

THE LEBANESE INFORMATION TECHNOLOGY INDUSTRY

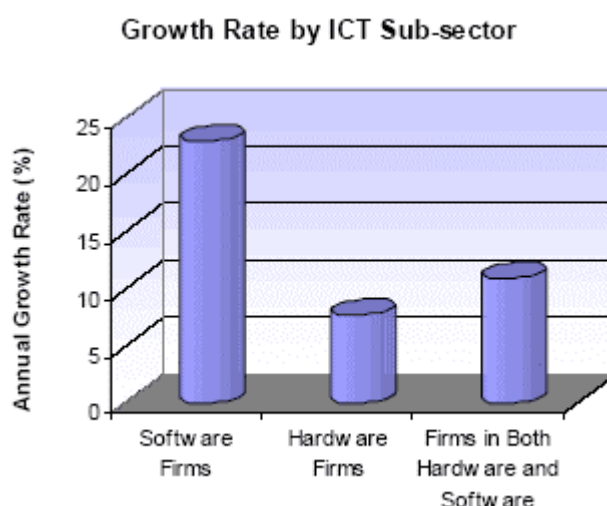
(This data is based on a survey, published by SRI international in May 2004)

Size/Growth

The size of the Lebanese ICT industry is estimated to be in the range of \$360-\$400 million in terms of total sales and employs around 6,500 people.

Against the background of a faltering high-technology sector worldwide the Lebanese ICT industry recorded an impressive annual growth rate of nearly 12.5 % over the last two years.

Lebanese software players grew at 22.9 % p.a., hardware players at 7.7 % and firms with a mixed business focus on software and hardware grew at 10.9 % p.a.



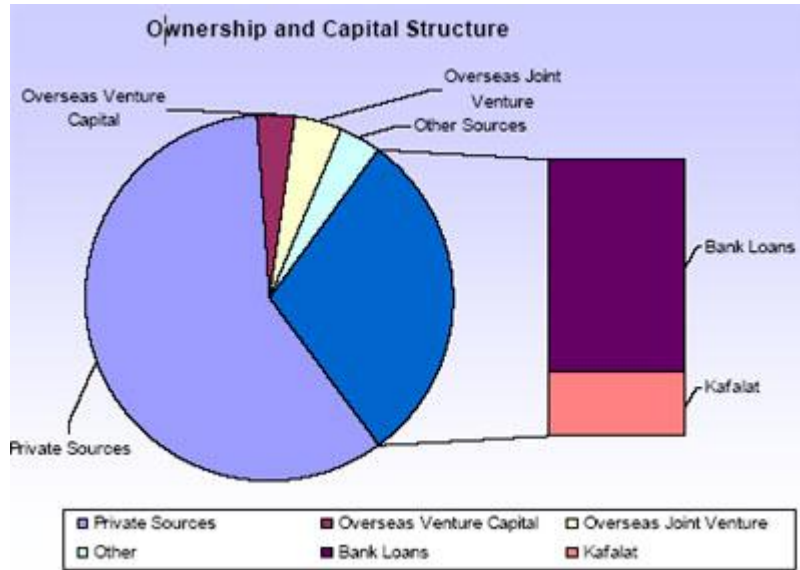
The fastest growth rates with 24.5 % p.a. are reported by small ICT firms, the medium-sized firms recorded an average growth rate of 19 %. An average annual growth of 12 % was reported by the large firms, a rate marginally below the industry average of 13 % p.a. 95 % of all the firms could note down growth.

The most important barriers of growth as reported in the survey are the lack of information on export markets, policies and procedures while the least important criteria was the availability of workers with the requisite technical skills.

Ownership/Capitalisation

Out of the responding 146 firms of the survey, 59 % are held privately with much of their capital needs met with personal financial resources, indicating the dominance of the local entrepreneurial capital in the development of the ICT sector in Lebanon. The second major source to put up capital were bank loans which 30 % of all respondents had received. Nearly 7 % received assistance through "Kafalat", a governmental company providing financial guarantees (up to 75%) for loans granted by commercial banks to SMEs in the sector "New Technologies" (among others).

Beside these figures 4 % of the firms had formed joint ventures with overseas firms and 4 % had received venture capital from investors outside Lebanon.



Distribution of responding ICT firms based on various forms of ownership and capital structure

Employment

The major ICT employers in Lebanon are large firms engaging mostly technical staff. While these large firms employ over 62 % of total employees, employment at small firms remained very low with only 7 % of total employees, whereas medium-sized firms accounted for one-third of the reported employment. Concerning the sub-sectors the software industry employed the majority (55 %) of employees. The firms with focus in software and hardware employed 25 %, the hardware firms 16 % and the IT-enabled services (ITES) sector 4 %.

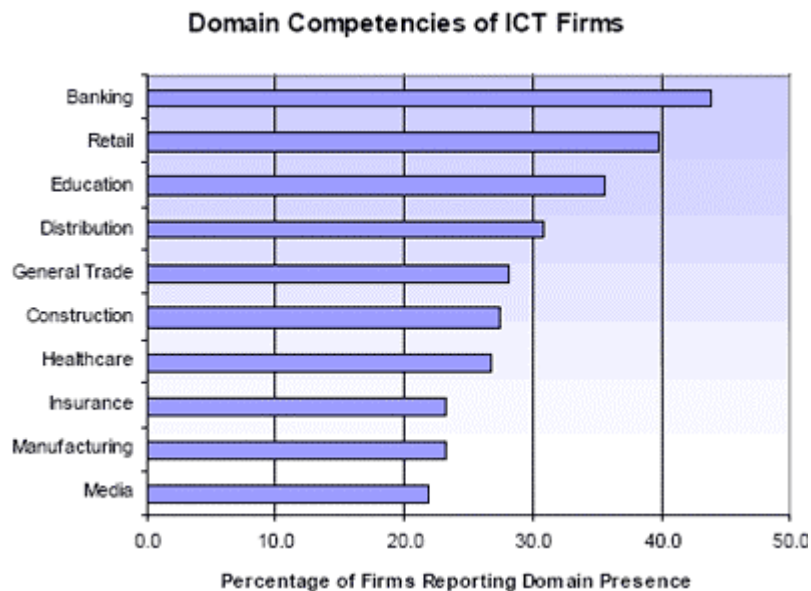
Over 76 % of all respondents of the survey deploy technical workers onsite i.e. at their clients premises. This indicates the collaborative nature of Lebanese ICT companies with the technology buyers.

Quality Orientation

Although Lebanese ICT companies are aware of the exigency of performing high quality products as an important success factor the implementation is lacking. ISO 9000 or SEI CMM certification as indicators in this field were carried out only by eight of the 146 respondents of the survey but 70 % reported having designated specific employees for quality improvement related activities to ensure production and delivery standards and 42 % had participated in quality/productivity improvement seminars and workshops.

Market Focus

The Lebanese companies' domains of competency are banking (high profile), retail, education, distribution and general trade sectors.

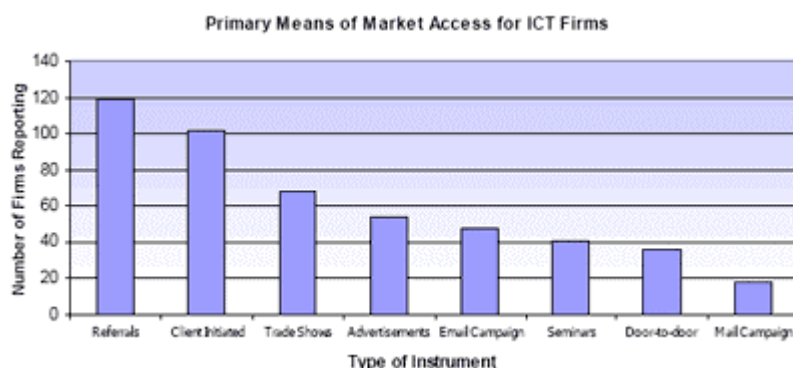


While a clear majority of firms sell and service branded software and hardware products, a number of them are engaged in the development and maintenance of those products and offer consulting services. Software programming is reported in the survey as one of the core capabilities by the majority of the software firms. Software code testing, system integration and software design followed in this ranking of firms' core capabilities, with declining importance.

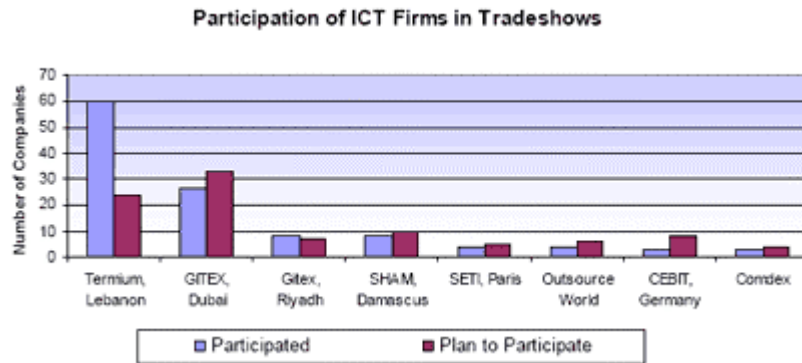
The majority of the software firms compete on their ability to customise software to client needs, high quality, and after sales service rather than on low prices while low prices and high quality are still the primary factor of competitive success in the hardware sector.

Market Access/Business Development

When asked for the instruments they used in the last two years to generate business leads 119 of the 146 ICT firms in the survey reported that referrals from existing clients have opened further business opportunities (beside traditional door-to-door marketing and advertisements to e-mail campaigns and trade shows). Referrals and repeat businesses are indicators of client satisfaction and a key ingredient to future success. Lebanese ICT firms show a positive performance here.



Participation in trade shows emerged as the second most important way of generating business leads. In the last two year nearly 47 % of all respondents of the survey had participated in some tradeshow that helped them generate business opportunities. The trade shows attended by most of the firms were the "Termium Lebanon" and the "GITEX" (see the following diagram).



Export

In the survey more than half of the 146 interviewed companies reported that at least 10 % of their sales resulted from activities outside Lebanon. Almost a quarter of these firms was export-focused, with over 75 % of their revenue coming from outside of Lebanon.

The most important market for Lebanese ICT companies is the Gulf Region followed by the Middle East countries. Europe ranges in the third place, in particular France, the U.S.A. and Asia take place four and five.

