



Proposed Merger of Equals Between Sipchem and Sahara

Creation of an integrated petrochemical leader
in the Kingdom



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1. Overview

First-of-its-kind merger of equals between petrochemical leaders in Saudi Arabia

Combined Sipchem and Sahara in numbers

First-of-its-kind merger of equals in the petrochemical leaders in the Kingdom of Saudi Arabia

Landmark transaction being the first ever petrochemical “Merger of Equals” of two public entities in Saudi Arabia

Combined group expected to create significant value for its shareholders through cost and revenue synergies

Transaction is consistent with ‘Vision 2030’ ambitions to create a thriving private sector in Saudi Arabia

SAR 4.5Bn Total revenue	SAR 1.4Bn Gross profit	SAR 1.4Bn Operating income ¹	SAR 881m Net income ²	SAR 21.8Bn Total assets	SAR 11.1Bn Shareholders' equity	SAR 7.3Bn Share capital
SAR 3.0Bn Cash Position ³	SAR 13.8Bn Market capitalization ⁴	SAR 175-225m Initial recurring synergy benefits ⁵	1H 2019 Expected Transaction closing	22 Technology partners	24 Affiliates and subsidiaries ⁶	30 Distinct products
35+ Years of combined operating history	1,616 Group employees ⁷	40+ Countries with marketing presence	2.0m sq m Facilities area ⁸	5.0mt Annual production ^{9,10}	17.1k Hours without incident ⁷	<7km Distance between facilities

Creation of an integrated petrochemical leader in Saudi Arabia that has stronger operational, commercial and financial position by unlocking value, efficiency, viability and resiliency

Notes: Financial information is extracted from the pro-forma financial statements as at 31 December 2017; (1) Includes income from associates; (2) Attributable to shareholders, i.e. excluding minority interests; (3) Includes Murabaha facilities (4) As at 4 February 2019; (5) Recurrent EBITDA impact; (6) Includes InoChem; (7) As at 24 December 2018; (8) In square meters (9) In million metric tonne (10) As at 31 December 2017

Transaction overview and key terms

Designed on the principles of a merger of equals

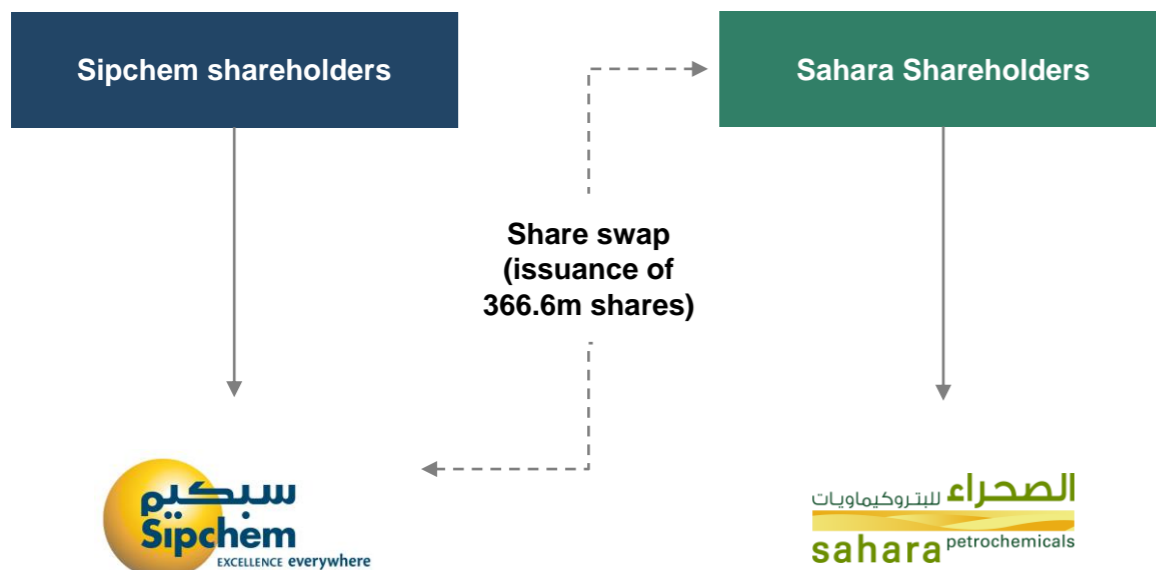
Transaction structure	<ul style="list-style-type: none"> ▪ All-share Merger of Equals transaction. To implement the transaction, Sipchem will issue 0.8356¹ new Sipchem Shares for every one share in Sahara (resulting in Sipchem issuing 366,666,666¹ new Sipchem Shares for 100% of Sahara) 	
Merger of equals Key terms	Exchange Ratio	<ul style="list-style-type: none"> ▪ Based on the agreed Exchange Ratio, both Sipchem and Sahara shareholders will own 50% each of the combined group upon completion of the transaction
	Board of Directors	<ul style="list-style-type: none"> ▪ The board will be chaired by Mr. Abdulaziz Al Zamil, who is the chairman of both Sipchem and Sahara, and the other directors will be members appointed from the current boards of Sipchem and Sahara.
	Leadership Positions	<ul style="list-style-type: none"> ▪ Eng. Ahmad Al-Ohali will become the Chief Executive Office (currently CEO of Sipchem) ▪ Eng. Saleh Bahamdan will become the Chief Operating Officer (currently CEO of Sahara)
	Brand Identity	<ul style="list-style-type: none"> ▪ The name of the combined group shall be changed to “Sahara International Petrochemical Company (Sipchem)”
	Executive Management	<ul style="list-style-type: none"> ▪ Senior executives will be selected jointly by the CEO and COO of the combined group, while maintaining balance between Sipchem and Sahara
	Headquarters Location	<ul style="list-style-type: none"> ▪ The registered office of the combined group shall be located in Riyadh
Transaction closing	<ul style="list-style-type: none"> ▪ The transaction is expected to close before 30 June 2019 ▪ It will require satisfaction of customary conditions, including approval of the CMA, relevant anti-trust authorities and the shareholders of each of Sahara and Sipchem ▪ Integration planning is well underway and is expected to continue post-closing of the transaction 	

Notes: (1) Subject to adjustment in accordance with the terms of the Implementation Agreement

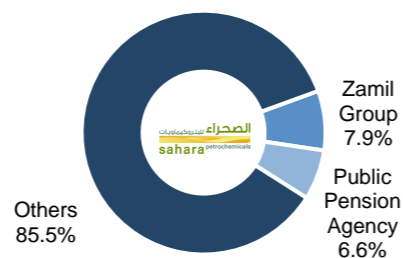
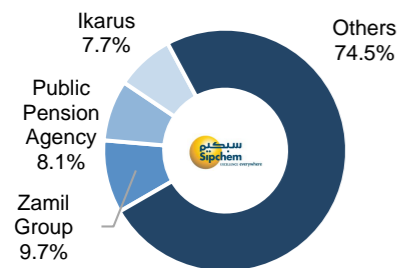
Transaction structure

Both Sipchem and Sahara shareholders will own 50% of the combined group

Pre-transaction structure



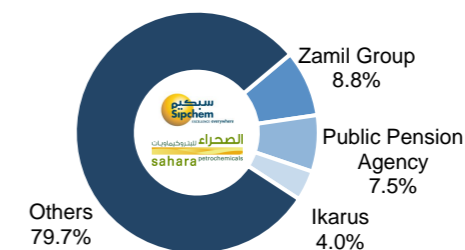
Shareholding structure



Post-transaction structure



Shareholding structure



Shareholder Value Creation

Unique synergy opportunities generate strong shareholder value



Enhanced capabilities

- Strengthened technical and marketing capabilities
- Industry-leading operational excellence and safety
- Increased reliability and reduced downtime
- Enhanced people capabilities



Synergy benefits

- Initial synergy benefits estimated at

SAR 175-225m¹

in recurrent EBITDA impact per annum from areas such as:

- Cross-selling of products to customers
- Internal balancing of chemicals between co-located assets in Jubail
- Increased scale in common procurement spending, consolidated shipments and logistics



Synergy realization

- Benefits realization is expected

3 years

after the completion of the deal

- Non-recurring investment and integration expenses estimated to be

~0.5 – 0.75x

of the expected annual EBITDA impact from synergies

Journey of Sipchem and Sahara





2. Strategic Rationale

Foundation of value proposition to shareholders

Foundation of value proposition to shareholders

A solid deal logic underpins the transaction



A

Strengthening portfolio and value chain presence

Establishing a broader product portfolio in the attractive, fast growing C1-C2-C3 segments and leveraging complementarity of local and global partnerships

B

Increasing scale and resilience of operations

Scale, broader product portfolio and diversified feedstock will fortify resilience to volatility both in Saudi Arabia and internationally

C

Building on competitive advantages & capabilities

Enhance commercial, functional & operational excellence to unlock synergy potential

D

Driving efficiency and productivity

Leverage closely situated industrial asset portfolios of each of Sahara and Sipchem to drive synergies and create shareholder value

E

Creating a platform for growth

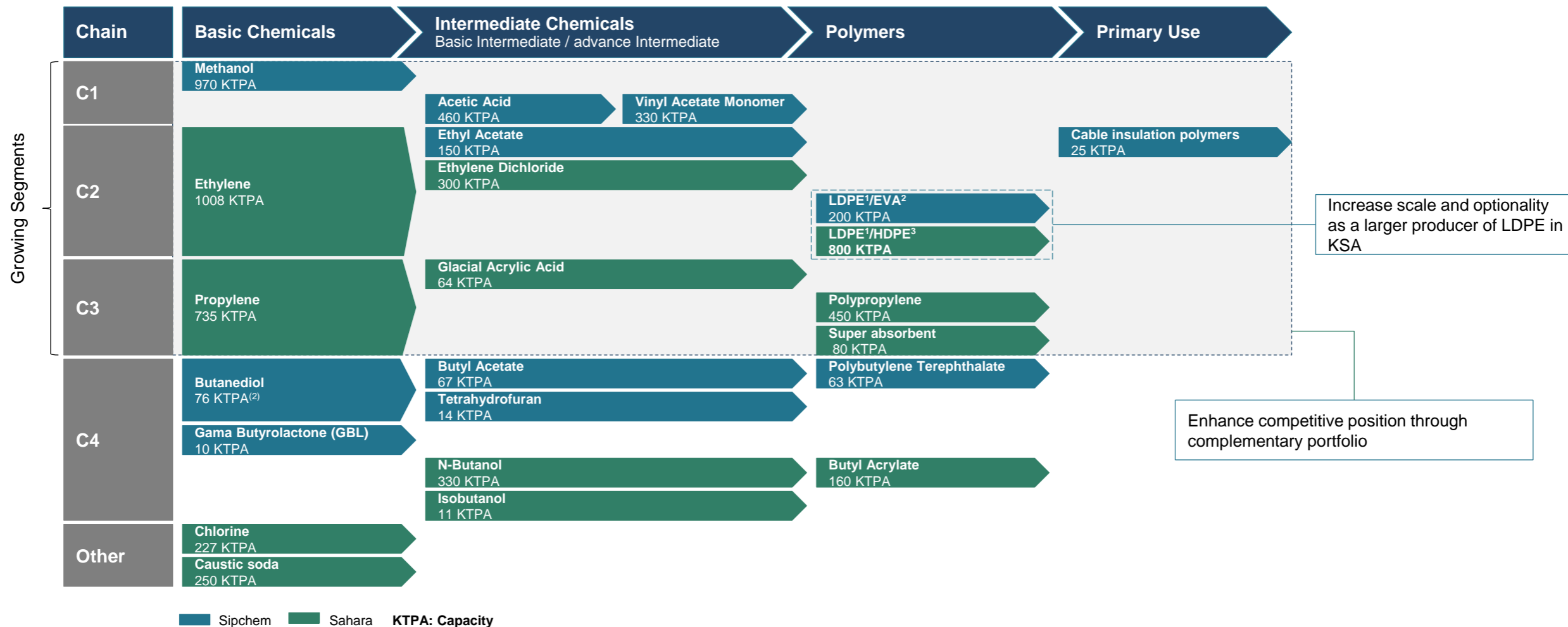
Improved financial resources, capital market access, and product and technological expertise paves the way for future local & international growth opportunities

A

Strengthening portfolio and value chain presence

Establishing a broader portfolio in the attractive, fast growing C1-C2-C3 segments...

Enhanced combined group's competitive position through complementary portfolio



Notes: (1) Low density polyethylene (2) Ethylene-vinyl acetate (3) High density polyethylene

A

Strengthening portfolio and value chain presence ...and leveraging complementarity of local and global partnership portfolios



Partnership portfolio of Sipchem and Sahara is complementary

Local partnership portfolio could be leveraged to better market products in **Saudi Arabia**

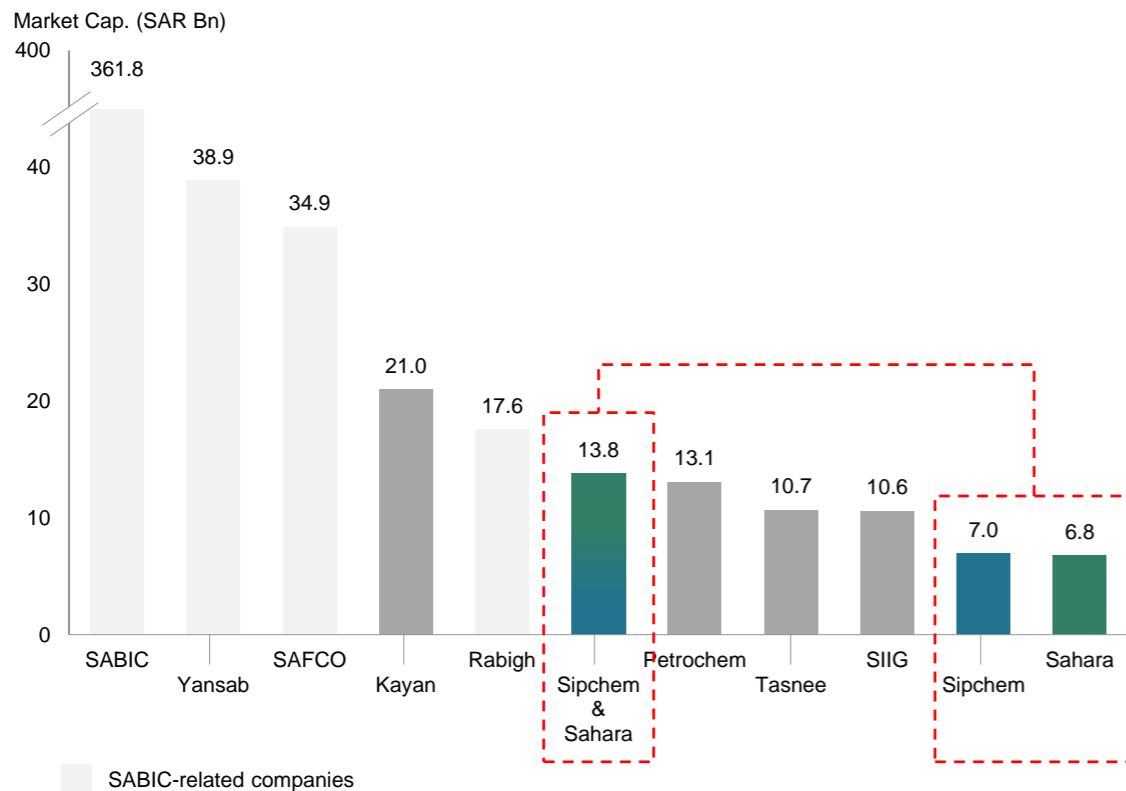
Global partnership portfolio could be leveraged by the combined group to **access new markets and technology**

Sipchem as **Board member to Gulf Petrochemicals Chemicals Association**, has a strong network and reach within the GCC region

B

Increased scale and resilience of operations

Increased scale⁽¹⁾...



...creates 2nd largest non-SABIC related company¹

...and resilience of operations

Feedstock diversification ...

Local energy & feedstock **subsidies may be further reduced** in the next five years, pushing feedstock prices to international levels

Sipchem & Sahara rely on distinct core feedstock (Sipchem on Natural gas, ethane and butane, while Sahara on ethane and propane) which will lower the impact if specific feedstock prices increase

... reduces impact on production costs

Product diversification ...

Commodity products are typically volatile

The combined group's portfolio will include products that do not follow same **price cyclicity**

Variability of earnings is reduced as cyclical low prices on some products tend to balance with higher market prices on others

... reduces revenue volatility

Notes: (1) By market capitalization. Figures are in SAR Bn, Tadawul as at 4 February 2019

C

Building on competitive advantages and capabilities

Enhance commercial & operational excellence to unlock synergy potential



- Sipchem marketing company
- Operational excellence initiatives
- Centralized core business support for planning, maintenance, and reliability
- “Manar” R&D centre with advanced polymer in-house expertise

Combined group

Strengthened **marketing** capabilities

Industry-leading **operational excellence and safety**

Increased **reliability** and reduced downtime

Leader in polyolefin **process and technology**

Enhanced **people** capabilities



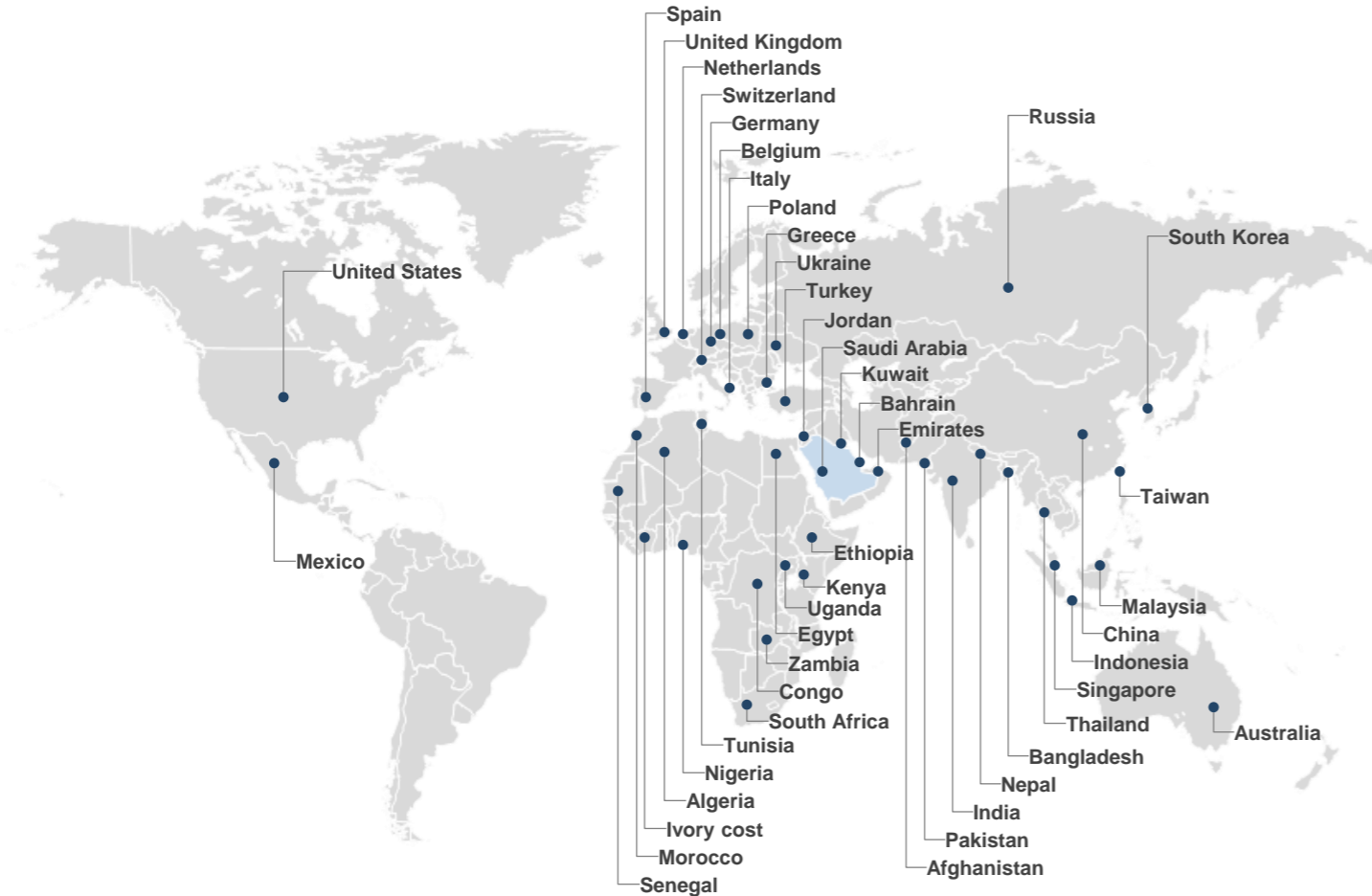
- Minhaj project aiming to improve operational and functional excellence
- High capacity utilization and plant availability rates
- Rewarded by LyondellBasell as best partner in terms of operational excellence
- Unique capabilities in Heco-polymers production (market premium)

The enhanced capabilities are expected to enable the combined group to unlock synergy potential

C

Building on competitive advantages and capabilities

An example: Leveraging combined marketing platform to optimize distribution



Market presence

- Leverage international footprint to optimize offtake of combined products portfolio
- Market and logistics intelligence to foster relationship with external off-takers

Expanded portfolio

- Cross-selling of expanded products by leveraging relationship with the clients
- Provide a better value proposition to current off-takers and future relationships

Future growth

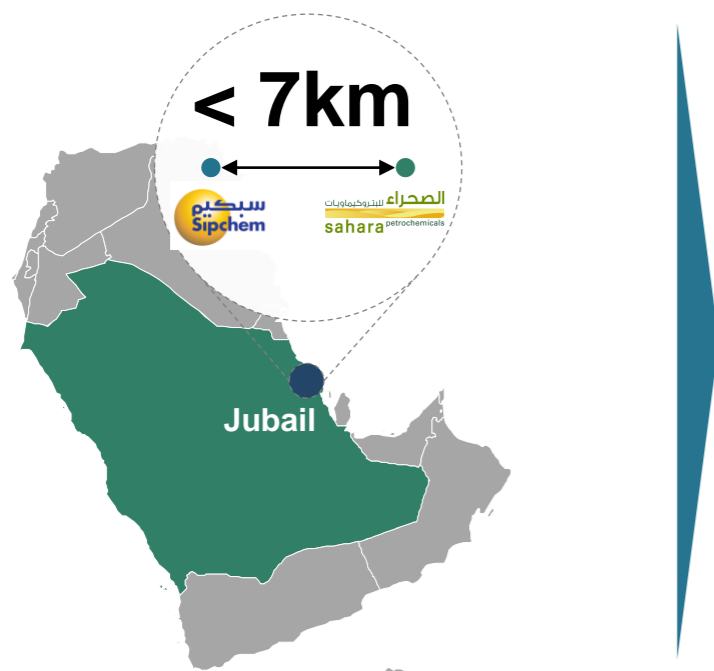
- Economization in shared resources which translate into costs savings
- Expansion of market reach and power results into increase in offtake volume and new relationships

Global reach to enable sale and distribution and support potential future growth

D Driving efficiency and productivity

Leverage closely situated asset portfolio to drive shareholder value

Closely located asset footprint...



...drives efficiency and productivity

Examples of cost synergies include, but are not limited to:

Shared services

- Integrating corporate functions and entities into a shared services structure is expected to lead to greater efficiency
- Functions which can be integrated include, but are not limited to: human resources, IT, procurement, finance, maintenance and technical services and warehousing

Internal balancing

- The Jubail based asset can be leveraged to unlock value creation through incremental CAPEX investment opportunities
- For example: incremental ethylene feedstock can be allocated based on the highest value disposition across the consolidated Sahara and Sipchem production sites

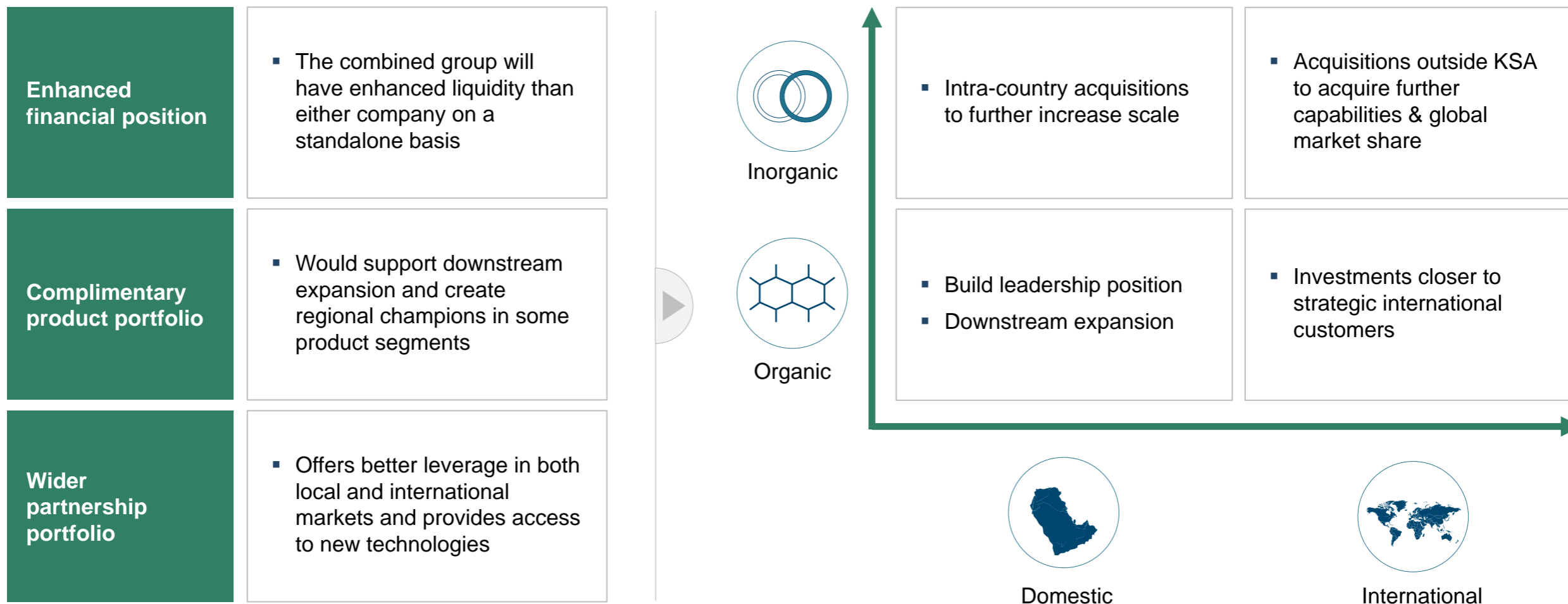
Procurement & logistics

- Cost savings are expected to be achieved as a result of:
 - Increased scale in common procurement spending
 - Increased shipment volumes of solid and liquid products of the combined group

Increased efficiency and productivity to drive synergies and create shareholder value

Creating a platform for growth

Merger paves the way for future local & international growth opportunities



3. Leadership

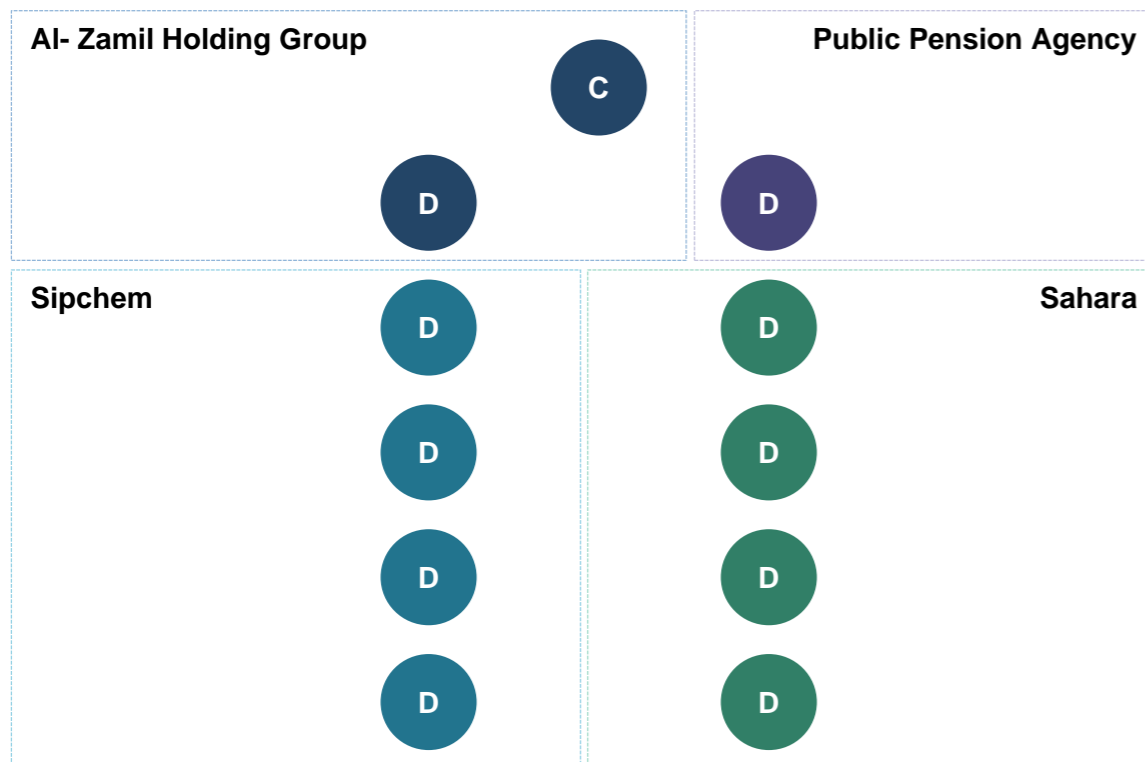
Management, operational model and governance



Board Composition

Interim board of directors composition

C Chairman **D** Director



- The interim board of the combined group will be comprised of representatives of both Sipchem and Sahara boards, and the combined board shall appoint a new vice-chairman from amongst its members
- The new board will take effect upon closing of the transaction

Chairman of the Board of Director



Abdulaziz bin Abdullah Al-Zamil

Background:

MS in Industrial Engineering, USA (1968)
BS in Industrial Engineering, USA (1967)

Current Board Chairman positions:

- Zamil Group
- Sahara
- Sipchem
- Alinma Bank

Selected Previous Experience:

- Minister of Industry and Electricity, KSA (1983-1995)
- Vice-Chairman and CEO, SABIC (1976-1983)
- Deputy Director General Saudi Consulting House (1968-1976)

Key Executives

Initial organizational chart of combined group



Ahmed Al-Ohali
Chief Executive Officer

- BS in Chemical Engineering, KFUPM (1981)*
- Sipchem (18 yrs) & SABIC (16 Yrs)
 - Member of Eastern Province Council
 - Board member of SEDA
 - Board member of GPCA

Strategy

Business Development

Corporate Finance

Sales & Marketing

Human Resources¹



Saleh Bahamdan
Chief Operating Officer

- MS in Electrical Engineering, USA (1983)*
BS in Electrical Engineering, USA (1980)
- Sahara Petrochemicals (14 yrs)
 - SABIC (20 yrs) - General Manager (Engineering)

Operations

Maintenance

Technical

Support Services

Integration Office

Dedicated integration office has been formed to manage end-to-end integration planning and execution, **ensuring an effective and efficient process** is carried out

Notes: (1) will become under the CEO post completion of the deal

4. Roadmap

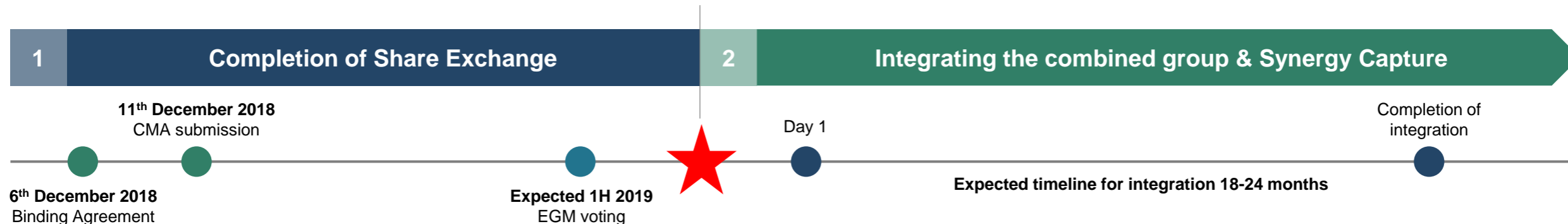
The way forward



Timeline for creation of a petrochemical leader in Saudi Arabia

Smooth integration supported by track record of successful collaboration

Transaction expected to complete before 30 June 2019

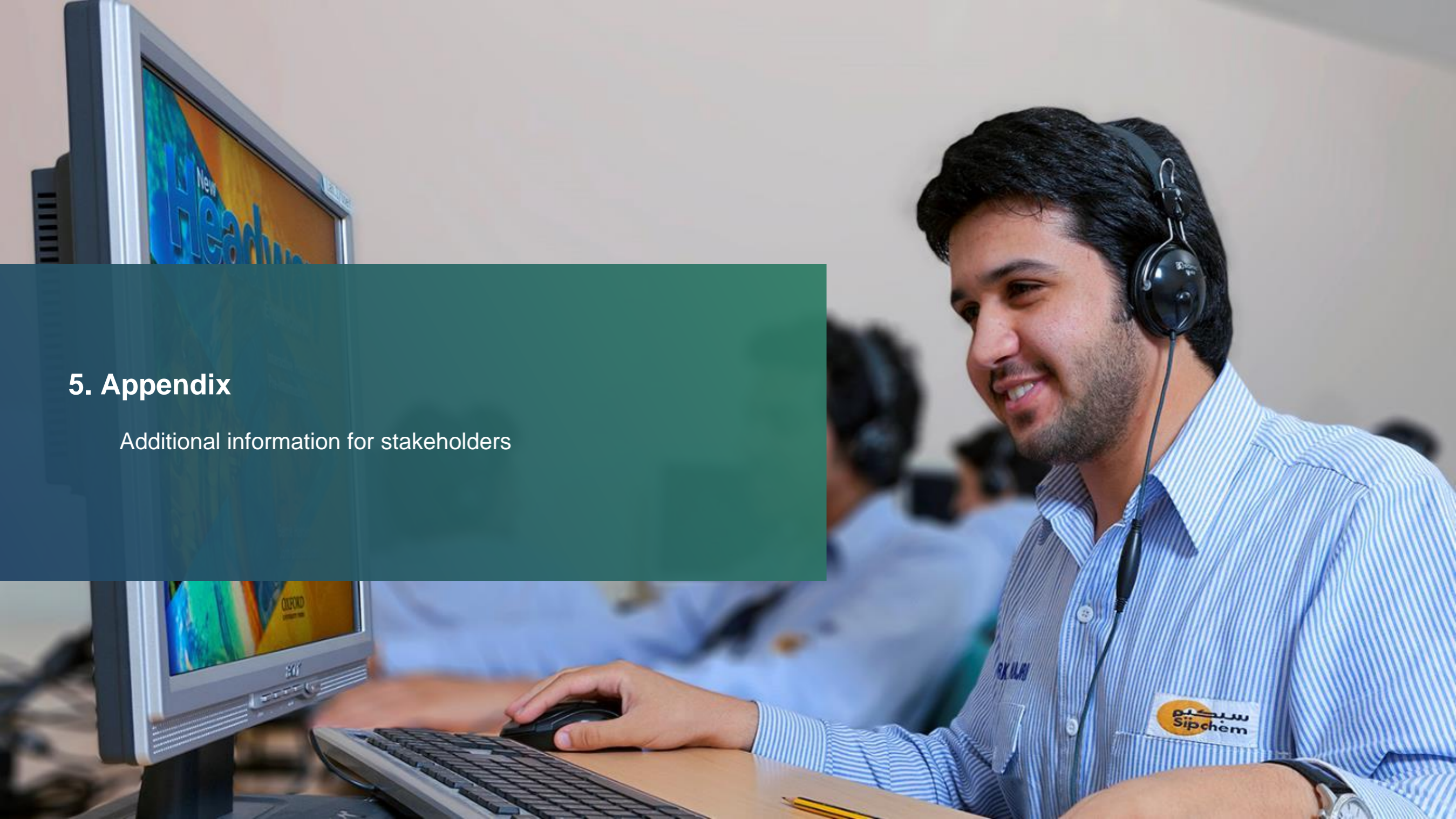


1	2
<ul style="list-style-type: none"> ▪ Transaction is subject to: <ul style="list-style-type: none"> – CMA approval of the Offeror Circular, the Offer Document and the Offeree Circular – Approval of Extraordinary General Assembly of both Sipchem and Sahara¹ – Clearance of necessary regulatory authorities – The admission of the New Sipchem Shares to listing and trading on Tadawul – Satisfaction of all other customary conditions 	<ul style="list-style-type: none"> ▪ Plan for integration progressing with an Integration Steering Committee in place to oversee integration activities ▪ Dedicated full time Integration Management Office already in place and operating with supporting integration teams ▪ Focus on integration of organization, processes and supporting IT systems ▪ Clear accountabilities and emphasis placed on synergy value capture initiatives across parts of the business ▪ Effort placed on cultural integration and change management activities ▪ Experience from previous collaboration projects between both companies being leveraged to support successful implementation

Notes: (1) Comprising of non-conflicted and independent shareholders only

5. Appendix

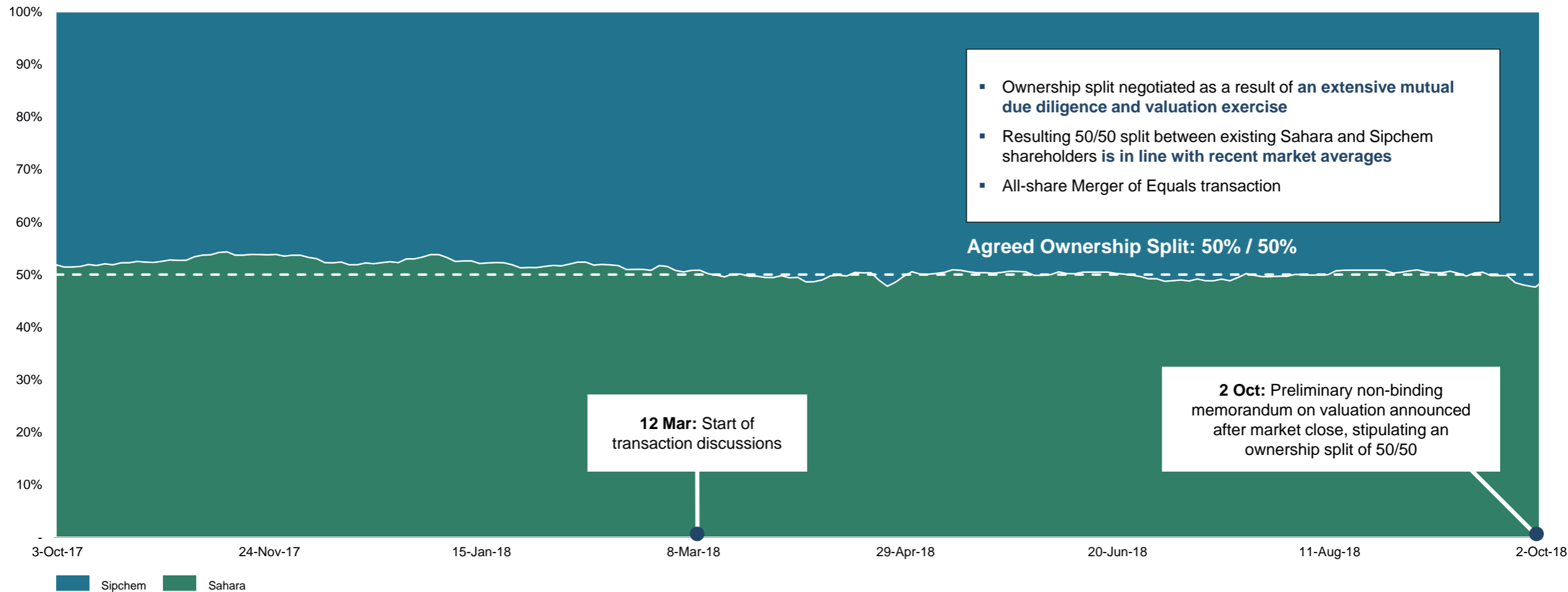
Additional information for stakeholders



Sahara vs. Sipchem Relative Market Capitalization Over Time

Stable 50/50% Market Capitalization Contribution

Market capitalization contribution



Source: Tadawul