

SAHARA PETROCHEMICALS COMPANY (“SAHARA”) ANNOUNCES THE SIGNING OF A BINDING IMPLEMENTATION AGREEMENT WITH SAUDI INTERNATIONAL PETROCHEMICAL COMPANY (“SIPCHEM”)

1. INTRODUCTION

Further to the joint announcement by Sipchem and Sahara (each a “**Party**” and, together, the “**Parties**”) on 23/01/1440H (corresponding to 03/10/2018G) that they had entered into a non-binding memorandum of understanding and the announcement by Sipchem on 28/03/1440H (corresponding to 6 December 2018G) of its firm intention to proceed with the Transaction (as defined below) in accordance with Article 17(e) of the Merger and Acquisition Regulations Authority issued by the Capital Market Authority (“**CMA**”) (the “**Firm Intention Announcement**”), Sahara announces that the Parties have entered into a legally binding agreement on 27/03/1440H (corresponding to 5 December 2018G) (the “**Implementation Agreement**”) governing the terms and conditions on which Sipchem and Sahara propose to implement a business merger of equals by way of Sipchem making a recommended offer to acquire all of the issued shares in Sahara in exchange for the issue of new shares in Sipchem in accordance with the Capital Market Law, the Companies Regulations, applicable rules and regulations of the CMA (including the M&A Regulations and the Rules on the Offer of Securities issued by the CMA) and the terms and conditions set out below (the “**Transaction**”).

Upon completion of the Transaction, all of the Sahara shares will be delisted from the Saudi Stock Exchange (“**Tadawul**”) and Sahara will become a wholly-owned subsidiary of Sipchem. Further, Sipchem will issue, and each Sahara shareholder will receive, 0.8356 new Sipchem shares for each Sahara share held by them (the “**Exchange Ratio**”). The Exchange Ratio is subject to adjustment (in limited circumstances) as per the terms of the Implementation Agreement.

The Transaction, which will be on the terms and subject to the conditions set out below, will result in Sipchem having an increased share capital of 733,333,332 shares, of which 366,666,666 shares, representing 50.0% of the increased share capital (the “**Capital Increase**”), will be held by Sahara shareholders and 366,666,666 shares, representing 50.0% of the increased share capital, will be held by Sipchem shareholders. The Exchange Ratio and the resulting ownership split has been agreed as a result of the discussions and negotiations between the Parties and their advisors, as well as the result of the extensive mutual due diligence and valuation exercise. Upon completion of the Transaction, all of the Sahara Shares will be delisted from the Tadawul and Sahara will become a wholly-owned subsidiary of Sipchem (the “**Combined Group**”).

The treatment of any entitlement to a fractional share that results from the Exchange Ratio calculation set out above shall be as per the calculation mechanic set out in the Offeree Circular to be published by Sahara in due course.

2. FURTHER TERMS OF THE TRANSACTION:

In addition to the Exchange Ratio, the Parties have reached an agreement on the following terms:

The following arrangements shall become effective upon the completion of the Transaction:

Board and Governance Arrangements

Under the terms of the Implementation Agreement, the board of the Combined Group shall comprise the following members:

1. two (2) members nominated by Zamil Group Holding Company including the existing chairman of Sipchem who shall continue to act as chairman;
2. one (1) member nominated by the Public Pension Agency;
3. four (4) members of the existing board of directors of Sipchem (the “**Sipchem Board**”) (excluding the individuals nominated by the Zamil Group Holding Company and the Public Pension Agency);
4. four (4) members of the existing board of directors of Sahara (the “**Sahara Board**”) (excluding the individuals nominated by the Zamil Group Holding Company and the Public Pension Agency); and
5. the board shall appoint a new vice-chairman from amongst its members.

The above members shall hold their positions on the board of directors of the Combined Group until 12/04/1441H (corresponding to 09/12/2019G) at which time the Sipchem shareholders will be asked to vote on a new board of directors at a general assembly meeting of the Combined Group in accordance with applicable laws and regulations and Sipchem’s bylaws.

The Chief Executive Officer of the Combined Group shall be Eng. Ahmed Al-Ohali, who is currently the Chief Executive Officer of Sipchem.

The Chief Operating Officer of the Combined Group shall be Eng. Saleh Bahamdan, who is currently the Chief Executive Officer of Sahara.

Headquarters

The registered office of the Combined Group shall be located in Riyadh, Saudi Arabia at Al Ma’athar District, King Fahad Branch Road, Cairo Square, Almashariq Tower.

Company name and branding

The name of the Combined Group shall be changed to "*Sahara International Petrochemical Company (Sipchem)*". The Combined Group will appoint a branding consultant to advise on the logo, branding and the spelling of the name of the Combined Group (including style, colour(s) and font).

Dividend Distribution

Under the terms of the Implementation Agreement, each of Sipchem and Sahara agreed that, between the date of the Implementation Agreement and completion of the Transaction, unless it obtains the prior written consent of the other Party, it will only make distributions to its shareholders

that are in line with its respective dividend policy in existence as at the date of the Implementation Agreement and on the following basis:

1. The dividend paid by either Party in respect of the six-month period ending 31 December 2018 shall not exceed SAR 240,000,000 (the “**Half-Year Dividend**”).
2. Prior to the declaration of any dividend by either Party, the statutory reserve and any other legal or finance reserve of such Party must be properly funded.
3. If the Transaction has not been completed in accordance with the terms of the Implementation Agreement by 30 June 2019 and the Longstop Date (as defined in Section (5) below) has not been reached, the Parties will negotiate in good faith the payment by each Party of an interim dividend to its respective shareholders during the 2019 financial year, having regard to the Exchange Ratio and, to the extent that a distribution is made by either Party prior to agreement by the Parties on the declaration and payment of any such interim dividend, such distribution will constitute an Exchange Ratio adjustment event in accordance with the terms of the Implementation Agreement.

Sahara and Sipchem have agreed that the respective Half-Year Dividend shall be paid to their respective shareholders prior to the completion of the Transaction, subject to the approval of the Half-Year Dividend in accordance with applicable law, provided that completion of the Transaction will not be postponed beyond the Longstop Date (as defined in Section (5) of this announcement) as a result of a delay by either Party to distribute the Half-Year Dividend to their respective shareholders.

Sipchem and Sahara agreed that, after the completion of the Transaction, the Combined Group will conduct its business in accordance with the terms of its relevant constitutional documents and applicable law and regulations.

Sipchem shall issue, upon obtaining the required regulatory approvals including the CMA approval, the Offer Document which will contain certain financial and other information in relation to the Transaction, and this will be made available to all Sahara shareholders in due course (including on Sipchem’s website at www.sipchem.com). Sahara shall issue the Offeree Circular which will contain information on the Transaction, including the views of the Non-Conflicted Directors of Sahara (as defined in Section 8 of this announcement) on the terms of the Transaction, and this will be made available to all Sahara shareholders in due course (including on Sahara's website at www.saharapcc.com).

3. RATIONALE FOR THE TRANSACTION

Aligned with the goals of Saudi Vision 2030, which aims to create a thriving private sector in Saudi Arabia, the Transaction is expected to deliver multiple strategic benefits to the combined business, including:

1. strengthening the product portfolio, diversifying feedstock supply and building out presence along the value chain;
2. increasing scale and resilience in the evolving petrochemicals sector, both in Saudi Arabia and internationally;

3. building on the competitive advantages and complimentary capabilities of Sahara and Sipchem to provide benefits commercially, operationally and functionally;
4. driving efficiency and productivity of the closely situated industrial asset portfolios of each of Sahara and Sipchem in Jubail; and
5. creating a platform with improved financial resources, capital market access, and product and technological expertise to take advantage of local and international growth opportunities, both organic and inorganic.

The Transaction is expected to provide synergy potential, from both a revenue and cost perspective, which is expected to drive value for shareholders. It is also expected to deliver benefits to the combined workforce, and local and international business partners.

4. CONDITIONS TO THE TRANSACTION

The Transaction is subject to the satisfaction of certain conditions, including but not limited to:

1. the approval of the CMA, the Saudi Arabian General Authority for Competition and Tadawul. Both Parties currently anticipate that they will meet the necessary requirements to obtain these regulatory approvals;
2. the approval by the non-conflicted and independent Sipchem shareholders and Sahara shareholders respectively;
3. there being no material adverse change in the respective financial condition of Sipchem and Sahara; and
4. Sipchem and Sahara complying with certain key conduct of business requirements as set out in the Implementation Agreement.

Appendix 1 of the Firm Intention Announcement sets out the full list of conditions to which the Transaction is subject, which can be accessed via Tadawul website.

Subject to the satisfaction or, where appropriate, waiver of the conditions, it is expected that the Transaction will complete by 30 June 2019 and, in any event, before the Longstop Date (as defined in Section 5 of this announcement).

5. IMPLEMENTATION AGREEMENT

The Implementation Agreement sets out the terms and conditions on which the Parties intend to implement the Transaction., and pursuant to its terms, the Implementation Agreement will terminate with immediate effect upon the occurrence of, among others, any of the following events:

1. the date on which the CMA permits Sipchem not to proceed with the Transaction provided that, prior to requesting such permission from the CMA, Sipchem provides written notification of the same to Sahara in accordance with the terms of the Implementation Agreement;

2. the date on which Sahara makes an announcement through Tadawul that the Sahara Board has decided to withdraw or adversely modify its recommendation to its shareholders to vote in favour of the necessary resolutions to approve the Transaction;
3. a Party serving an irrevocable notice in writing on the other Party to terminate the Implementation Agreement at any time after a failure (including, without limitation, a failure of any negative condition to be satisfied) by the other Party to comply with any terms of the Implementation Agreement or any applicable laws or regulations which constitutes a material adverse change event, provided that such failure has not been remedied within 30 calendar days of the non-affected Party becoming aware of or being notified by the affected Party of such failure;
4. the Longstop Date (which means 23:59 hours on the date falling: (i) 150 days after the date on which the Offer Document is approved by the CMA; (ii) 12 months from the date of the Implementation Agreement; or (iii) such other time or date as the Parties may agree in writing) (the “**Longstop Date**”); or
5. the Parties agree to mutually terminate the Implementation Agreement, in writing.

Further details on the Implementation Agreement will be contained in the Offer Document and the Offeree Circular.

6. SHAREHOLDER APPROVALS

In order for Sipchem to acquire all of the Sahara shares and therefore complete the Transaction:

1. the Sahara shareholders will need to vote in favour of the Transaction (the “**Sahara Resolutions**”); and
2. the Sipchem shareholders will need to vote in favour of the Transaction and the Capital Increase (the “**Sipchem Resolutions**”).

According to Article 26 of the M&A Regulations, the Sahara Resolutions must be approved by at least 75 per cent. of the Sahara shares represented at the extra-ordinary assembly of Sahara (the “**Sahara EGA**”). Such an approval shall be binding on all Sahara shareholders, whether or not they attended the Sahara EGA, or whether they attended in person or by proxy and did not vote or voted against the Sahara Resolutions (including through the Remote Voting Facility).

According to Article 94(4) of the Companies Regulations, the Sipchem Resolutions must be approved by at least 75 per cent. of the Sipchem shares represented at the extra-ordinary assembly of Sipchem (the “**Sipchem EGA**”). Such an approval shall be binding on all Sipchem shareholders, whether or not they attended the Sipchem EGA, or whether they attended in person or by proxy and did not vote or voted against the Sipchem Resolutions (including through the Remote Voting Facility).

In accordance with the procedures applied by the CMA with respect to shareholders’ general assembly meetings, and in accordance with the M&A Regulations, Sahara shares and Sipchem shares held by any director of Sipchem or Sahara who is prohibited from voting at any meeting of its respective board of directors, any meeting of a committee of its respective board of directors, or, at the respective party’s EGA pursuant to Article 3(o) of the M&A Regulations or Article 71 of

the Companies Regulations (the “**Conflicted Directors**”) and Related Party (as defined in Section 7 of this announcement) shareholders shall be counted towards the quorum requirements, but they shall not be counted (in either the numerator or the denominator) when determining whether the requisite majority for the Sahara Resolutions has been achieved.

Further details on the Sipchem EGA and the Sahara EGA, including their timing, will be disclosed in the Offeror Circular and the Offeree Circular respectively. Any vote in respect of the resolutions to be proposed at the relevant EGAs to approve the Transaction, or related matters, should be made only on the basis of the information contained in those circulars.

7. **CONFLICTED AND RELATED PARTIES**

The Transaction will include a number of conflicted Sahara board directors who are defined as the directors of Sahara who are prohibited from voting at any meeting of the board of directors, any meeting of a committee of the board of directors, or, at the Sahara EGA pursuant to Article 3(o) of the M&A Regulations or Article 71 of the Companies Regulations. These directors are as follows:

- The board chairman Eng./ Abdulaziz Al-Zamil, who is the representative of Alzamil Group Holding.
- The board member Mr. Jabir al-Jabir, who is the representative of the Public Pension Agency.
- The board member Mr. Saeed Al-Essaei.
- The board member Mr. Osama Al-Zamil.

The board chairman Eng./ Abdulaziz Al-Zamil has disclosed his conflict of interest in respect of the Transaction given that he owns direct and indirect shareholding in Sipchem, and he is the board chairman of Sipchem. The board director Jabir al-Jabir has also disclosed his conflict of interest in respect of the Transaction given that he is the representative of the Public Pension Fund, which owns direct and indirect shareholding in Sipchem. The board director Osama Al-Zamil has also disclosed his conflict on interest in respect of the Transaction given that one of his relatives owns direct and indirect shareholding in Sipchem. The board director Saeed Al-Essaei has also disclosed his conflict of interest in respect of the Transaction given that he owns direct and indirect shareholding in Sipchem. Accordingly, the aforesaid directors have abstained from voting on any resolution relating to the Transaction undertaken by the Sahara board or any of its committees including in respect of the entry into Implementation Agreement or any recommendation of the Transaction by the Sahara board, and will abstain from voting in the Sahara EGA.

The Transaction will include related parties as defined by the CMA’s Glossary in relation to the M&A Regulations and the details of the related parties for these purposes (the “**Related Parties**”) as of the date of 18 November 2018G are set out below.

Further details in respect of such Related Parties will be set out in the Offer Document and the Offeree Circular along with details of their relevant shareholdings. No Related Party participated, or will be allowed to participate, in any decision making or voting undertaken by the board or EGA of either Sahara or Sipchem in respect of the Transaction, including in respect of the entry into Implementation Agreement or any recommendation of the Transaction by the respective boards to the Sipchem shareholders or Sahara shareholders. The Transaction is subject to the approval of the

independent and non-conflicted shareholders' of Sahara at the Sahara EGAs as required by M&A Regulations.

As of the date of this announcement, the following persons are Related Parties for the purposes of the Transaction:

| Name of Related Party | Reason for falling under definition of Related Party | Number of Sipchem Shares | Ownership percentage in Sipchem | Number of Sahara Shares | Ownership percentage in Sahara |
|------------------------------|--|---------------------------------|--|--------------------------------|---------------------------------------|
| Zamil Group Holding Company | Substantial shareholder in both companies and have representatives on the board of both companies | 35,549,375 | 9.70% | 34,719,001 | 7.91% |
| Public Pension Agency | Substantial shareholder in both companies and have a representative on the board of both companies | 28,405,514 | 7.75% | 29,164,956 | 6.65% |
| TOTAL | | 63,954,889 | 17.44% | 63,883,957 | 14.56% |

8. RECOMMENDATION

The Non-Conflicted Directors of Sahara, who have been so advised by Morgan Stanley Saudi Arabia, consider the financial terms of the Transaction to be fair so far as the Sahara shareholders are concerned. Accordingly, they unanimously intend to recommend that the Sahara shareholders vote in favour of the Sahara Resolutions at the Sahara EGA, which recommendation (and the views of the Non-Conflicted Directors of Sahara on the Transaction) will be contained in the Offeree Circular to be published on or the publication date of the Offer Document (or shortly after that date) provided the terms set out in the Offer Document reflect the terms and conditions of the Transaction as set out in the Firm Intention Announcement and the Implementation Agreement.

Sahara has been informed by the Non-Conflicted Directors of Sipchem, who have been advised so by HSBC Saudi Arabia, that they consider the financial terms of the Transaction to be fair so far as the Sipchem shareholders are concerned and accordingly, they unanimously intend to recommend that the Sipchem shareholders vote in favour of the Sipchem Resolutions.

For the purposes of this announcement, “**Non-Conflicted Director**” means any director of Sipchem or Sahara who is not prohibited from voting at any meeting of its respective board of directors, any meeting of a committee of its respective board of directors, or, at the respective Party’s EGA pursuant to Article 3(o) of the M&A Regulations or Article 71 of the Companies Regulations.

Abuhimed, Alsheikh & Alhagbani Law Firm in cooperation with Clifford Chance LLP is acting as legal adviser to Sahara.

Khoshaim & Associates are acting as legal adviser to Sipchem.

Sahara will continue to announce any material developments regarding the Transaction in accordance with the relevant laws and regulations.

9. IMPORTANT INFORMATION AND NOTICES

The implications of the Transaction for persons resident in, or citizens of, jurisdictions outside of Saudi Arabia may be affected by the laws of such jurisdictions. The ability to participate in the Transaction for persons not resident in Saudi Arabia may be affected by the laws of such jurisdictions. Such persons should inform themselves of and observe any applicable requirements.

This announcement, including information included or incorporated by reference in this announcement, may contain "forward looking statements" concerning Sipchem and Sahara. Generally, the words "will", "may", "should", "continue", "believes", "expects", "intends", "anticipates" or similar expressions identify forward looking statements. The forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those suggested by them. Many of these risks and uncertainties relate to factors that are beyond the respective company's ability to control or estimate precisely, such as future market conditions and the behaviors of other market participants, and therefore undue reliance should not be placed on such statements. Neither Sipchem nor Sahara or their respective advisers, assumes any obligation to, and does not intend to, update these forward-looking statements, except as required pursuant to applicable law.

HSBC Saudi Arabia, which is authorised and regulated in Saudi Arabia by the CMA, is acting exclusively for Sipchem and no one else in connection with the Transaction and will not be responsible to anyone other than Sipchem for providing the protections afforded to clients of HSBC Saudi Arabia nor for giving advice in relation to the Transaction or any matter or arrangement referred to in this announcement. HSBC Saudi Arabia is licensed by the CMA with licence number 05008-37. It is authorised to carry out financial services business in accordance with its licence.

Morgan Stanley Saudi Arabia is acting as financial advisor only to Sahara and is not acting for any other Party in connection with the Transaction. Morgan Stanley Saudi Arabia owes no duties and has no responsibility to any entity other than Sahara. Morgan Stanley Saudi Arabia is licensed by the CMA with licence number 06044-37. It is authorised to carry out financial services business in accordance with its licence.

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