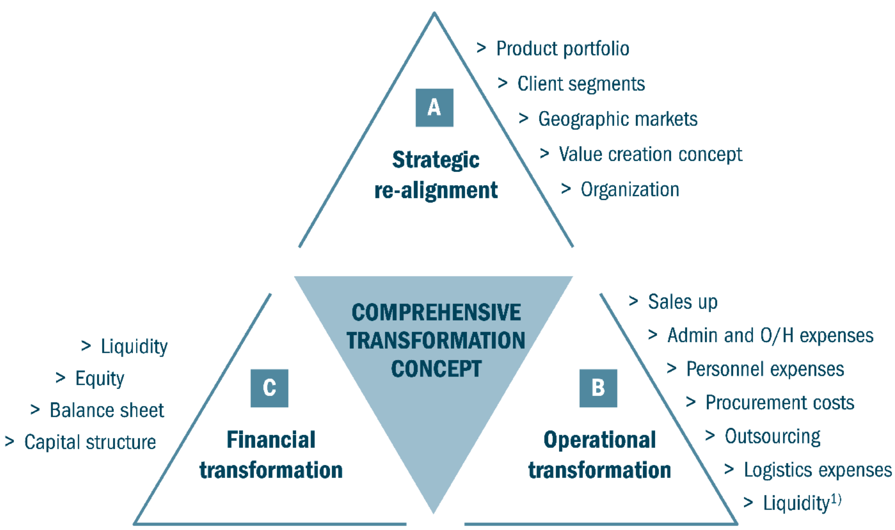
A range of improvement measures should be defined to close the gap between current and target profit. These measures need to address a company's entire value chain with a holistic transformation concept covering the relevant strategic, operational and financial dimensions.

The concept...

> ... defines the future strategic direction with regard to target markets, value proposition and organizational setup
> ... ensures operational excellence at the highest possible levels of efficiency and liquidity generation
> ... establishes and maintains a sound and sustainable financial basis for the implementation of strategic direction and operational excellence

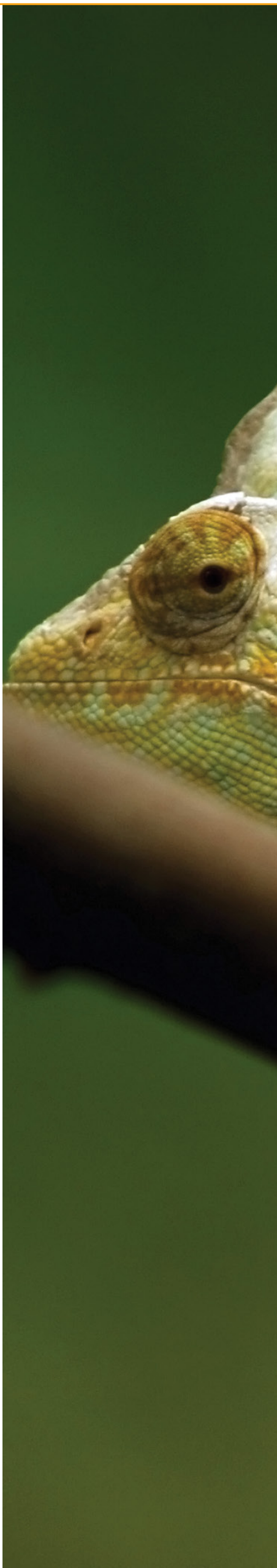
The following figure shows how these components integrate to form the comprehensive transformation concept.

FIGURE 6: COMPREHENSIVE COMPANY TRANSFORMATION CONCEPT



1) e.g. working capital management, divestments

This holistic concept outlines the necessary deliverables to achieve the targeted transformation of the company. The related tasks and actions should be captured in an implementation plan and their financial impact should be reflected in an integrated business plan. These two plans then become the basis for monitoring the successful progress of the transformation program.



Re-aligning the companies' direction towards sustainability

The primary goal of strategic re-alignment is to safeguard the sustainability and competitiveness of a corporation in light of a changing environment. Whilst many GCC companies are not in immediate danger, they should nevertheless understand some of the key reasons for corporate crises, such as:

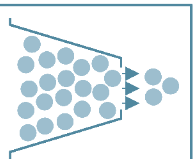
> Diversifying too broadly into businesses not well understood
> Covering market niches below the critical operating size
> Offering mature products at the end of their life cycle
> Disconnecting the value creation architecture from industry trends
> Missing quantum leaps in technological developments

Crises are best managed by avoiding them and strategic re-alignment aims at precisely this. It takes stock of a company's current situation and then defines in which markets and with what resources the company will compete going forward. Conglomerates active in several business segments should decide whether or not to streamline their business portfolio – selling non-strategic and loss-making business segments can be a key lever for avoiding future losses and minimizing current profitability strains. For the continued core business activities, specific strategies should be developed in more detail to cover products and markets as well as organization and production structures. Thus, strategic re-alignment helps companies to develop a clear and sustainable strategic positioning.

FIGURE 7: LEVERS OF STRATEGIC RE-ALIGNMENT

PRODUCT PROGRAM

> Exit unprofitable products
> Reduce product variants
> Introduce component system
> Reduce complexities

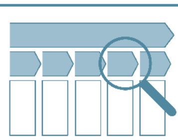


FOCUS ON CORE ACTIVITIES

> Divest business divisions
> Sale of non-core, non-strategic assets
> Outsourcing

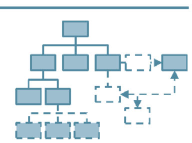
PRODUCTION STRUCTURE

> Make or buy
> Shorten value chain
> Reduce production capacities
> Restructure production



REORGANIZATION

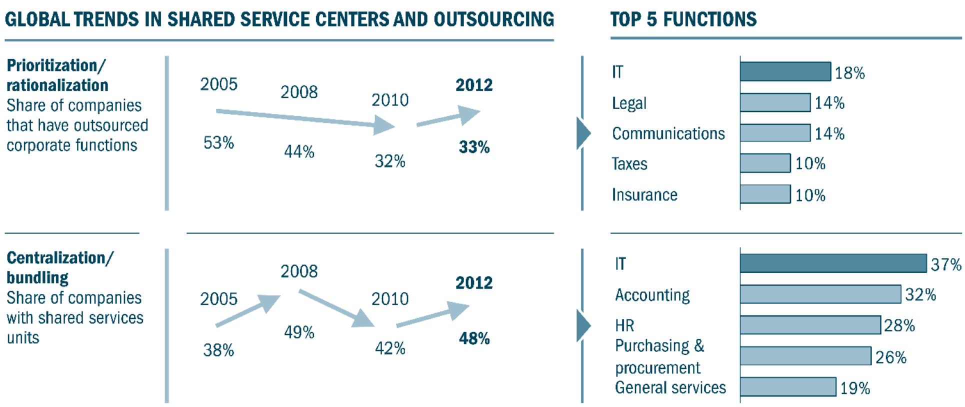
> Reduce management layers
> Introduce profit centres
> Rationalize processes
> Improve personnel structure
> Change distribution structure



The American business professor Alfred DuPont Chandler (1918-2007) coined the phrase "structure follows strategy". In the context of transformation, the structure of a corporation needs to be aligned to its transformed strategic positioning. This involves a review of corporate governance and the degree of centralization as well as hierarchical levels. Furthermore, reorganization needs to consider how the outsourcing or centralization of functions could contribute to improving a specific organization's efficiency.

Outsourcing of functions focuses on specializations that can be provided more efficiently by external providers than by in-house functions. Key considerations behind the centralization of functions are to leverage economies of scale and to improve the service quality of specific functions. The 2013 edition of the Roland Berger Corporate Headquarters Study shows an uptake in outsourcing and offshoring over the course of the last two years – in both cases, IT tops the list.

FIGURE 8: OFFSHORING AND OUTSOURCING TRENDS, 2005-2012



Source: Roland Berger Corporate Headquarters Study 2013

Defining the different elements of the strategic re-alignment appropriately requires forecasts for many variables: GDP growth by region or country, price developments of commodities and other input factors, demand developments or changes in rules and regulations are some important examples. However, many of these variables are likely to be volatile, limiting the accuracy of traditional strategy tools. This is particularly the case for the longer term strategic planning cycles that underpin corporate transformation concepts.

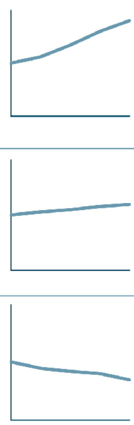
Thinking in terms of scenarios resolves the limitations of traditional planning tools. As the figure below illustrates, the method is based on developing several possible scenarios using different assumptions for key variables in a specific market. For each of these scenarios, companies should quantify their expected impact, define scenario-specific response measures and incorporate the results in a business plan. An important feature of this approach is that it also allows for the identification of measures that would be taken in all scenarios – corporations should implement such measures in any case.

Developing the market scenarios requires input from internal and external stakeholders as well as from market experts. Towards this end, two focused surveys should be conducted. For the first survey, stakeholders should identify key influencing factors of a specific market from their respective point of view. In the second, they should then assess the likelihood and impact of all factors identified in the first survey. This allows corporations to better understand the key competitive factors of the specific market. Furthermore, the method reveals weak

signals and blind spots: Weak signals are factors named by only a few stakeholders in the first survey but assessed as highly relevant by many stakeholders in the second. Blind spots are differences in the perception by internal and external stakeholders and need to be reduced to change the internal bias on specific topics.

FIGURE 9: SCENARIO ANALYSIS – ILLUSTRATIVE EXAMPLE

I DEVELOP MARKET SCENARIOS



Increasing demand, stable subsidies

Increasing demand, reducing subsidies

Stagnating demand, reducing subsidies

II QUANTIFY IMPACT

Scenario 1:

		2013	2014	2015
P&L	Revenues	+4	+6	+4
	Material costs	-2	-3	-2
	Interest expense	0	0	0
B/S	Inventory	+5	0	-3
	Accounts receivables	+5	0	-3
	Long term debt	-10	-3	0

Scenario 2:

		2013	2014	2015
P&L	Revenues	+4	+6	+4
	Material costs	-3	-5	-3
	Interest expense	0	0	0
B/S	Inventory	+5	0	-3
	Accounts receivables	+5	0	-2
	Long term debt	-10	0	+2

Scenario 3:

		2013	2014	2015
P&L	Revenues	+1	-2	+2
	Material costs	--2	-1	-3
	Interest expense	0	0	0
B/S	Inventory	+5	0	0
	Accounts receivables	+5	0	0
	Long term debt	-10	0	0

III DEFINE MEASURES

Scenario 1:

	P&L	B/S	CF
1. Refinancing of capital/loans	✓	✓	✓
2. Optimizing accounts receivable management		✓	✓
3. Downstream expansion	✓	✓	✓
4. Performing key account management	✓		

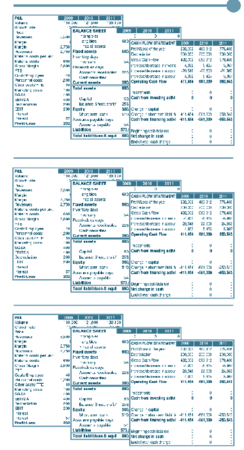
Scenario 2:

	P&L	B/S	CF
1. Marketing budget cuts	✓		✓
2. Securing better payment terms from vendors	✓		
3. Reducing interest rates	✓		✓
4. Salary cuts		✓	✓
5. Performing key account management	✓	✓	✓

Scenario 3:

	P&L	B/S	CF
1. Supplier negotiations	✓		✓
2. Easing pmt. terms for customers		✓	✓
3. Personnel layoffs	✓		✓
4. Divestments of assets	✓		✓
5. Selling of inventory stockpiles		✓	✓

IV INCORPORATE IN BUSINESS PLAN



Doing the right things and the things right

In line with strategic re-alignment, GCC companies also need to develop measures for their operational transformation. These aim at improving profits and enhancing liquidity. The operational measures should be based on a comprehensive value chain analysis and embedded in the targeted improvement of the overall value creation architecture.

FIGURE 10: SELECTED TRANSFORMATION MEASURES ALONG THE VALUE CHAIN

PRIMARY ACTIVITIES

Logistics
- Outsourcing of logistics and warehousing
- Optimization of supplier base

Operations
- Closure, outsourcing or spin-off of production
- Reduction of purchase prices
- Reduction of wages, salaries and benefits

Marketing & Sales
- Better management of accounts receivable
- Optimization of pricing mechanism/decisions

Operations
- Adjustment of warranty and terms of exchange and repair
- Shared service center for all product groups

SECONDARY ACTIVITIES

Procurement
- Purchase cost reductions via volume discounts, supplier management, etc.
- Management of accounts receivable jointly with sales force

Finance
- Optimization of financial structure
- Monetization of non-operating assets
- Reduction of financing cost

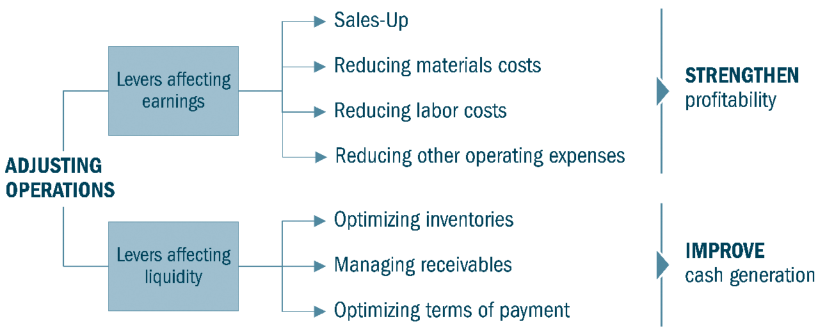
Human Resources
- Reduction of employee base
- Improvement of employee efficiency
- Alignment of employee incentives with company incentives

Research & Development
- Achievement of better product and service quality
- Reduction of warranty and repair cost

Infrastructure
- Minimization of rental cost, e.g. through centralization of functions
- Optimization of IT architecture
- Shared Service Centers

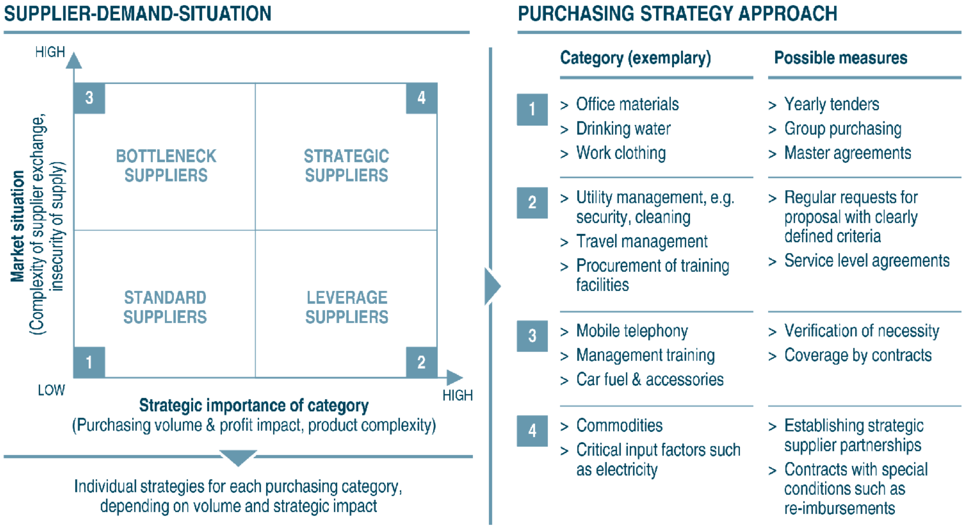
The measures for the operational transformation of a business relate to the profit and loss statement of a company when looking at profit enhancements and to the working capital when looking at improving cash generation.

FIGURE 11: LEVERS FOR OPERATIONAL RESTRUCTURING



To strengthen a company's profitability, cost management is the key for long-term sustainability. Reducing material costs is an important building block of cost savings and can be addressed by a range of different levers. Companies should analyze each purchasing category in detail for their demand and supply situation. Then category-specific purchasing strategies should be developed to leverage cost-savings potential through long-term supplier contracts, bulk purchasing, group purchasing or increased supplier competition to name a few examples.

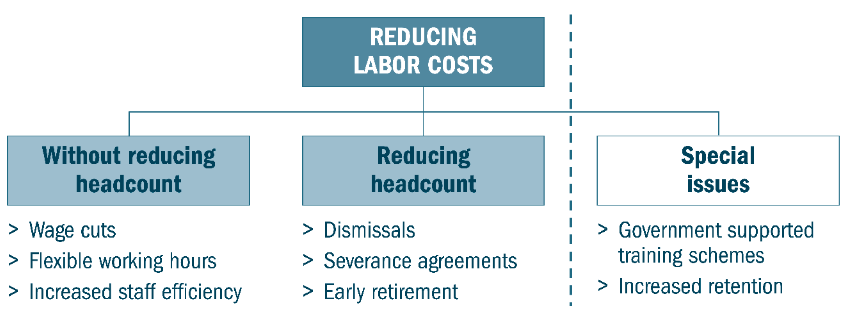
FIGURE 12: PROJECT EXAMPLE FOR PURCHASING STRATEGY DEVELOPMENT



Another element of cost management, the cost of labor, will become a critical topic as governments push employment quotas for GCC nationals. These will reduce access to foreign labor, which in the GCC is often cheaper and more flexible than local labor. In addition, the limited availability of sufficiently skilled and motivated local talent makes it difficult for companies to achieve the often ambitious nationalization quotas. In the face of severe penalties for failing to meet these quotas, companies will need to increasingly compete for the available local talent. Furthermore, retention of qualified individuals will also become an important challenge in this environment, especially for companies in transformation.

To tackle these challenges, companies need to consider a range of measures to manage labor cost. Amongst these, the identification of optimal staffing levels is key to keeping the total workforce at the necessary minimum. Also, training and development activities contribute to improving staff efficiency and companies can make use of government programs providing financial incentives for such schemes. Furthermore, a company should develop a clear employer brand and employment proposition to attract and retain qualified employees. Additional measures to save labor costs should also consider levers to reduce corporate headcount.

FIGURE 13: LEVERS FOR OPERATIONAL RESTRUCTURING



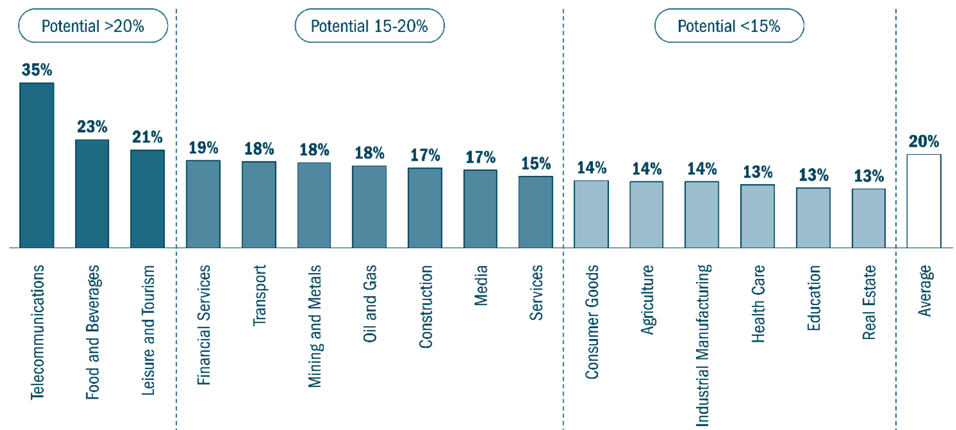
Furthermore, operating expenditure should be tackled, including expenses for marketing, IT, energy, travel, telephone, office administration, facility management, professional services and other items need to be addressed with specific cost savings measures. Many of these are directly visible to employees and can therefore contribute to developing greater cost consciousness amongst staff. These savings also send a tangible signal to the organization that the transformation program is serious and that measures are being implemented.

Aside from cost savings, companies should also aim to improve the top-line. In their increasingly competitive home market environment, corporations need to focus on their customer base to prevent the loss of existing customers and win back lost ones. Examples for sales improvement measures include internal and external cross-selling, optimization of the product and services mix, improved customer acquisition and support services, specific promotions and possibly a greater focus on exports. However, measures to enhance sales should be reflected in the business plan very conservatively, to avoid an over-dependence of the transformation goals on successful top-line improvement.

Significant cash generation potential in all industries

In addition to cost management, operational transformation aims to improve the cash generation of the business. This area is likely to have substantial impact on GCC companies: A high-level outside-in analysis of the working capital of 250 of the Gulf's largest corporations indicates an estimated accumulated cash generation potential of up to USD 11 billion if better working capital management was applied.

FIGURE 14: ESTIMATED CASH GENERATION POTENTIAL AS A SHARE OF WORKING CAPITAL

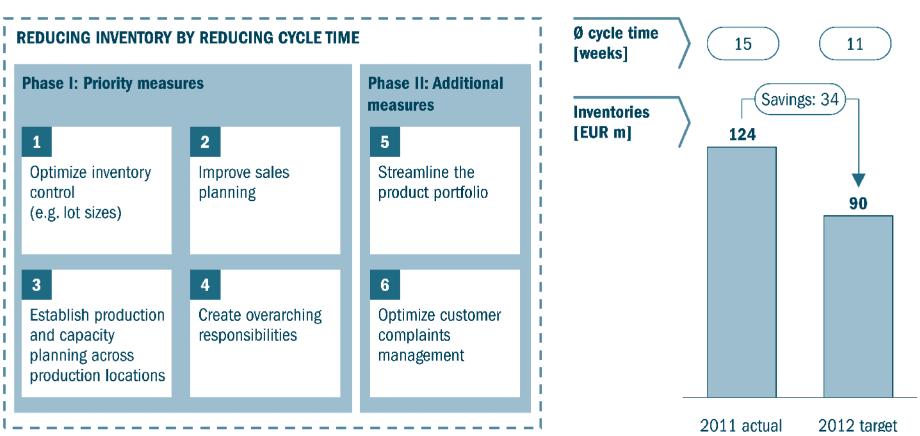


Source: Roland Berger analysis of the 250 largest publicly listed corporations in GCC

Measures to increase cash generation cover the optimization of inventories, accounts receivable and accounts payable. These measures will have impact on external suppliers and customers and therefore need to be carefully designed, coordinated and communicated.

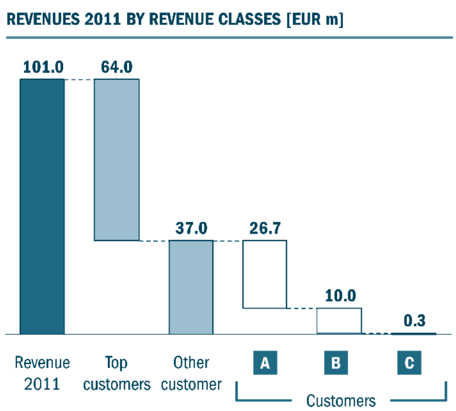
Within this context, inventory management aims to minimize the cost of inventory carried by reducing the average inventory a company holds, for example by shortening inventory cycle times. However, this needs to be carefully balanced against the requirements of production and sales.

FIGURE 15: PROJECT EXAMPLE FOR THE REDUCTION OF INVENTORIES



Receivables management addresses the billing and collection processes. Companies must understand in detail the age structure of their receivables and the reasons for overdue payments, as well as the need to identify debtors that consistently delay payment beyond agreed payment terms. Measures to ensure payment collection must be developed along with measures to reduce accounts receivable outstanding. Considering the cultural background in the Gulf, companies should leverage all their customer interactions and closely involve the sales force in the collection process.

FIGURE 16: PROJECT EXAMPLE FOR ACCOUNTS RECEIVABLE MANAGEMENT



	VOLUME	FY EFFECT	Ø PAYM. REDUCT.
A CUSTOMERS > Re-negotiation > Corrections in the context of new projects > Overdues in focus	26.8	0.6	0.6
B CUSTOMERS > Re-negotiation (max. 45 days) > Mailing/individual contact > Application of new terms with new business	10.0	0.5	18
C CUSTOMERS > Mailing change of terms > Target <14 days/ cash upfront	0.3	0.01	12
TOTAL	**37.1**	**1.11**	**11**

Accounts payable management is the final element of working capital optimization. This covers the consolidation of suppliers, strategic negotiation of payment terms, optimization of payment methods as well as the minimization of payment administration cost. However, companies must be particularly careful to avoid any reputational damage that could result from changing payment patterns.

Rebalancing the balance sheet

Rebalancing the financial structure of a company aims at developing sustainable footings that support the strategic re-alignment and operational transformation. It also utilizes options to optimize the cost of capital and ensures that the company is able to finance all investments and costs associated with the transformation. The current financing structures of GCC companies, on average, indicate a fairly strong equity base in many industries, limited usage of debt leverage and strong cash positions – suggesting that a substantial majority of companies enjoy strong balance sheets and can therefore embark on their corporate transformation from a position of strength.

Financial restructuring to optimize debt leverage may nevertheless be beneficial in many cases. In general, higher leverage increases the ability of a company to finance operations at comparably low rates and thus can contribute to improving return on equity. As some

companies in the GCC may face restrictions in the usage of conventional debt, they should aim to optimize capital structures within their specific boundaries. Furthermore, Islamic finance is quickly maturing on the back of recent initiatives towards better product standardization and higher transparency of underlying risks. These initiatives also help streamline complex documentation and sign-off procedures for Shariah-compliant financing facilities. As a result, Islamic Finance is becoming a viable alternative for the debt financing of GCC companies and companies required to use Shariah-compliant debt instruments will also increasingly find opportunities to optimize their financing structures.

However, by no means all companies are in the comfortable position outlined above and those without strong balance sheets will likely be the first to feel the need for restructuring. They will need to identify levers to strengthen their balance sheets and to successfully implement the developed strategic and operational transformation program. Several measures are at their disposal and their implementation depends on the urgency of the situation:

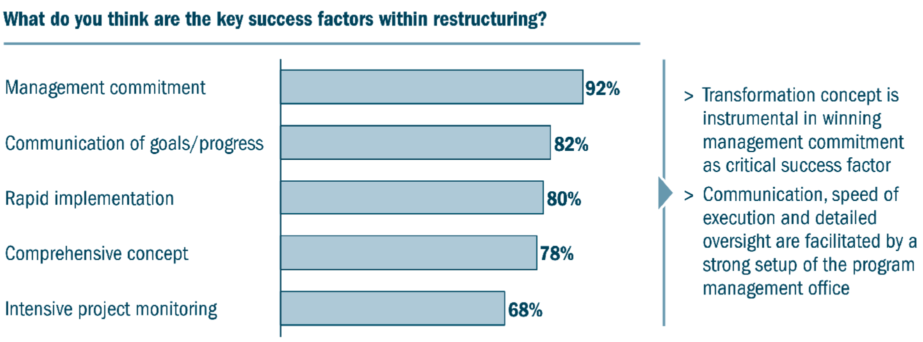
> Structural balance sheet streamlining – Deferral and rescheduling of debt payments, waiver of claims by creditors, write-offs
> Equity capital injections – Increase of share capital from existing shareholders, identification of new shareholders, e.g. private equity funds
> Debt capital injections – Issuance of bonds, additional bank loans, shareholder loans, loans from development banks and institutions
> Divestment of non-core assets – Sale of business lines that are not part of the strategic positioning, sale and lease-back of operating assets, sale of non-operating assets
> Other means of financing – Mezzanine capital, government support in case of economic significance of the company

Value add lies in the implementation

The inventor of the light bulb, Thomas Edison (1847-1931) said, "the value of an idea lies in the using of it". Even the most thought-out transformation concept will yield results only if it is brought to life. Several key support activities, e.g. financial business planning, implementation support and project organization to name a few, help to ensure successful implementation of the concept.

The commitment of shareholders and management is absolutely critical for the success of any transformation program. Their willingness to follow through with the program reflects positively on the employees' readiness to contribute the required significant efforts. Furthermore, the clear commitment of owners facilitates a quick and focused decision-making process. As many GCC companies are fully or partially owned and run by families, the success of the transformation starts with their full support of the program. The following figure shows critical success factors according to over 150 board members and managing directors surveyed in the Roland Berger Restructuring Study 2013.

FIGURE 17: KEY SUCCESS FACTORS IN TRANSFORMATION



Source: Roland Berger Restructuring Study 2013

Change creates uncertainty and employees may be afraid of losing their jobs and attempt to derail the transformation. Therefore, transparent communication on the goals, progress and achievements of the program is important to reduce uncertainty. This also helps in creating active support for the transformation and thus engenders quicker progress. Means of communication should include regular updates by email, company circulars or social media, dedicated intranet sites, transformation town hall meetings, individual discussions and other tools and media. Whilst excellent communication is an important factor in any transformation situation, it is even more important in the context of the significance of personal relationships in the cultural setting of the Gulf.

The detailed actions, decisions and milestones of the transformation program and their respective sequence and due dates are defined in a measure implementation plan. This plan is the yardstick to determine the progress of the transformation program and to identify delays and roadblocks. Furthermore, the implementation plan feeds into the communication with employees and to other stakeholders of a company. The integrated financial business plan translates the impact of the transformation measures onto the balance sheet, income statement and cash flow statement of a company. It enables management and owners to track the financial impact of the implementation progress over time and allows aligning staff with the goals and aspirations through Key Performance Indicators.

An adequate program governance structure ensures transparency of the organization and resourcing of the transformation program. At its core is a dedicated program management office that bears the brunt of the implementation work. This includes coordinating with line managers, developing measures, conducting analyses, monitoring program progress and much more. Internal resources with the required skill set are the backbone of this office and it is critical to maintain their motivation, e.g. giving them a clear vision of their place in the transformed company. Targeted external support can bring specialized know-how and peak capacities into the program when required. External parties are also freer to address contentious issues and can provide independent and unbiased advice.

Implementing a transformation program is a complicated undertaking and has been compared to open heart surgery because it is conducted as the corporation continues to operate, i.e. "live". Thus, IT-based support is in many cases necessary to handle the complexities of a transformation program. Over the course of more than 2,000 projects completed in a wide range of industries and settings, Roland Berger Strategy Consultants developed RBpoint as a dedicated management tool to facilitate intensive program oversight and successful implementation.

FIGURE 18: IMPLEMENTATION SUPPORT WITH RBPOINT

TOP DOWN

BENEFIT FOR MANAGEMENT	RBpoint FUNCTIONALITY	BENEFIT FOR PROJECT MANAGERS
Overview of program status and progress	**Reporting**	Supporting project management activities
Quality control and information source	**Documentation**	Promoting efficient project/ team work
Identifying deviations in budget/ actual figures and the need for (management) action	**Monitoring results**	Identifying deviations in budget/ actual figures and the need for action in the project
Quality control and development of intellectual capital	**Structuring the project**	Helping people understand the project and supports project definition and implementation
Used for communicating the program internally and externally	**Communication**	Transferring know-how at the Project Manager level

BOTTOM UP

Measurable result quality in the overall corporate performance program

Ultimately, whilst frameworks and tools are key requirements, a transformation program will only be as successful as the individuals assigned to implement it. Clear leadership, vision and communication are critical to maintain an organization's focus on what needs to be done, by whom, when and why.

Leverage the bright outlook – transform today, succeed tomorrow

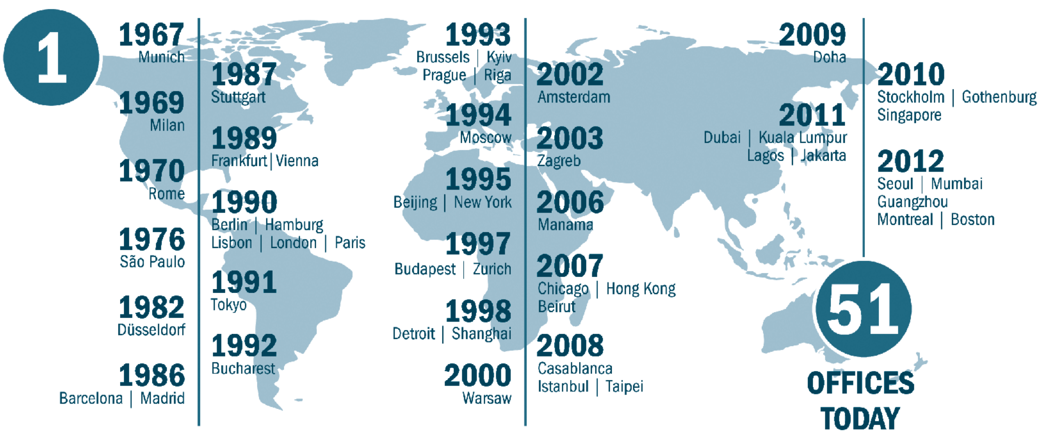
The GCC economies will continue to be interesting growth markets for many years to come. As they are becoming more open to foreign players and more mature at the same time, local companies will be challenged in their current competitive positions. In this dynamic market environment, answers have to be found to the question of how to remain competitive as home markets become increasingly globalized.

A strong framework for corporate transformation helps companies in the GCC to better understand their specific needs for change and offers a structured approach to implementing the required change. Failing to engage in such a comprehensive transformation will likely put corporations in difficulty going forward. In that case, the opportunity for proactive transformation will be gone and replaced with the need for reactive and painful restructuring. Transforming today is the best way for local companies in the GCC to succeed tomorrow.

ROLAND BERGER STRATEGY CONSULTANTS – ABOUT US

Roland Berger Strategy Consultants, founded in 1967, is one of the world's leading strategy consultancies. With about 2,700 employees working in 51 offices in 36 countries worldwide, we have successful operations in all major international markets. The strategy consultancy is an independent partnership exclusively owned by about 240 Partners.

Roland Berger's business is organized into global functional and industry competence centres. Its practice areas include corporate development, marketing and sales, operations strategy, restructuring and corporate finance and information management. Industry specialties include automotive, consumer goods and retail, energy and chemicals, engineered products and high-tech, financial services, information communications, pharmaceuticals and health care, public services and transportation.



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