

The Saudi Industrial Investment Group (“SIIG”) announces its entry into a binding implementation agreement with the National Petrochemical Company (“Petrochem”) to acquire all shares issued in Petrochem through a securities exchange transaction and its firm intention to proceed in making an offer in this respect.

1. Introduction

Further to the announcement made by The Saudi Industrial Investment Group (“SIIG”) on 21/2/1443H (corresponding to 28/9/2021G) in respect of signing a non-binding memorandum of understanding on the share exchange ratio and structure of a potential securities exchange transaction with The National Petrochemical Company (“Petrochem”), SIIG announces that it has entered into a legally binding implementation agreement on 21/3/1443H (corresponding to 27/10/2021G) (the “**Implementation Agreement**”) pursuant to which SIIG and Petrochem have agreed that SIIG will make an offer to acquire all shares issued in Petrochem which are not owned by SIIG in exchange for the issuance of new shares in SIIG to Petrochem’s shareholders in accordance with Article 26 of the Merger and Acquisition Regulations and the Rules on the Offer of Securities and Continuing Obligations issued by the board of the Capital Market Authority, as well as the terms and conditions set out in the Implementation Agreement (the “**Transaction**”).

SIIG would also like to announce, in accordance with Article 17(e) of the Merger and Acquisition Regulations, its firm intention to make the offer relating to the Transaction in accordance with the terms and conditions of the Implementation Agreement.

Pursuant to the terms of the Implementation Agreement, the Transaction will be implemented through the acquisition of all shares issued in Petrochem which are not owned by SIIG through a securities exchange offer in exchange for the issuance of three hundred four million eight hundred thousand (304,800,000) ordinary shares with a nominal value of 10 Saudi Riyals per share in SIIG to Petrochem’s shareholders (“**Consideration Shares**”) by way of increasing the share capital of SIIG from four billion five hundred million (4,500,000,000) Saudi Riyals to seven billion five hundred forty-eight million (7,548,000,000) Saudi Riyals, representing an increase in the number of shares of SIIG from four hundred fifty million (450,000,000) shares to seven hundred fifty-four million eight hundred thousand (754,800,000) fully paid shares, which represents an increase of 67.733% in SIIG’s current share capital.

Upon completion of the Transaction, the shareholders of Petrochem, who are registered in the shareholders’ register of Petrochem at the end of the second trading period following the date of the completion of the Transaction, will receive new shares in SIIG in accordance with the exchange ratio, pursuant to which Petrochem’s shareholders will receive 1.27 shares in SIIG for each share they own in Petrochem (the “**Exchange Ratio**”). As a result of the Transaction, Petrochem will be delisted from the Saudi Stock Exchange (Tadawul), and it will become a company wholly-owned by SIIG.

Based on the Exchange Ratio and the closing share price of SIIG of 41.1 Saudi Riyals on 20/3/1443H (corresponding to 26/10/2021G) (which is the last trading day prior to the date of this announcement), each Petrochem share is valued - for the purposes of the Transaction - at 52.2 Saudi Riyals and Petrochem’s total issued shares are valued - for the purposes of the Transaction - at approximately 25,054,560,000 Saudi Riyals.

The above valuation represents a premium of 2.35% compared to the closing share price of Petrochem of 51 Saudi Riyals in the Saudi Stock Exchange (Tadawul) on 20/3/1443H (corresponding to 26/10/2021G) (which is the last trading day prior to the date of this announcement). This valuation also represents a 5.02% premium compared to the closing share price of Petrochem of 49.7 Saudi Riyals on 19/2/1443H (corresponding to 26/9/2021G) (which is the last trading day prior to both companies' announcement on 21/2/1443H (corresponding to 28/9/2021G) in respect of signing a non-binding memorandum of understanding in relation to the Transaction).

Upon completion of the Transaction, SIIG's existing shareholders will own 59.62% of SIIG post-completion and Petrochem's shareholders will own 40.38% of SIIG post-completion. The substantial shareholders of SIIG post-completion of Transaction will be the General Organization for Social Insurance with an ownership percentage of 28.02%.

In the event that the calculation of the number of shares owned by any Petrochem shareholders - based on the Exchange Ratio - resulted in fractional shares, such fractional shares will be dealt with in accordance with the mechanism that will be specified in the Offer Document and Shareholders' Circular which will be published at a later stage.

The board of directors of SIIG, who have been so advised by HSBC Saudi Arabia (acting as the financial advisor to SIIG in relation to the Transaction) as to the financial terms of the Transaction, consider the terms of the Transaction to be fair. HSBC Saudi Arabia has taken into account the commercial assessments of SIIG's board of directors in providing its advice to SIIG's board of directors.

There will be no immediate change in both companies' businesses as a result of this announcement. Both companies will remain independent and separate, and both will continue to operate on a business-as-usual basis. SIIG does not expect that the Transaction, if completed, will result in the involuntary redundancy of employees.

Completion of the Transaction is subject to a number of conditions and approvals, including obtaining regulatory and shareholders approvals. The Implementation Agreement sets out the specific events by which the agreement can be terminated. For further details about the completion conditions of the Transaction, refer to Section (3) of this announcement.

2. Rationale for the Transaction

Notice

This section contains the views of SIIG on the contemplated benefits from the Transaction becoming effective. It should be noted, in particular, that this section contains forward-looking statements, which are subject to risks and uncertainties, and that undue reliance should not be placed on such statements. For further information on such risks, refer to the Offer Document and Shareholders' Circular which will be published at a later stage. It should also be noted that the synergy estimates between SIIG and Petrochem included in this section are merely preliminary estimates. SIIG does not intend to update the synergy statements nor any other forward-looking statements, except as required pursuant to applicable laws and regulations. Nothing contained in this section is intended to be or shall be deemed to be a forecast, projection or estimate of the current or future financial performance of SIIG and no statement in this announcement should be interpreted to mean that earnings per share for current or future financial

periods of SIIG post-completion would necessarily match or exceed historical published earnings per share of SIIG.

Overview

The petrochemicals industry, globally and in Saudi Arabia, has witnessed significant development over the past few years on the back of shifts in macroeconomic fundamental, evolution of commodity prices, shift of investments in regional production capacity, and reform of public policies, among other factors.

The latest trends in the sector impose challenges on industry players that could hamper performance and limit growth potential. These challenges include, but not limited to, the following:

- Shale oil expansion in the United States was accompanied with an increase in the production of natural gas and decrease in its price, where Henry Hub benchmark dropped from \$4.4 per MMBtu in 2010 to \$1.9 per MMBtu in 2020, which resulted in an increase of competitive tension among polymer producers globally¹.
- Reduction of polymer imports into North East Asia—one of the largest destinations of polymers producers in Saudi Arabia—due to improvement in self-sufficiency, where ethylene production capacity in the region increased by 4.9% compounded annual growth rate between 2015 – 2020, while, during the same period, ethylene production capacity in the Middle East increased by only 1.8% compounded annual growth rate².
- Recent volatility of oil prices was accompanied with shrinkage of naphtha-ethane spread due to the precautionary measures undertaken to contain the spread of COVID19, where since the beginning of 2020, Brent benchmark reached a low of \$9.1 per barrel and a high of \$78.3 per barrel³.
- Potential reduction of the feedstock prices' competitive advantage and its availability in the Kingdom and the Middle East due to tighter supply of gas, which may reduce allocation of natural gas and result into higher investments in naphtha crackers. Natural gas total proved reserves in the Middle East declined from 77.8 trillion cubic meters in 2010 to 75.8 trillion cubic meters in 2020⁴.
- Limited demand, to date, on polymer products from local industrial producers and manufacturer in Saudi Arabia who use these products in their operations, where the sales in Saudi Arabia by petrochemical listed entities in Saudi Arabia were at 16.9% of total sales as of 2020⁵.

In an effort to overcome these challenges, the board of directors of each of SIIG and Petrochem discussed the potential impact of the Transaction, and determined based on these discussions that the Transaction will allow both SIIG and Petrochem to be better positioned to overcome the current challenges and developments of the petrochemicals sector, as the Transaction will create a leading integrated petrochemical company with robust business model and an expanded products portfolio. SIIG post-completion will be better positioned to streamline operational activities through an effective

¹ Note: Based on British Petroleum's Statistical Review of World Energy 2020

² Note: Based on the market study prepared by IHS Markit

³ Note: Based on United States's Energy Information Agency

⁴ Note: Based on British Petroleum's Statistical Review of World Energy 2020

⁵ Note: Based on the weighted average split of sales in Saudi Arabia by SIIG, Petrochem, Tasnee, Advanced, Sipchem, SABIC AN, YANSAB, Saudi Kayan.

organizational structure and better arrangements for infrastructure and utilities which will reduce the fluctuations effect of the petrochemical sector.

Further, SIIG post-completion will be able to simplify the operational activities, crystallize growth potential, economize on financing and access to capital, improve equity trading and coverage exposure by equity research analysts, rationalize corporate governance arrangements and decision-making process, and, as a result safeguard and grow shareholders value. Set forth below are the key themes of benefits from the Transaction:

Benefits

The Transaction will create a number of benefits for SIIG post-completion which will benefit the current shareholders of SIIG and Petrochem shareholders upon becoming shareholders in SIIG post-completion. These benefits are as follows:

Increased operational and financial scale. SIIG post-completion will become one of the largest petrochemical companies in Saudi Arabia, in addition to becoming among the largest in the MENA region, with pro-forma market capitalization of 30.4 billion Saudi Riyals as of 30 September 2021 and pro-forma combined total production capacity of 6.3 million ton per year as of 31 December 2020. From an operational standpoint, SIIG post-completion will have a robust and expanded products portfolio with an adequate level of resilience, not to mention an enhanced corporate profile that can support in various business arrangements between its subsidiaries and counterparts, which can potentially help increase operating rates. The board of SIIG post-completion will be able to optimize decisions on payout of dividends or retention of payable dividends for investments to the benefit of the shareholders of SIIG post-completion.

Growth and development opportunities. SIIG post-completion will be better positioned to achieve growth in its current assets and through new investments; and capture business development opportunities through its enlarged market capitalization, share capital base and improved integration. This includes improvement of utilization and efficiency, expansion of capacity in operations and infrastructure; improvement of current partnership to anchor future growth; forge new strategic alliances and partnerships locally and globally, such as Shareek Program; scout for future M&A opportunities, in Saudi Arabia or internationally, with value creation potential; and venture into new industries with higher value-add products to diversify the business.

Diversification and risk reduction. SIIG post-completion will be in a better position when it comes to hedging against naphtha-ethane spread, which is tied with oil price movement, to reduce its impact on earnings, as the shareholders of SIIG post-completion will have enhanced exposure to production lines that utilizes naphtha, ethane and propane. The diversification of the feedstock slate will enable SIIG post-completion to manage market and oil volatility.

Better capital market exposure and access to a larger investor base. SIIG post-completion, as a result of the Transaction, will have a larger market capitalization, larger free float and shareholders base, as well as increased average daily trading volumes, values and trades in absolute terms, which when coupled with the other benefits from the Transaction, will result into an improved trading patterns, such as market depth, share price volatility, as well as liquidity levels. The enlarged capitalization and investors base, in turn, will provide SIIG post-completion a higher likelihood of inclusion in global and emerging market

indices based on the criteria of the relevant entities, which will increase global exposure, induce capital flow, invite further coverage by equity analysts.

Simplification of ownership structure and opportunity for asset optimization. SIIG post-completion will have a simplified ownership structure, which will support in the reduction or rationalization of the common overhead costs. In addition, the unification of control over the subsidiaries of SIIG post-completion will introduce agility in the decision making process in relation to operations, strategies, investments, among other general corporate areas.

Creation of a combined platform with attractive synergy and value creation potential. SIIG post-completion is expected to deliver approximately 13-17 million Saudi Riyals of annually recurring increase in earnings, driven primarily from cost synergies.

3. Key Terms of the Transaction pursuant to the Implementation Agreement

Conditions of the Implementation Agreement

The Implementation Agreement is subject to a number of conditions that must be satisfied to complete the Transaction, which are summarised as follows:

- The obtaining of all required approvals of the Capital Market Authority with respect to the Transaction.
- The obtaining of the required approval of the Saudi Exchange on listing the Consideration Shares on the Saudi Stock Exchange (Tadawul) and obtaining any other approvals which the Saudi Exchange may require with respect to the Transaction.
- The approval of SIIG's shareholders on the Transaction and its related resolutions through an extraordinary general assembly which shall be convened in accordance with the applicable regulatory requirements.
- The approval of Petrochem's shareholders on the Transaction and its related resolutions through an extraordinary general assembly which shall be convened in accordance with the applicable regulatory requirements.
- No Material Adverse Event (as defined in the Implementation Agreement) having occurred and being continuing.
- There being no breach of certain warranties provided by SIIG and Petrochem as set out in the Implementation Agreement, unless such breach has been remedied by the party in breach in a satisfactory manner to the other party (if possible).
- No decision or resolution has been issued by any government entity in the Kingdom of Saudi Arabia prohibiting the completion of the Transaction in accordance with the terms of the Implementation Agreement.

Board and governance arrangements

Subject to the receipt of relevant regulatory and shareholder approvals, SIIG and Petrochem agreed, in accordance with the terms of the Implementation Agreement, to take the necessary procedures so that upon completion of the Transaction, the composition of the board of directors of SIIG post-completion will be subject to the following changes:

1. The nomination of two (2) members (who shall be nominated by Petrochem's board of directors within no less than thirty (30) business days after the completion date of the Transaction) to fill the two vacant seats at the board of directors of SIIG-post-completion.
2. SIIG will procure two vacant seats for the individuals to be nominated by Petrochem's board of directors through any of the following means:
 - a. increasing the size of SIIG's board of directors from nine (9) members to eleven (11) members at the completion date of the Transaction;
 - b. procuring the resignation of two members of SIIG's board of directors; or
 - c. increasing the size of SIIG's board of directors from nine (9) members to ten (10) members and procuring the resignation of one member of SIIG's board of directors.

As a result of the above changes, it is expected that, following completion of the Transaction, the composition of the board of directors of SIIG post-completion will be as follows:

- the General Organization for Social Insurance, which is a substantial shareholder in SIIG and Petrochem, will have representatives on the board of directors of SIIG post-completion. The General Organization for Social Insurance currently has two (2) representatives at SIIG's board of directors;
- two (2) individuals nominated by Petrochem's board of directors will be nominated to be members of the board of directors of SIIG post-completion; and
- the remaining members will be from the then current board of directors of SIIG.

These changes will only take effect upon completion of the Transaction. Until then, the current boards and executive management teams of both companies will continue to lead their respective companies independently.

Restrictions on conduct of business

The Implementation Agreement imposes an obligation on both SIIG and Petrochem to refrain from taking any act that may violate certain restrictions stipulated in the Implementation Agreement (which are subject to certain exceptions and limitations) that relate to the conduct of business for the period between signing of the Implementation Agreement and until completion of the Transaction.

Other approvals/notifications

SIIG and Petrochem will work together to identify and make any required notifications or obtain any required approvals in relation to the Transaction, including from relevant third parties.

Termination

The Implementation Agreement may be terminated upon the occurrence of certain events, including:

- in the event that either party provides the other with a written termination notice as a result of that other party's breach of certain provisions in the Implementation Agreement whereby such breach constitutes a Material Adverse Event (as defined in the Implementation Agreement);
- in the event that the Transaction is not completed or if the conditions of the Implementation Agreement are not satisfied or waived in accordance with the provisions of the Implementation Agreement after the first anniversary of the date thereof or any other date agreed upon in writing between the two parties; or
- if the parties agree in writing to terminate the Implementation Agreement.

4. Related Parties and Conflicted Directors

The Transaction involves, as of the date of this announcement, a number of related parties who are as follows: the General Organization for Social Insurance as it is considered a substantial shareholder in SIIG and Petrochem and has representatives on the boards of both companies; and SIIG, as it is also considered a related party due to its 50% ownership in Petrochem and its interest as the offeror in this Transaction which is above its ordinary interest as a shareholder.

In addition, Each of Khalil Ibrahim Alwatban and Thamer Abdullah Alhumud (in their capacity as the board representatives of GOSI in SIIG's board) have declared their interest in the Transaction and therefore did not vote on the resolution issued by SIIG's board of directors approving the entry into the Implementation Agreement.

Accordingly, related parties and directors who have declared their interest in the Transaction will be subject to the regulatory restrictions relating to the voting of conflicted shareholders as applied by the Capital Market Authority.

5. Confirmations

Pursuant to the requirements of the Merger and Acquisition Regulations, SIIG confirms the following:

- no person is acting in concert with SIIG in relation to the Transaction;
- SIIG owns two hundred forty million (240,000,000) shares that make up 50% of Petrochem's share capital and it does not have options to purchase any shares in Petrochem;
- to date, SIIG has not received, nor does it expect to receive, any irrevocable undertakings from any party to vote in favour of the Transaction at the relevant general assembly;

- there are no indemnity arrangements in relation to Petrochem’s shares involving SIIG, Petrochem or any person acting in concert with SIIG or Petrochem;
- there are no break-up fees applicable to the Transaction; and
- the consideration payable by SIIG to Petrochem’s shareholders will be the issuance of new shares in SIIG in accordance with the Exchange Ratio. The consideration payable by SIIG does not include any cash payment. Accordingly, it is not necessary for HSBC Saudi Arabia, acting as SIIG’s independent financial advisor to confirm if SIIG has sufficient resources available to it to satisfy the acceptance of the offer to acquire all of the Petrochem’s shares in full.

6. Status of the Transaction and Next Steps

SIIG and Petrochem will commence work to satisfy the conditions required to complete the Transaction, including to obtain the relevant regulatory approvals. Completion of the Transaction is not guaranteed and remains subject to all of the conditions set out in the Implementation Agreement.

Once all relevant regulatory approvals have been obtained, SIIG will issue a circular addressed to its shareholders in respect of the Transaction and the associated capital increase, which will contain full details of the Transaction. This is the document that SIIG’s shareholders must review carefully before making any decision in relation to how to vote on the Transaction. SIIG will concurrently publish an offer document to the shareholders of Petrochem which will set out relevant details about the Transaction (the “**Offer Document**”). Petrochem’s board of directors will also issue a circular addressed to its shareholders setting out its views in relation to the Transaction. Both companies will thereafter call for their respective extraordinary general assemblies to vote on the Transaction.

The companies expect the Transaction to complete during the fourth quarter of 2021G. No timeline has been determined yet in respect of integration planning of the subsidiaries of SIIG post-completion, which will be considered upon completion of the Transaction.

HSBC Saudi Arabia is acting as the financial advisor to SIIG. Khoshaim & Associates is acting as the legal advisor to SIIG. SIIG will make further announcements as and when material developments occur in relation to the Transaction.

7. Important Notices

It should be noted that this announcement should not be interpreted as an offering announcement to the public (including an offering of SIIG’s new shares to be issued pursuant to the Transaction). This announcement does not constitute as an offer document, prospectus, shareholder circular or an equivalent document.

The Transaction may have an implication on persons resident in, or citizens of, jurisdictions outside of Saudi Arabia, as the Transaction may be subject to the laws of such jurisdictions or may be subject to certain regulatory conditions and procedures under such laws. Accordingly, 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.

No profit forecasts or estimates

Nothing in this announcement is intended, or is to be construed, as a profit forecast or to be interpreted to mean that earnings per SIIG or Petrochem share for the current or future financial years, will necessarily match or exceed the historical published earnings per SIIG share or Petrochem share.

Forward Looking Statements

This announcement, including information incorporated by reference in this announcement, made regarding the Transaction, and other information published by SIIG and Petrochem contain statements which are, or may be deemed to be, "forward-looking statements". All statements, other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on assumptions, expectations, valuations, targets, estimates, forecasts and projections of SIIG and Petrochem about future events, and are therefore subject to risks and uncertainties which could cause actual results, performance or events to differ materially from those expressed or implied by the forward-looking statements.

The forward-looking statements contained in this announcement include statements relating to the expected effects of the Transaction on SIIG, Petrochem, SIIG post-completion, the expected timing and scope of the Transaction, and other statements other than historical facts.

The Offer Document and Shareholders' Circular will explain the potential risks relating to the Transaction and its impact on SIIG post-completion. An announcement will be made upon the publication of the Offer Document and Shareholders' Circular.

Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects", "budget", "targets", "aims", "scheduled", "estimates", "forecast", "intends", "anticipates", "seeks", "prospects", "potential", "possible", "assume" or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Although SIIG and Petrochem believe that the expectations reflected in such forward-looking statements are reasonable, SIIG and Petrochem can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risks (known and unknown) and uncertainties (and other factors that are in many cases beyond the control of SIIG and/or Petrochem) because they relate to events and depend on circumstances that may or may not occur in the future.

There are a number of factors that could affect the future operations of SIIG, Petrochem and/or both after the completion of the Transaction and that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include the satisfaction (or, where permitted, waiver) of the conditions to the Transaction, as well as additional factors, such as: domestic and global business and economic conditions; asset prices; market related risks such as fluctuations in interest rates and exchange rates, industry trends, competition, changes in regulation, changes in the policies and actions of governments and/or regulatory authorities (including changes related to taxation), changes in political and economic stability, disruption in business operations due to reorganisation activities (if applicable), interest rate, inflation, deflation and currency fluctuations, the timing impact and other uncertainties of future or planned acquisitions or disposals or offers, the inability of SIIG post-completion to realise successfully any anticipated synergy benefits when the

Transaction is implemented, or difficulties relating to the Transaction when the Transaction is implemented. Other unknown or unpredictable factors could affect future operations and/or cause actual results to differ materially from those in the forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors.

Each forward-looking statement speaks only as of the date of this announcement. Neither SIIG, Petrochem nor any of their respective directors, managers, employees or advisors, provides any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur.

Forward looking statements involve inherent risks and uncertainties. All forward-looking statements contained in this announcement are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers are cautioned not to place undue reliance on these forward-looking statements.

Other than in accordance with their legal or regulatory obligations, neither SIIG nor Petrochem are under or undertake any obligation, and each of the foregoing expressly disclaim any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

HSBC Saudi Arabia is acting as the financial advisor to SIIG only and is not acting for any other party in connection with the Transaction. HSBC Saudi Arabia owes no duties and has no responsibility to any entity other than SIIG. HSBC Saudi Arabia is licensed by the Capital Market Authority under licence number 05008-37 to carry out securities business activities.