

Pursuant to the terms of the Agreement, NADEC has agreed to acquire (i) thirty-four million nine hundred and fifty-four thousand seven hundred and ten (34,954,710) shares in ASD from Al Safi Holding (representing 83% of the share capital of ASD); and (ii) seven million one hundred and fifty-nine thousand two hundred and ninety (7,159,290) shares in ASD from DDII (representing 17% of the share capital of ASD) (collectively, the “**Sale Shares**”) in consideration for issuing (i) forty-four million four hundred and seventy-six thousand two hundred and fifty-seven (44,476,257) shares in NADEC to Al Safi Holding (representing 32.16% of the share capital of NADEC); and (ii) nine million one hundred and nine thousand four hundred and fifty-seven (9,109,457) shares in NADEC to DDII (representing 6.59% of the share capital of NADEC) (collectively, the “**Consideration Shares**”) to be implemented by way of a capital increase (the “**Transaction**”). Following completion of the Transaction, the number of shares in NADEC will increase from 84,700,000 to 138,285,714, which represents an increase in the share capital of NADEC from SAR 847,000,000 to SAR 1,382,857,140.

It should be noted that the issuance of the Consideration Shares by way of a capital increase in NADEC will lead to a dilution of the ownership of NADEC’s shareholders at the time of the capital increase.

The resulting ownership in the enlarged NADEC will represent a split of 61.25% for the existing NADEC shareholders and 38.75% for the existing ASD shareholders, in line with the terms of the non-binding memorandum of understanding (“**MOU**”) announced by NADEC to its shareholders on 8 October 2017.

For the purposes of the Transaction, the value of the Consideration Shares issued to the Sellers will be determined based on NADEC’s share price at completion.

The Transaction represents a major milestone for NADEC since its establishment in 1981 and a compelling value creation proposition for its shareholders. Key strategic benefits created by the Transaction are expected to include:

- Further consolidating NADEC’s strong position in the dairy market in the Kingdom of Saudi Arabia (“**KSA**”), to create a national champion in line with the Vision 2030 which aims to create a thriving private sector
- Reinforcement of NADEC’s position as a leading dairy and beverage company in the region
- Increasing category participation through (i) a broader brand portfolio in the fresh dairy, long life dairy and juice segments with the addition of well-established and complementary brands such as Al Safi and Safio and (ii) entry to the value-added

- segment through the addition of a range of premium licensed brands from Danone, the global dairy leader, including Activia, Danette and Actimel. In addition, NADEC will be better positioned to benefit from a large innovation pipeline of new products to support future growth
- Enhancing NADEC's regional reach in KSA, UAE, Kuwait, Bahrain, Jordan, and Lebanon as well as access to new geographies such as the high-growth Iraqi market via local manufacturing capabilities, Oman and other countries
  - Significant synergy potential across multiple facets of the enlarged business including potential cost optimization in the areas of farming, manufacturing, supply chain and sourcing, sales and marketing, and the corporate centre and associated functions, as well as potential revenue opportunities derived from a wider distribution network and customer reach, and trade optimisation. These synergies are expected to improve the profitability profile and cash flow generation of NADEC and drive long-term shareholder value creation
  - Strengthening NADEC's balance sheet and lowering leverage on a pro forma basis
  - Improved positioning to take advantage of future growth opportunities, both organic and inorganic, within KSA and in the region

Commenting on the Transaction, Eng. Abdulaziz Al Babbain, Managing Director of NADEC, said “We are delighted to announce this Transaction and believe it will better position NADEC by creating a strong player in the KSA dairy market and reinforcing its status as a leading regional dairy and beverage company. ASD's iconic product portfolio comprising Al Safi and Danone-branded products will be highly complementary to NADEC's existing product offering. The Transaction will allow both companies to better serve customers and realise benefits not available on a standalone basis. It will create a platform for future growth and, importantly, drive significant value creation for shareholders. The Transaction will also contribute to the goals of Saudi Arabia's Vision 2030 by strengthening the private sector. We look forward to embarking on a new chapter in the proud history of NADEC and ASD.”

Commenting on the Transaction, Mr. Mohammed A. Al Sarhan, the Chairman of ASD, said “We are proud to have joined forces with NADEC, a company with a long history and great achievements. Our vision from this business combination is to use the unique capabilities of both companies to better serve customers in KSA and in the region, maintain the highest quality standards and continuously introduce new product innovations. We believe this Transaction will initiate a highly beneficial transformation of the dairy market and generate significant synergies that will drive value for all stakeholders. We look forward to the integration of ASD with NADEC and are proud to become part of this journey.”

The Agreement is subject to a number of conditions, including, without limitation, obtaining the approval of the General Authority for Competition in connection with the economic concentration arising from the Transaction, obtaining the approval of the Capital Market Authority in relation to the NADEC capital increase and the issuance of the Consideration Shares to each of Al Safi Holding and DDII, and obtaining the approval of any other related governmental authorities as well as the approval at an extraordinary general meeting of the shareholders of NADEC in relation to the NADEC capital increase. The Agreement is also subject to a number of other conditions relating to the business and assets used by ASD and its subsidiaries.

The Agreement contains a number of warranties in respect of the commercial activities of ASD and its subsidiaries as is customary in these types of transactions.

Pursuant to the terms of the Agreement, NADEC may terminate the Agreement at any time in the event of an occurrence of a material event which adversely affects the business of ASD and its subsidiaries. The Sellers may also terminate the Agreement if the share price of NADEC decreases below a certain threshold in accordance with the terms agreed upon within the Agreement. Furthermore, either NADEC or the Sellers may terminate the Agreement (i) if the conditions are not satisfied prior to 31 December 2018G (unless the parties agree otherwise); (ii) if any of the fundamental warranties provided by the other party are not true and accurate and such breach is not capable of being cured prior to completion of the Transaction; or (iii) if the other party is in material breach of any covenant set forth in the Agreement and such breach is not capable of being cured by prior to completion of the Transaction.

It should be noted that there are no related parties in respect of this Transaction.

For the purpose of the Transaction, NADEC has appointed Morgan Stanley Saudi Arabia as its financial advisor and Abuhimed Alsheikh Alhagbani Law Firm (AS&H) in cooperation with Clifford Chance as its legal advisor. ASD has appointed Goldman Sachs Saudi Arabia as its financial advisor. Al Safi Holding has appointed Abdulaziz Alajlan & Partners in association with Baker & McKenzie Limited as its legal advisor and DDII has appointed Freshfields Bruckhaus Deringer LLP.

NADEC will announce any material developments in respect of the Transaction in due course.