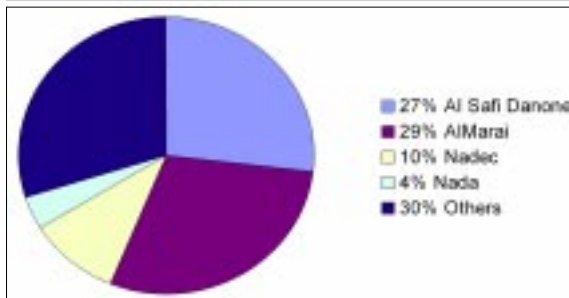
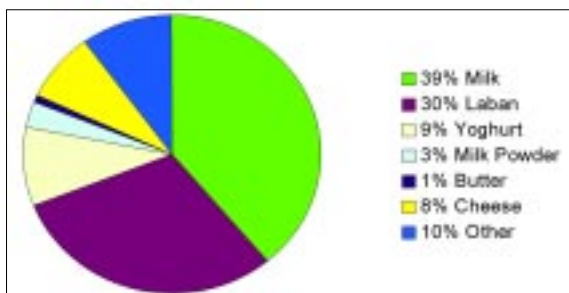


On Saturday, September 9, 2006, Mohammed Al Sarhan, Managing Director of Al Safi-Danone, the dairy products group, delivered a superb presentation to the RGBB Membership and their guests. Mr Al Sarhan conveyed his message with humour, intelligence and the highest level of professionalism. Only as his description of the vision, the challenges and the ultimate success of the business unfolded was it possible for the audience to begin to appreciate the truly remarkable nature of this extremely successful joint venture.

With the exception of the petro-chemical sector, true joint ventures are surprisingly rare in the Kingdom. Most of the RGBB Membership comprises UK nationals working for Saudi companies that are agents or distributors for UK goods and services. A notable exception would be SABB, sponsors of this evening's event. In the case of SABB, however, the decision to become a joint venture after operating in the Kingdom on a wholly owned basis was consequent to changes in banking legislation as opposed to seeking specific synergies between corporate partners.

The demand for dairy sector products, which is strongly underpinned by Saudi Arabia's demography with huge numbers of young people, and Al Safi-Danone's market share are as follows:



The unique dynamic of the JV Story, as the presentation was called, is that a Saudi company decided that it needed to grow by acquiring know how from a major international partner. The company asked itself:

- How can we further leverage Al-Safi brand name?
- Can this "Brand Equity" be extended to products outside dairy?
- How do we create a USP to differentiate Al-Safi from the crowd?
- How can we significantly improve Al-Safi R&D capabilities?
- Do we start from scratch or can we leapfrog the process by linking up with a well-established global player?

The outcome of the review was clear:

" If Al Safi wishes to achieve its ambitious business goals and future growth plans it must consider a tie-up with a global dairy leader"

The executive team then set out to identify the best partner in the world terms of fit. They then worked out how to restructure the Saudi company to achieve an optimal fit with the selected international partner. To be successful they had to answer two questions about themselves:

Why Saudi?

- It is the biggest market in the region.
- Stable political situation.
- Huge drink market (2.8 billion litres at that time)
- Relatively low per capita consumption of dairy products (40 kg for total dairy in 2002).
- Strong Population growth (around 3%/year)
- Stable currency backed by government support.
- Well-built infrastructure and state of the art communications
- New Tax laws encouraging foreign investments

And just as importantly: Why Al Safi?

- Highest and fastest growth among Saudi dairy companies
- Second biggest player (at that time)
- Al Faisaliah Group connection
- Strategic milk supply (The largest farm in the world)
- Well-structured distribution network
- Strong presence in lower end of the trade
- Strong brand awareness
- International fame (in The Guinness Book of Records)
- ISO Quality Certification

Negotiations while challenging were ultimately successful. The new brand launch was transformational:

Special Briefing Al-Safi Danone