

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY (“SIPCHEM”) ANNOUNCES
ITS FIRM INTENTION TO ENTER INTO A BUSINESS MERGER OF EQUALS WITH
SAHARA PETROCHEMICALS COMPANY (“SAHARA”) BY WAY OF A RECOMMENDED
OFFER TO ACQUIRE ALL OF THE ISSUED SHARES IN SAHARA IN EXCHANGE FOR
NEW SHARES IN SIPCHEM

1. INTRODUCTION

Further to the joint announcement by Sipchem and Sahara on 23/01/1440H (corresponding to 03/10/2018G) that they had entered into a non-binding memorandum of understanding, Sipchem announces that the Parties have entered into a legally binding agreement on 28/03/1440H (corresponding to 06/12/2018G) (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 applicable rules and regulations of the Capital Market Authority (“**CMA**”) (including the M&A Regulations and ROSCOs) and the Companies Regulations (the “**Transaction**”). 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. Sipchem is making this announcement of its firm intention to proceed with the Transaction in accordance with Article 17(e) of the M&A Regulations (the “**Firm Intention Announcement**”).

The Non-Conflicted Directors of Sipchem, who have been so advised by HSBC Saudi Arabia, consider the financial terms of the Transaction to be fair so far as the Sipchem Shareholders are concerned. Accordingly, they unanimously intend to recommend that the Sipchem Shareholders vote in favour of the proposed resolutions to approve the Transaction and the related Capital Increase at the Sipchem EGA, which recommendation will be contained in the Offeror’s Circular to be published upon receiving all necessary approvals from the CMA. In addition, Sipchem has been informed by the Non-Conflicted Directors of Sahara, who have been advised by Morgan Stanley Saudi Arabia, that they consider the financial terms of the Transaction to be fair so far as the Sahara Shareholders are concerned. Accordingly, provided the terms set out in the Offer Document reflect the terms and conditions of the Transaction as set out in this announcement and the Implementation Agreement, they unanimously intend to recommend that the Sahara Shareholders vote in favour of the proposed resolutions to approve the Transaction at the Sahara EGA. This recommendation, and any views of the Non-Conflicted Directors of Sahara on the Transaction, will be contained in the Offeree Circular to be prepared in accordance with the M&A Regulations and to be published on or shortly after the publication of the Offer Document.

For an explanation of certain defined terms, please refer to Appendix 2 of this Firm Intention Announcement.

2. TERMS OF THE TRANSACTION

The Transaction, which will be on the terms and subject to the conditions set out below and in Appendix 1, and to be set out in the Offer Document, will be implemented by Sipchem making an offer to acquire all of the Sahara Shares in exchange for the issue of the New Sipchem Shares on the following basis (the “Exchange Ratio”):

for every one (1) Sahara Share: 0.8356 New Sipchem Shares*

Based on the Exchange Ratio, the total consideration payable by Sipchem to Sahara Shareholders will be the issue of 366,666,666 New Sipchem Shares.*

*Subject to adjustment (in limited circumstances) as set out in the Implementation Agreement.

Assuming the Transaction and the Capital Increase are approved by the Sipchem Shareholders at the Sipchem EGA and the Transaction is approved by the Sahara Shareholders at the Sahara EGA and that all the other Conditions are satisfied (or, where appropriate, waived), Sahara Shareholders will hold fifty per cent of the enlarged issued share capital of Sipchem (being the aggregate of the issued share capital of Sipchem as at the date of this Firm Intention Announcement and the New Sipchem Shares to be issued to Sahara Shareholders).

The treatment of any entitlement to a fractional share that results from the Exchange Ratio calculation set out in this paragraph 2 shall be set out in the Offer Document and the Offeror Circular to be published by Sipchem and the Offeree Circular to be published by Sahara in due course.

The Transaction will result in Sipchem having an increased share capital of 733,333,332 Sipchem Shares, of which 366,666,666 Sipchem Shares, representing 50 per cent. of Sipchem’s increased share capital, will be held by Sahara Shareholders and 366,666,666 Sipchem Shares, representing 50 per cent. of Sipchem’s increased share capital, will be held by Sipchem Shareholders.

The Exchange Ratio and the resulting ownership split has been agreed as a result of an extensive mutual due diligence and valuation exercise.

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. FINANCING THE TRANSACTION

The consideration payable by Sipchem to Sahara Shareholders will be the issuance of the New Sipchem Shares in accordance with the Exchange Ratio. The consideration payable by Sipchem does not include any cash payment.

Accordingly, it is not necessary for HSBC Saudi Arabia, acting as Sipchem's independent financial adviser to confirm if Sipchem has sufficient resources available to it to satisfy the acceptance of the offer to acquire all the Sahara Shares in full.

5. FURTHER TERMS OF THE TRANSACTION

References to the Combined Group in this section shall mean Sipchem and its subsidiaries, including Sahara, immediately following the completion of the Transaction.

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

5.1 *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 the Al-Zamil Group 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 Sipchem Board (excluding the individuals nominated by the Al-Zamil Group and the Public Pension Agency);
4. four (4) members of the existing Sahara Board (excluding the individuals nominated by the Al-Zamil Group and the Public Pension Agency); and
5. a new vice-chairman of the Board of the Combined Group will be appointed 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 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.

5.2 *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.

5.3 *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).

5.4 *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 a 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 a 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 has not been reached, the Parties will negotiate in good faith the payment by each Party of a 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 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 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.

The Offer Document 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). The Offeror Circular will contain certain financial and other information in relation to Sahara and the Transaction, and this will be made available to all Sipchem Shareholders in due course (including on Sipchem's website at www.sipchem.com). The Offeree Circular will contain information on the Transaction, including the views of the Non-Conflicted Directors of Sahara 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).

6. CONDITIONS TO THE TRANSACTION

The Transaction is subject to the satisfaction of the Conditions (set out in full in Appendix 1 to this announcement) which include the following:

1. the approval of the CMA, the Saudi Arabian General Authority for Competition and the Saudi Stock Exchange. 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.

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.

7. IMPLEMENTATION AGREEMENT

Sipchem and Sahara entered into the Implementation Agreement on 28/03/1440H (corresponding to 06/12/2018G) which sets out the terms and conditions on which they intend to implement the Transaction.

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;

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 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; or
5. the Parties agree to mutually terminate the Agreement, in writing.

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

8. INTERESTS IN SAHARA SHARES

Neither Sipchem nor any persons acting in concert with Sipchem owns any direct or indirect interests in Sahara, Sahara Shares or options to purchase Sahara Shares.

There are no indemnity arrangements involving Sipchem, Sahara or any person acting in concert with Sipchem or Sahara in relation to Sahara Shares or options to purchase Sahara Shares. Furthermore, Sipchem does not hold any shares in Sahara and has not and does not expect to receive an irrevocable commitment from any Sipchem Shareholder to vote in favour of the resolutions to be proposed at the Sipchem EGA.

9. CONFLICTED SIPCHEM DIRECTORS

The Conflicted Directors of Sipchem have declared their interest in the Transaction as shown in the table below. The Conflicted Directors of Sipchem have not and will not participate or vote on the Transaction in meetings of the Board or EGAs, including matters relating to entering into the 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.

Name of Sipchem Director	Number of Sahara Shares	Percentage ownership in Sahara
Zamil Group Holding Company (represented by H. E. Abdulaziz Al-Zamil)	34,719,001	7.91%
Public Pension Agency (represented by Ayedh Al-Qarni)	29,164,956	6.65%
H.E. Abdulaziz Al-Zamil	1,651,500	0.376%

Abdulrahman Al-Ja'afari	100,000	0.023%
Abdulrahman Al-Zamil	1,140,451	0.26%
TOTAL	66,775,908	15.218%

10. SHAREHOLDER APPROVALS

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

1. the Sipchem Shareholders will need to vote in favour of the Sipchem Resolutions; and
2. the Sahara Shareholders will need to vote in favour of the Sahara Resolutions.

Article 94(4) of the Companies Regulations states that the Sipchem Resolutions must be approved by at least 75 per cent. of the Sipchem Shares represented at 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). The Sipchem Shareholders will be entitled to receive a pre-emptive right to acquire the New Sipchem Shares.

Article 26 of the M&A Regulations states that the Sahara Resolutions must be approved by at least 75 per cent. of the Sahara Shares represented at 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).

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 Conflicted Directors and Related Party 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.

11. RELATED PARTIES

The Transaction will include related Parties as defined 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 at 18/11/2018 are set out below. Further details in respect of such Related Parties will be set out in the Offer Document 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 EGA 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 represented 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 represented 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%

Details of the Related Parties and Conflicted Directors in each of Sahara and Sipchem will be set out in the Offer Document along with their relevant shareholdings.

12. 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 Firm Intention Announcement is not being and must not be published or distributed, in whole or in part, in, into or from any Restricted Jurisdiction.

This Firm Intention Announcement is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities pursuant to the Transaction, this Firm Intention Announcement or otherwise. The offer by Sipchem to Sahara Shareholders will be made solely pursuant to the Offer Document, which will contain the full terms and conditions of the Transaction.

This Firm Intention Announcement will be available on Sipchem's website at www.sipchem.com by no later than 17:00 (Arabia Standard Time) on the date of this Firm Intention Announcement.

This Firm Intention Announcement, including information included or incorporated by reference in this Firm Intention 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 Firm Intention 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.

Khoshaim & Associates are acting as legal advisers to Sipchem.

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

This is an unofficial English translation of the Firm Intention Announcement to make an offer published in the Arabic language. No reliance should be placed on this English translation, which may not entirely reflect the official Arabic language Firm Intention Announcement.

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	Sahara Saleh Bahamdan Chief Executive Officer	Tel: +966 (13) 356 7777
	Morgan Stanley Saudi Arabia (financial adviser to Sahara) Motaz Al-Angari Executive Director, Head of Investment Banking KSA	Tel: +966 (11) 218 7000

APPENDIX 1

THE CONDITIONS

Conditions of the Transaction

1. Receipt of any required clearance (without any material conditions attaching thereto or any remedial action being required of either Party that, in either case, would materially and adversely affect the operations of its Group (including, in the case of the Sahara Group, the Sahara Affiliates) as a whole), or a waiver of such requirement or the relevant waiting period having expired, in relation to the Transaction from (i) the General Authority for Competition and (ii) any other applicable Regulatory Authority as determined by the Parties.
2. The CMA having approved the publication of the Offeror Circular, the Offer Document and the Offeree Circular.
3. The Implementation Agreement not having terminated or having been terminated by Sipchem and/or Sahara, in each case in accordance with its terms.
4. The Sipchem Shareholders approving the resolutions necessary for the Transaction at a duly convened Sipchem EGA.
5. The Sahara Shareholders approving the resolutions necessary for the Transaction at a duly convened Sahara EGA.
6. The admission of the New Sipchem Shares to listing and trading on Tadawul in accordance with the Listing Rules.
7. The Transaction completing before the Longstop Date.

Negative Conditions

8. No frustrating action of the type listed in Article 36 of the M&A Regulations having been taken, permitted or approved by, or in relation to, any member of the Sahara Group.
9. No court, regulator, governmental authority or body in any jurisdiction in which any member of the Sahara Group (including the Sahara Affiliates) or the Sipchem Group (as applicable) conducts a material part of its business having given notice of a decision to take any action, or having required any action to be taken, or, following the date of the Implementation Agreement having proposed any change in law or practice, which would or might reasonably be expected to:
 - a. make the Transaction, its implementation or the acquisition of any securities in Sahara by Sipchem or the acquisition of the New Sipchem Shares void, illegal and/or unenforceable under the laws of any such relevant jurisdiction;
 - b. other than due to the procedural applicability of Articles 150 or 181 of the Companies Regulations to an affiliate, require the divestiture by any member of the Combined Group of all or a part of its business, assets or property or impose any limitation on the ability of it to conduct all or a part of its business or to own all or a part of any of its

- assets or properties, in each case to an extent which is material in the context of the Combined Group taken as a whole;
- c. impose any limitation on the ability of (i) Sipchem directly or indirectly to acquire or hold or to exercise effectively all or any rights of ownership in respect of securities of Sahara; or (ii) the Sahara Shareholders directly or indirectly to acquire or hold or to acquire or hold or to exercise effectively all or any rights of ownership pursuant to applicable law in respect of the New Sipchem Shares; or
 - d. impose any limitation on the ability of any member of the Combined Group directly or indirectly to hold or exercise effectively any rights of ownership pursuant to applicable law in respect of shares in or to exercise management control over, any member of the Combined Group, in each case to an extent which is material in the context of the Combined Group taken as a whole;
1. in each case to an extent which is material in the context of the Combined Group taken as a whole.
10. All notifications, filings or applications required under any material contract, applicable law or regulation to be made to achieve the completion of the Transaction (including with the CMA and Tadawul) and all necessary waiting periods (including any extensions thereof) under applicable law or regulation having expired, lapsed or been terminated (as appropriate) and all statutory and regulatory obligations in any jurisdiction having been complied with and all authorisations necessary or appropriate under applicable legislation or regulation in any jurisdiction for, or in respect of, the Transaction having been obtained and all such authorisations remaining in full force and effect at the time at completion of the Transaction and there being no notice in writing of an intention to revoke, suspend, restrict, modify or not to renew such authorisations.
 11. Except as (i) Disclosed or (ii) in the case of Sahara, as a result of any action of a Sahara Affiliate following the date of the Implementation Agreement which Sahara has used its reasonable endeavours to prevent (to the extent it is able) or (iii) as permitted or required by this Agreement, there being no provision of any arrangement to which any member of the Sahara Group (including the Sahara Affiliates) or the Sipchem Group (as applicable) is, or has agreed to become, a Party or by or to which any such member or any of its assets is or may be bound or be subject or any event or circumstance which, as a consequence of the Transaction, could or might reasonably be expected to result in, in each case to an extent which is material in the context of the Sahara Group (including the Sahara Affiliates) or the Sipchem Group (as applicable), in each case, taken as a whole:
 - a. any monies borrowed by, or any other indebtedness, actual or contingent, or any grant available to any member of the Sahara Group (including the Sahara Affiliates) or the Sipchem Group (as applicable) being or becoming repayable, or capable of being declared repayable, immediately or prior to its or their stated maturity date or repayment date, or the ability of any such member to borrow monies or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;

- b. the rights, liabilities, obligations, interests or business of any member of the Sahara Group (including the Sahara Affiliates) or the Sipchem Group (as applicable) under any Arrangement being terminated, revoked or adversely modified or affected or any onerous obligation or liability arising or any adverse action being taken thereunder;
 - c. any member of the Sahara Group (including the Sahara Affiliates) or the Sipchem Group (as applicable) ceasing to be able to carry on business under any name under which it presently carries on business; or
 - d. the creation, acceleration or enforcement of any liability (actual or contingent) by, or any mortgage, charge or other security interest over the whole or any part of the business, property or assets of, any member of the Sahara Group (including the Sahara Affiliates) or the Sipchem Group (as applicable).
12. Except as (i) Disclosed or (ii) in the case of Sahara, as a result of any action of a Sahara Affiliate following the date of the Implementation Agreement which Sahara has used its reasonable endeavours to prevent (to the extent that it is able) or (iii) as permitted or required by this Agreement, no member of the Sahara Group (including the Sahara Affiliates) having since 31 December 2017:
- a. in the case of Sahara or Sipchem (as applicable) only, issued or agreed to issue, or authorised or proposed the issue of, additional shares, securities or debentures (of any kind);
 - b. in the case of the members of the Sahara Group (including the Sahara Affiliates) or the Sipchem Group (as applicable) and in each case other than Sahara and Sipchem respectively, issued or agreed to issue, or authorised or proposed the issue of, additional shares, securities or debentures (of any kind) except on a proportionate basis to the existing holders of such securities or debentures;
 - c. in the case of Sahara or Sipchem (as applicable) only except for Permitted Distributions, recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, dividend or other distribution (other than any dividend permitted to be paid in accordance with paragraph 5 of this Firm Intention Announcement);
 - d. in the case of the members of the Sahara Group (including the Sahara Affiliates) or the Sipchem Group (as applicable) and in each case other than Sahara and Sipchem respectively, recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, dividend or other distribution other than on a proportionate basis to its shareholders;
 - e. merged with or demerged from or acquired any body corporate, partnership or business other than with a member of the same Group, the effect of which is or is reasonably likely to be material to the Combined Group taken as a whole;
 - f. waived or released any debt or obligation owed to any member of its Group by a third Party or any right of a member of its Group to make a claim against any third Party of an amount exceeding SAR 200 million or varied the rights or obligations of a

- counterParty to an agreement with or commitment to or from its Group in a manner which is or is reasonably likely to be material to the Combined Group taken as a whole;
- g. increased the net indebtedness of its Group by an amount exceeding SAR 400 million in aggregate;
 - h. materially amended the service agreement of, or other arrangements with, any director or senior employee of any member of its Group (including the Sahara Affiliates) except in the Ordinary Course;
 - i. proposed, agreed to provide or modified in any material respect the terms of any share option scheme, incentive scheme, or other benefit relating to the employment or termination of employment of any category of employees of the Sahara Group or the Sipchem Group (as applicable) in a manner which is, or is reasonably likely to be, material to the Combined Group taken as a whole, other than in respect of either Party's Saudi Home Ownership Programme;
 - j. entered into any joint venture, asset or profit sharing arrangement, partnership or other transaction or arrangement of a similar nature which is material in the context of the Combined Group taken as a whole;
 - k. taken, or omitted to take, any action which has resulted or would result in an event of default (which is not waived by the relevant lenders) under any of the financing agreements of the Sahara Group (including the Sahara Affiliates) or the Sipchem Group (as applicable) which is material in the context of the Sahara Group (including the Sahara Affiliates) or the Sipchem Group, in each case, taken as a whole;
 - l. taken any action which is a breach of the Listing Rules, M&A Regulations or other applicable law which is material in the context of the Transaction;
 - m. been unable, or admitted in writing that it is unable, to pay its debts or taken or proposed any steps, corporate action or had any legal proceedings instituted against it in relation to the suspension of payments, a moratorium of any indebtedness, its winding-up (voluntary or otherwise), dissolution, reorganisation or for the appointment of any administrator, receiver, manager, administrative receiver, trustee or similar officer of all or any of its assets or revenues or any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction or had any such person appointed; or
 - n. otherwise agreed to do any of the above.
13. Since 31 December 2017, and except: (i) as Disclosed; (ii) which is not, or is not reasonably likely to be, material in the context of the Sahara Group (including the Sahara Affiliates) or the Sipchem Group (as applicable) and in each case, taken as a whole; or (iii) in the case of item 14(c) below, which does not risk jeopardising the implementation of the Transaction in the manner contemplated by the Implementation Agreement:
- a. no Material Adverse Change Event having occurred that has not been remedied to the reasonable satisfaction of Sipchem within 30 calendar days of such Material Adverse

- Change Event having been notified to Sipchem by Sahara in accordance with the terms of the Implementation Agreement;
- b. no Force Majeure Event arising after the date of the Implementation Agreement and continuing for a period of more than 60 calendar days;
 - c. no litigation, arbitration proceedings, prosecution or other legal proceedings having been threatened, announced or instituted by or against any member of the Sahara Group (including the Sahara Affiliates) or the Sipchem Group (as applicable) or to which any member of the Sahara Group (including the Sahara Affiliates) or the Sipchem Group (as applicable) is or may reasonably become a Party (whether as claimant or defendant or otherwise); and
 - d. no steps having been taken and no omissions having been made which are reasonably likely to result in the withdrawal, cancellation, termination or modification of any material licence held by any member of the Sahara Group (including the Sahara Affiliates) or the Sipchem Group (as applicable), which is necessary for the proper carrying on of its business other than (in respect of such a licence of a Sahara Affiliate) as a result of any action of a Sahara Affiliate following the date of the Implementation Agreement which Sahara has used its reasonable endeavours to prevent (to the extent it is able).
14. Sipchem not having discovered that any financial, business or other information concerning the Sahara Group (including the Sahara Affiliates) which has been Disclosed is misleading, contains a misrepresentation of fact or omits to state a fact necessary to make that information not misleading, in each case to the extent material in the context of the Transaction.
 15. Sahara not having discovered that any financial, business or other information concerning the Sipchem Group which has been Disclosed is misleading, contains a misrepresentation of fact or omits to state a fact necessary to make that information not misleading, in each case to the extent material in the context of the Transaction.

APPENDIX 2

DEFINITIONS

“Arrangement”	means an arrangement, agreement, license, permit, franchise, lease or other instrument;
“Business Day”	means a day (other than a Friday, Saturday or a public holiday) on which banks generally are open in Riyadh for the transaction of normal banking business;
“Capital Increase”	means the proposed increase in the share capital of Sipchem from 366,666,666 Sipchem Shares to 733,333,332 Sipchem Shares, by the issuance of the New Sipchem Shares;
“Capital Market Law”	means the Capital Market Law issued by Royal Decree No. M/30, dated 2 Jumada Al-Thani 1424H;
“CMA”	has the meaning given in the introduction of this Firm Intention Announcement;
“Combined Group”	means the Sipchem Group following the completion of the Transaction, which shall comprise the Sipchem Group and the Sahara Group (including the Sahara Affiliates);
“Companies Regulations”	means the Companies Regulations issued under Royal Decree M/3, dated 28/01/1437H (corresponding to 10 November 2015), as amended;
“Conditions”	means the conditions to the Transaction as set out in full in Appendix 1 (subject to any amendments, deletions or additions as may be: (a) required to comply with the requirements of the CMA; (b) required by applicable law or regulation; or (c) agreed between Sipchem and Sahara) and “ Condition ” means any one of them as the context requires;
“Conflicted Director”	means 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;

“Disclosed”

means:

1. in the case of Sahara (as the context requires):
 - (a) disclosed by Sahara in its Annual Report and Accounts for the year ended 31 December 2017 and/or in its interim accounts for the period ended 30 June 2018;
 - (b) publicly announced by or on behalf of Sahara through the Tadawul on or after 1 January 2018 but before the date of the Implementation Agreement;
 - (c) Fairly Disclosed by Sahara in the Sahara Data Room before [•]H (corresponding to 31/10/2018G); and/or
 - (d) Fairly Disclosed in writing by or on behalf of Sahara to Sipchem before the date falling three Business Days prior to the date of this Agreement;

2. in the case of Sipchem (as the context requires):
 - (e) disclosed by Sipchem in its annual report and audited accounts for the year ended 31 December 2017 and/or in its interim accounts for the period ended 30 June 2018;
 - (f) publicly announced by or on behalf of Sipchem through the Exchange on or after 1 January 2018 but before the date of the Implementation Agreement; and/or
 - (g) Fairly Disclosed by Sipchem in the Sipchem Data Room before [•]H (corresponding to 31/10/2018G); and/or
 - (h) Fairly Disclosed by Sipchem in the Sipchem Data Room before the date

falling three Business Days prior to the date of this Agreement;

- “EGA”** means an extraordinary general assembly (including any adjournment thereof);
- “Exchange Ratio”** has the meaning given in paragraph 2 of this Firm Intention Announcement;
- “Fairly Disclosed”** means disclosed in such manner and with sufficient detail: (a) to identify the nature and scope of the matter(s) disclosed; (b) to allow the receiving Party to reasonably appreciate the significance of the information disclosed and its relevance in the context of the Transaction; and (c) without omitting information that would have the effect of rendering the information so disclosed misleading in any material respect;
- “Firm Intention Announcement”** has the meaning given in the introduction of this Firm Intention Announcement;
- “Force Majeure Event”** means an event over which the Parties have no control, including (without limitation) any regional conflict, any act of war, any act of terrorism, declaration of emergency or martial law, an act of God, earthquake, tsunami or natural disaster of any nature or other calamity, major damage or breakdown of terminals, plant, machinery and equipment, interruption of power or water supply, legal or governmental acts, order, restrictions or interference, labour actions or labour disputes of whatsoever nature, embargo, blockade and quarantine, in each such case, which has a material adverse effect on a Party's ability to perform its obligations under the Implementation Agreement;
- “Group”** means the Sahara Group or the Sipchem Group, as the context so requires;
- “Listing Rules”** means the listing rules issued by the board of the CMA pursuant to resolution number 3-123-2017, dated 09/04/1438H (corresponding to 27/12/2017G), as amended from time to time;
- “Longstop Date”** means 23:59 hours on the date falling:

3. 150 days after the date on which the Offer Document is approved by the CMA; and
4. 12 months from the date of the Implementation Agreement, or such other time or date as Sipchem and Sahara may agree in writing;

“Material Adverse Change Event” means any actual change, effect or event in or affecting the business, assets, liabilities, operations, prospects and/or condition (financial or otherwise) of the Sipchem Group or the Sahara Group, including for these purposes the Sahara Affiliates, (as the case may be) which first occurs after the date of the Implementation Agreement and which: (i) results, or is more than likely to result, in a reduction in the share price of Sipchem or Sahara (as the case may be) by 15 per cent. or more in total over any two consecutive trading days (using the closing price of the relevant company at the end of such second trading day) on Tadawul by reference to the share price of Sipchem or Sahara (as the case may be) as at the close of business on the Business Day preceding the date that such change, effect or event first became known to either Party and/or was announced through Tadawul; or (ii) has a cost, or results in an impairment to shareholder equity of Sipchem or Sahara on a consolidated basis (as applicable), in excess of SAR 900,000,000, but excluding for the purposes of (i) and (ii) the extent to which such reduction, cost or impairment results from:

1. an act or omission of the other Party (including, without limitation, the other Party significantly delaying or withholding its consent to an action that is required to be undertaken by such Party pursuant to, and which is notified to that Party in accordance with, the provisions of the Implementation Agreement relating to the conduct of Sipchem's and Sahara's respective businesses between the date of the Implementation Agreement and completion of the Transaction);
2. the implementation of the Transaction;
3. changes generally affecting stock markets, interest rates, exchange rates, commodity prices

or other general economic or political conditions in or affecting Saudi Arabia;

4. changes in conditions generally affecting the industry in which the Parties operate;
5. any Force Majeure Event; or
6. changes in laws, regulations or accounting practices in Saudi Arabia;

“Implementation Agreement”	means the implementation agreement entered into by Sipchem and Sahara on 08/03/1440H (corresponding to 06/12/2018G) relating to the implementation of the Transaction;
“M&A Regulations”	means the Merger and Acquisition Regulations issued by the board of the CMA pursuant to its resolution number 1-50-2007 dated 21/091428H (corresponding to 03/10/2007G) as amended from time to time;
“MOCI”	means Ministry of Commerce and Investment in Saudi Arabia;
“Negative Condition”	means each condition which is contained in paragraphs 8 to 15 (inclusive) of Annex 1;
“New Sipchem Shares”	366,666,666 new Sipchem Shares;
“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;
“Offer Document”	means the offer document required by Article 17(c) of the M&A Regulations to be prepared by Sipchem and addressed and despatched to, among others, Sahara Shareholders in relation to the Transaction;
“Offeree”	means Sahara;
“Offeree Circular”	the document required pursuant to Article 39 of the M&A Regulations to be addressed and made available to Sahara Shareholders in relation to the Transaction containing, amongst other things, the invitation to the

Sahara EGA and the voting and proxy forms in respect of the Sahara EGA;

“Offeror”

means Sipchem;

“Offeror Circular”

means the document to be prepared by Sipchem and addressed and despatched to, among others, the Sipchem Shareholders in relation to the Transaction prepared in accordance with Articles 31 and 58 of ROSCOs;

“Ordinary Course”

means the ordinary and usual course of the business of the respective Party's Group (including, in respect of the Sahara Group, the Sahara Affiliates), assessed by reference to the 24-month period prior to the date of the Implementation Agreement;

“Parties”

means Sipchem and Sahara (and “Party” means Sipchem or Sahara (as the context so requires));

“Regulatory Authorities”

means the CMA, the MOCI, the Ministry of Energy, Industry and Mineral Resources, the General Authority for Competition, the General Authority for Meteorology and Environmental Protection, the Royal Commission of Jubail and Yanbu, the Ministry of Municipal and Rural Affairs and any other regulatory authority the approval of which is required, or consultation with whom is considered desirable by the Parties, for the purpose of the Transaction and satisfaction of its objectives;

“Related Parties”

has the meaning given to it in paragraph 11 of this Firm Intention Announcement;

“Restricted Jurisdiction”

means any country, state, territory or region outside Saudi Arabia where the distribution of this Firm Intention Announcement, or the making, extension or acceptance of any offer in relation to the Transaction would or may violate (i) the laws and regulations of that country, state, territory or region, including without limitation, the Abu Dhabi Global Market, Australia, Canada, the Dubai International Financial Centre, Japan, Jordan, the Kingdom of Bahrain, Kuwait, Oman, Qatar, the United Arab Emirates, the United Kingdom or the US; or (ii) the laws and regulations of Saudi Arabia which are applicable to that country, state, territory or region;

“Sahara”	Sahara Petrochemicals Company;
“Sahara Affiliates”	means the following operating companies in which Sahara has a direct or indirect shareholding: Tasnee Sahara Olefins Company, Saudi Ethylene and Polyethylene Company, Saudi Acrylics Acids Company, Saudi Acrylic Monomers Company, Saudi Acrylic Polymers Company and Saudi Butanol Company;
“Sahara Board”	means the board of directors of Sahara;
“Sahara Data Room”	means the virtual data site entitled “Ocean SP” operated by Merrill in connection with the Transaction;
“Sahara EGA”	means the extraordinary general assembly meeting (including any adjournment thereof and subsequent general assembly meeting) of the Sahara Shareholders to be convened in accordance with applicable law and regulation in connection with the Transaction to approve the resolutions necessary for the Transaction;
“Sahara Group”	means Sahara, its subsidiaries and subsidiary undertakings;
“Sahara Resolutions”	the resolutions to be put to Sahara Shareholders at the Sahara EGA to approve the Transaction;
“Sahara Shareholders”	means holders of Sahara Shares;
“Sahara Shares”	means ordinary shares of SAR10 each in the capital of Sahara;
“SAR”	means Saudi Arabian Riyals;
“Sipchem”	means Saudi International Petrochemical Company;
“Sipchem Board”	means the board of directors of Sipchem;
“Sipchem Data Room”	means the virtual data site entitled “Ocean DR” operated by Merill in connection with the Transaction;
“Sipchem EGA”	means the extraordinary general assembly meeting (including any adjournment thereof and subsequent general assembly meeting) of the Sipchem Shareholders to be convened in accordance with applicable law and

	regulation in connection with the Transaction to approve the resolutions necessary for the Transaction;
“Sipchem Group”	means Sipchem, its subsidiaries, and subsidiary undertaking;
“Sipchem Resolutions”	the resolutions to be put to Sipchem Shareholders at the Sipchem EGA to approve the Transaction;
“Sipchem Shareholders”	means holders of Sipchem Shares;
“Sipchem Shares”	means ordinary shares of SAR10 each in the capital of Sipchem;
“Tadawul”	the Saudi Arabian Stock Exchange established in Saudi Arabia pursuant to the Capital Market Law; and
“Transaction”	has the meaning given in the introduction of this Firm Intention Announcement.