



Investment Opportunity White Paper On

Establishing a Manufacturing Facility for **“Filters”** in the Kingdom of Saudi Arabia

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1. Objective

To have local manufacturers capable of manufacturing various custom materials as well as specific materials to support the aging, normal and advanced repair initiatives for continuous industrial operations.

2. Introduction

Saudi Aramco consumes many different types of filters in large quantities. Other Kingdom major companies like SABIC, SWCC and SEC also utilize such materials in significant quantities.

3. Background

Filtration is a mechanical or physical operation which is used for the separation of solids from fluids (liquids or gases) by interposing a medium through which the fluid can pass, but the solids (or at least part of the solids) in the fluid are retained. It has to be emphasized that the separation is not complete, and it will depend on the pore size and the thickness of the medium as well as the mechanisms that occur during filtration. Wikipedia

- Filtration is used for the purification of fluids: for instance separating dust from the atmosphere to clean ambient air. Wikipedia
- Filtration, as a physical operation is very important in chemistry for the separation of materials of different chemical composition in solution (or solids which can be dissolved) by first using a reagent to precipitate one of the materials and then use a filter to separate the solid from the other material(s). Wikipedia
- Filtration is also important and widely used as one of the unit operations of chemical engineering. Wikipedia



The majority of filters are made from filter papers and metals as a cage to keep the filter paper in the position.

Filter paper is a semi-permeable paper barrier placed perpendicular to a liquid or air flow. It is used to separate fine solids from liquids or air. Wikipedia

4. Raw Materials Used and Availability in KSA

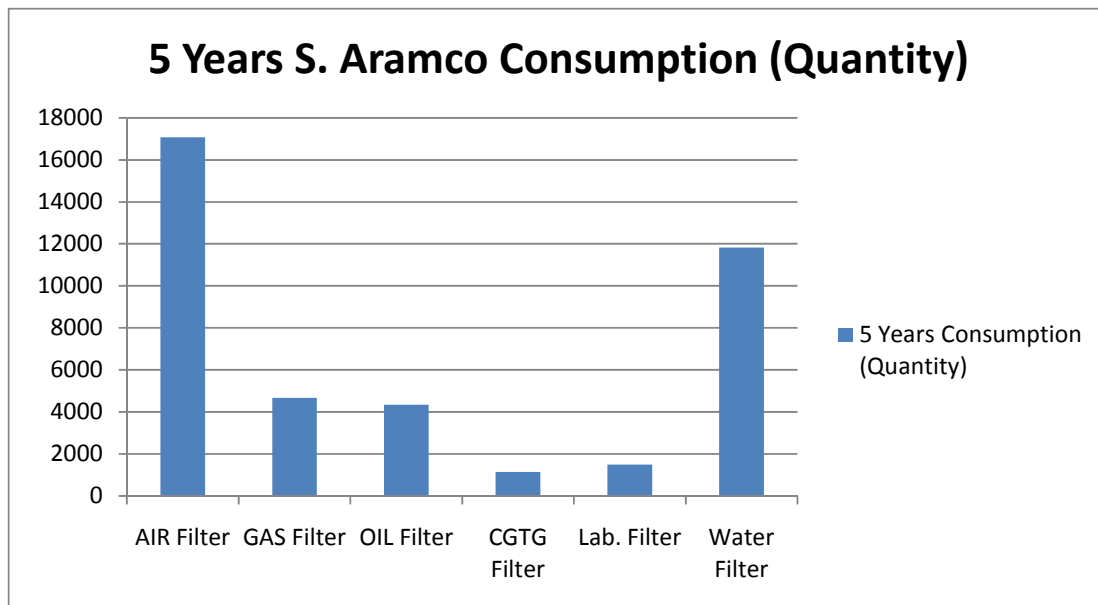
At present, the availability of raw materials is limited in KSA. However, the potential for local manufacturer is possible with many filter paper plants coming up in the near future and the availability of low cost energy.

It is important to note that raw materials and manufacturing equipment could be imported with full exemption of custom duties as long as these are not produced and manufactured locally.

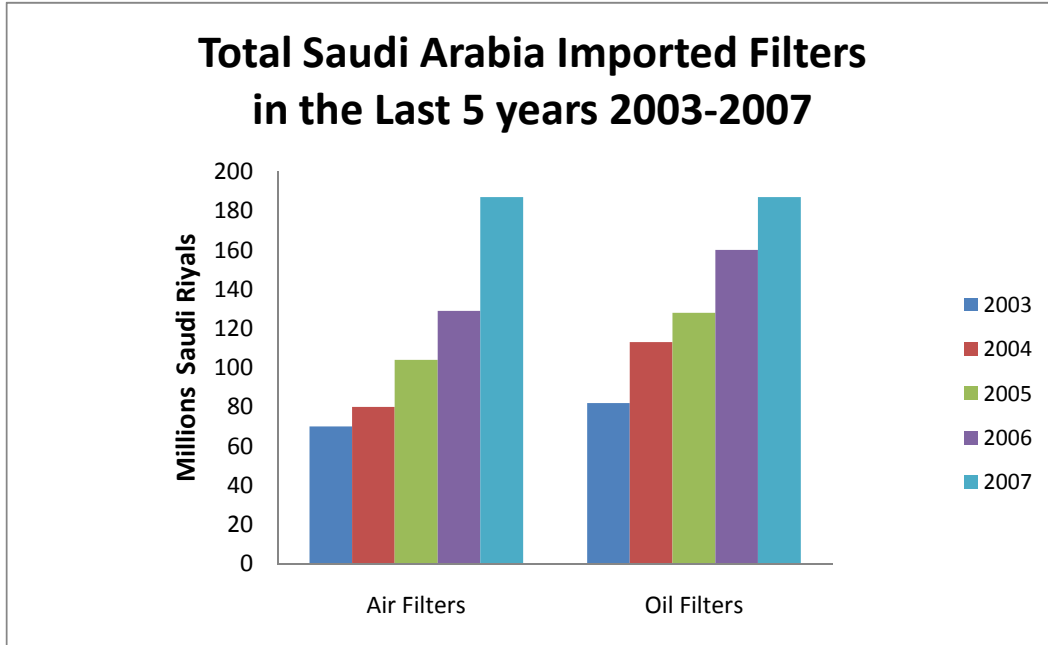
5. Current Situation and Market Potential

Currently, there are some filters manufacturing facilities in the Kingdom with limited capacity & capability. Saudi Aramco average demand of various filters elements is significant. The maintenance, repair and operation (MRO) demand is shown below. The figures exclude procurement by LSTK Contractors on Saudi Aramco projects as well as our joint ventures in the Kingdom. Additionally, there is significant demand for those materials in major in-Kingdom companies as well as, in other GCC countries and rest of the Middle East.

The regional demand trend for filters elements is increasing because of the tremendous and fast expansion in the industries like oil, gas, petrochemical, power and other industries and other equipment manufacturers in the region.



Also, the Ministry of Economy and Planning web site (www.mep.gov.sa) shows the total imported filters in SR value is shown below.



There are some local filters manufacturers that we listed some of them below:

Material Description	Manufacturer Name	Address
FILTER; LABORATORY;	MEDICAL DIALYZERS CORPORATION	Jeddah
FILTER; AIR;	A.A.F. SAUDI A RABIA COMPANY	Riyadh
FILTER; AIR;	DESERT AIR FILTER FACTORY CO	Riyadh
FILTER; AIR;	GULF AIR FILTERS FACTORY COMPANY	Riyadh
FILTER; AIR;	JUFFALI FACTORY FOR AIRDUCT AND ACC	Jeddah
FILTER; ELEMENT; COMBUSTION GAS TURBINE;	RASHED AL RASHED AND SONS DONALDSON	Dammam
FILTER; ULTRAFILTRATION; WATER; BELOW 1/	VEOLIA WATER SOLUTIONS AND TECHNOLO	Dammam
FILTER; ULTRAFILTRATION; WATER; BELOW 1/	SAUDI INDUSTRIES FOR DESALINATION	Riyadh
FILTER: FILTER MEDIA; SAND, ANTHRACITE,	WATER AND ENVIRONMENT TECHNOLOGIES	Riyadh
FILTER: FILTER MEDIA; SAND, ANTHRACITE,	VEOLIA WATER SOLUTIONS AND TECHNOLO	Dammam
FILTER: FILTER MEDIA; SAND, ANTHRACITE,	WATER AND ENVIRONMENT TECHNOLOGIES	Riyadh
MEMBRANE; SPIRAL WOUND TYPE FILTER	VEOLIA WATER SOLUTIONS AND TECHNOLO	Dammam
MEMBRANE; SPIRAL WOUND TYPE FILTER	SAUDI INDUSTRIES FOR DESALINATION	Riyadh
FILTER: FILTER MEDIA-WATER FILTERATION	ADWAN CHEMICAL INDUSTRIES COMPANY	Riyadh
FILTER: FILTER MEDIA-WATER FILTERATION	VEOLIA WATER SOLUTIONS AND TECHNOLO	Dammam
SANITARY WASTEWATER FILTERS	AES ARABIA LTD	Riyadh
SANITARY WASTEWATER FILTERS	VEOLIA WATER SOLUTIONS AND TECHNOLO	Dammam
FILTERS; ALL KINDS	CHAANDEWALA ENTERPRISE COMPANY	Dammam
FILTERS; ALL KINDS	SUNPOWER METAL INDUSTRY	Dammam
FILTERS; ALL KINDS	SAUDI FILTERS CO.	Dammam
FILTERS; ALL KINDS	NATIONAL FACTORY FOR GRILLES AC FILTRATION	Dammam

There are some International manufacturers and Technology providers that we listed some of them below:

Manufacturer Name	Country
WALKER PROCESS EQUIPMENT	USA
MILLIPORE CORPORATION	USA
WALTER STAUFFENBERG GMBH & CO KG	Germany
WARNER LEWIS INDUSTRIE FILTER GMBH	Germany
NATCO GROUP/DIV OF NATIONAL TANK	USA
SIEMENS WATER TECHNOLOGIES	USA
WESTECH ENGINEERING INCORPORATED	USA
CALGON CARBON CORPORATION	USA
WHITTIER FILTRATION	USA
PUROLATOR COMPANY	USA
DONALDSON	USA

6. Special Requirements

Saudi Aramco requirements are covered under various Saudi Aramco Materials System Specifications SAMSS for each commodity. Also, it has to be equipped with integrated laboratory which is equipped with all various testing machines.

7. Conclusions & Way Forward

Provided the above analysis, there may be a feasible investment opportunity to set up a manufacturing facility for industrial gaskets in the Kingdom to exploit the market demand and to enjoy the local content benefits. Interested investors are encouraged to do due-diligence and conduct feasibility study to verify the viability of this venture. Furthermore, investors need to broaden their horizon and consider GCC market as only one piece of the pie & to think internationally. We propose to solicit interest from local agents of international companies that are potential technology partners to enable them to conduct a feasibility study for the proposed venture.

APPENDICES

Many incentives are available to the investors who wish to pursue manufacturing in the Kingdom of Saudi Arabia including the general preference by Major Saudi companies to procure from local manufacturers. Except as otherwise noted and subject to limitations and/or exclusions published by the Saudi Government, the following incentives are provided to foreign and local investors.

Appendix 1: Incentives for Foreign Investors

- Can own 100 percent of their investment projects in The Kingdom of Saudi Arabia (KSA), as applicable.
- Shall enjoy all the benefits, incentives and guarantees extended to national (100% Saudi owned) investments
- Under the current Saudi Arabian Income Tax Law, shall pay a maximum of 20 percent tax on corporate profits above SR 100,000 (US\$26,700).
- Subject to the provisions of the Saudi Arabian Income Tax Law and Companies Regulations, are allowed to repatriate 95% of their capital, profits and dividends (5% is deducted as a withholding tax and there are no currency conversion or currency export restrictions).
- May freely transfer shares.
- Can enjoy (i) incentives provided under the Protection and Promotion of National Industries Act, including exemption from customs duties on imports of machinery and equipment, raw materials and spare-parts if imported for industrial use, and (ii) preferential treatment for national products in governmental procurement.
- Can apply for industrial loans on favorable terms from the Saudi Industrial Development Fund (SIDF) or other lending agencies.
- Will benefit from the Kingdom's WTO accession commitments and applicable bilateral investment protection and promotion agreements signed by the government.
- Subject to Saudization requirements, can sponsor foreign employees (i.e. to obtain entry and exit visas and residency and work permits) pertaining to the investment project.
- Can refer disputes to the Board of Grievances and Investment Disputes Settlement Committee.
- Can carry over current tax losses into future years to offset taxes on future profits.
- Can benefit from non imposition on personal income tax
- Shall receive the same treatment, protection and incentives accorded to a national investment since the Kingdom is member of the Multilateral Investment Guarantee Agency (MIGA).
- Shall be provided pre-investment assistance by Saudi Arabian General Investment Authority (SAGIA) such as in:
 - conducting feasibility studies for industrial projects
 - providing information and statistics for investment projects within the scope of Saudi Arabia's development plans.

Appendix 2: Investment Enablers

- Availability of low cost energy:
 - Gas is currently priced at US \$0.75/mmbtu and is subject to allocation by the Ministry of Petroleum and Mineral Resources.
- Availability of low cost feedstock:
 - Natural Gas & Ethane are currently priced significantly lower than international prices at US \$0.75/mmbtu and is subject to allocation by the Ministry of Petroleum and Mineral Resources.
- Availability of developed industrial sites on long term rental at nominal charges:
 - Royal Commission's land in Jubail & Yanbu cost SR1/m²/year (about US \$0.27/m²/year),
 - Industrial cities' land in Riyadh 1st & 2nd , Jeddah 1st & 2nd , Dammam 1st & 2nd cost SR 0.08 (US \$0.02) /m²/year plus one time payment of SR 20 (US \$5.3)/m²
- Provision of basic utilities at government set rate of:
 - 12 halalah/kwh (US 3.2 Cent/kWh) for electricity
 - 0.10 - 6 SR/m³ (US \$ 0.027-1.6 /m³) for water based on usage category.
- The SIDF is ready to provide interest-free loans up to 50% of project capital or up to SR 600 million (US \$160 Million) whichever is lower, at a predetermined management fee, on projects supported by sound feasibility study.
- Availability of duty free zone at Jubail & Dammam Seaports
- Availability of financial support from Human Resources Development Fund (HRDF) for indigenous manpower employment for vocationally qualified and non-qualified for a maximum of SR 1,500 (US \$ 400) per month during training, and up to SR 2,000 (US \$ 533) per month upon employment for a period varies up to 2 years.
- Promotion of non-oil product and service exports of by the Saudi Export Development Center (established under the umbrella of the Saudi Council of Chambers of Commerce and Industry)

Appendix 3: Other kingdom Advantages

- Strategic geographic location with convenient access to fast growing regional and international markets
- Abundance of natural resources
- Long history of political and economic stability
- Commitment to open market economic policies
- No history of labor disputes or work strikes
- Leading exporter/importer in the Middle East
- Largest consumer market in the Middle East
- Modern and well equipped industrial cities
- On going privatization process of public entities
- High market liquidity, and stable, strong and advanced banking system
- Availability of insurance service providers covering a variety of insurance risks (e.g. property" fire, theft", motor vehicles, contractors, 3rd party, health...)
- World Bank ranked the Kingdom number 23rd from 38th out of 178 countries. The report ranks Saudi Arabia as the best place to do business in the entire Middle East and Arab World, ahead of Kuwait (40th)
- The Kingdom, as per SAGIA, ranks within:
 - the first 7 countries of lowest inflation rates in the world (IMD).
 - the first 25 countries in total cash savings (index of Economic Freedom)
 - the first 24 countries of least cost public sector loans (from "SIDF")
 - the best 3 countries in the world as of proprietorship registration cost.
 - the first five countries in the world having easiest labor recruitment and work hours flexibility
 - the first 8 countries in best exchange rate policies (IMD).
 - the first 7 countries in total local savings (IMD).
 - the best country in the Middle East in exchange rate index (Doing Business '06)
 - the highest purchasing power in the Middle East
- The Kingdom, as per SAGIA:
 - is the biggest financial market in the Middle East.
 - has the largest foreign investment balance in the Arab world (Arab Investment Guarantee Corporation Reports).
 - Has the largest economy in the Middle East with gross local product exceeding 300 billion dollars, and a growth rate reaching 6% per annum over the last 3 years.
 - has the largest oil reserves in the world (about 26% of the world's total proven reserves), and is 4th in natural gas reserves.

Appendix 4: Important and Useful Links

- Saudi Arabia General Investment Authority www.sagia.gov.sa
- Human Resources Development Fund www.hrdf.gov.sa
- Royal Commission for Jubail and Yanbu , www.rcjy.gov.sa
- Saudi Organization for Industrial Estates and Technology Zones, <http://www.soietz.gov.sa/eng.htm>
- Rabigh Conversion Industrial Park, www.rabighCIP.com
- Saudi Trade & Export Development Company, www.tusdeer.com
- Dammam Bonded & Re-export Zone, www.reexport.com
- Saudi Ports Authority, www.ports.gov.sa
- Saudi Industrial Development Fund, www.sidf.gov.sa
- Public Investment Fund, (via) www.mof.gov.sa
- Council of Saudi Chambers, www.saudichambers.org.sa
- Saudi Customs, www.customs.gov.sa
- Department of Zakat and Income Tax, www.zakat.gov.sa
- Ministry of Commerce and Industry, www.commerce.gov.sa
- Ministry of Labor, www.mol.gov.sa
- General Organization for Social Insurance, www.gosi.gov.sa
- Saudi Arabian Standards Organization, www.saso.org.sa
- Water Utility Company for Jubail and Yanbu , www.marafiq.com.sa
- Ministry of Petroleum & Mineral Resources, www.mopm.gov.sa
- Ministry of Finance, www.mof.gov.sa
- Electricity and Cogeneration Regulatory Authority, www.ecra.gov.sa
- Saudi Basic Industries Corporation, www.sabic.com
- Saudi Arabian Oil Company (Saudi Aramco), www.saudiaramco.com
- Saudi Electric Company, www.se.com.sa
- General Organization for Technical Education and Vocational Training, www.gotevot.edu.sa
- Saline Water Conversion Corporation, www.swcc.gov.sa

Appendix 5: Contact Details

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