

## MEPCO 9-month Net Profit Doubles as sales revenue rises

GPM at 28.9% and EBITDA at 26.3%

**Jeddah, Saudi Arabia, October 31, 2018:** The Middle East Paper Co. ('MEPCO'), the region's leading vertically-integrated paper manufacturer, has announced its interim financial results for the 9 months ended 30 September 2018. Net profit of SAR 87.2 million in the first three quarters increased by 99.7% from 43.6 million in the same period of 2017.

### STRATEGIC HIGHLIGHTS

- Relative end product price levels fuelled revenue increase
- Restructuring debt position resulted in decreased finance cost
- Ongoing cost optimisation measures have continued to positively impact performance

**Eng. Sami Safran, Chief Executive Officer,** comments:

*"We are pleased to announce continued improvement in year-on-year performance on both a quarterly basis and for the 9-month period ended 30 September. Year to date, operating and financial performance has delivered improved sales revenues. The global containerboard market has seen significant changes after the Chinese environmental regulation took effect in the second half of 2017. As prices stabilize during Q2 and Q3 2018, they remain at a substantial premium to 2017 levels. Eventually, prices are bound to correct, but we still expect the overall performance of this year to remain quite favorable compared to 2017.*

*Locally, we witnessed signs of demand softening. However, this impacted imports rather than local purchase of containerboard consumers. This explains the increased proportion of local/export sales realized during the past consecutive quarters. In response to market demand; we have allocated close to 60% of sales to local markets compared to 55% for the same period last year. MEPCO's operational model allows it to comfortably benefit on both the local and export fronts.*

*Finally, I reconfirm our commitment to maximize our shareholders' wealth while adopting best possible practices in environmental, social, and governance domains."*

## 3Q2018 Earnings Release

### OPERATING REVIEW

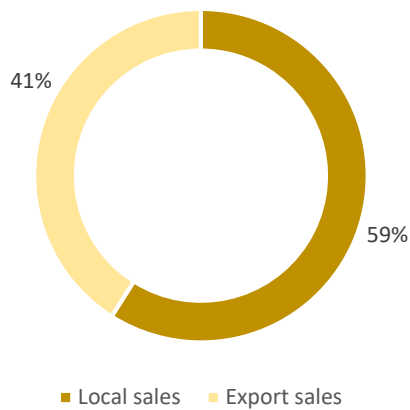
#### Sales performance

Total sales revenue of SAR 659 million for 9M 2018, as compared with SAR 566 million in 9M 2017 improved by 16.5% on a year-on-year basis. In Q3 2018, total sales revenue of SAR 216 million improved from SAR 213 million in Q3 2017, representing a slight increase of 1.3%. Local sales have been taking a bigger part as containerboard consumer demand on imports softens. Sale mix still carries a higher percentage of non-conventional grade products to infuse more profitability.

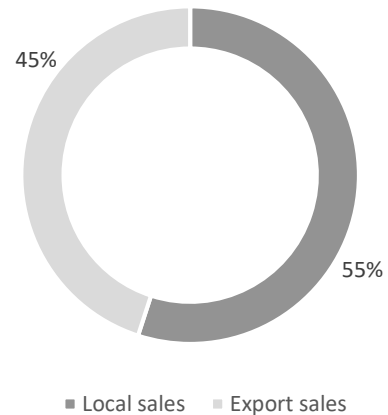
#### Operational update<sup>1</sup>

### FINANCIAL REVIEW

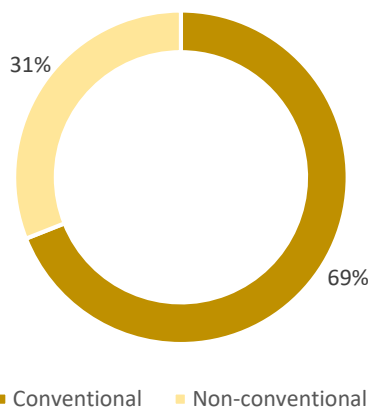
Local vs. Export Sales vol. (%) **9M 2018**



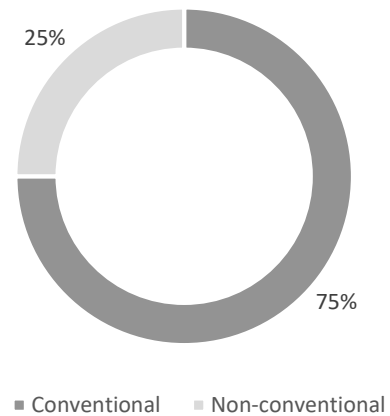
Local vs. Export Sales vol. (%) **9M 2017**



Sales Vol. by Prod. Class (%) **9M 2018**



Sales Vol. by Product (%) **9M 2017**



<sup>1</sup> Refers to MEPCO standalone volumes

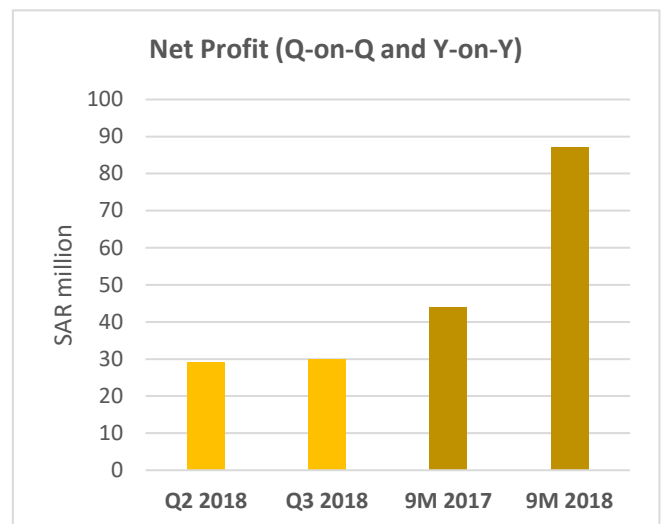
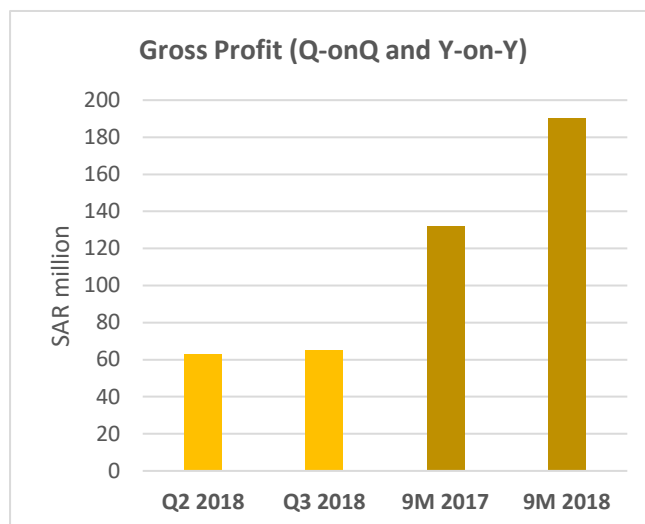
## 3Q2018 Earnings Release

### MIDDLE EAST PAPER CO. (MEPCO) INTERIM CONSOLIDATED FINANCIAL RESULTS

For the nine months ending 30 September 2018; all figures are in SAR '000

ELEMENT	CURRENT PERIOD	SAME PERIOD LAST YEAR	% CHANGE	CURRENT QUARTER	PREVIOUS QUARTER	% CHANGE
<b>SALES REVENUE</b>	659,169	565,957	16.5%	215,590	218,568	(1.4%)
<b>GROSS PROFIT (LOSS)</b>	190,303	132,390	43.7%	65,081	63,118	3.1%
<b>EBITDA</b>	173,622	131,886	31.6%	59,818	50,507	16.65%
<b>OPERATIONAL PROFIT (LOSS)</b>	108,505	64,490	68.3%	36,924	36,495	1.2%
<b>NET PROFIT (LOSS)</b>	87,158	43,646	99.7%	30,165	28,917	4.3%
<b>EARNINGS PER SHARE, RIYALS</b>	1.75	0.87	101.1%	0.61	0.58	5.2%

Gross profit of SAR 190 million in 9M 2018 increased 43.7% from 9M 2017 and by 3.1% on the previous quarter. Improved performance was driven primarily by end product prices relative to 2017 and direct and indirect cost controls. Operating profit of SAR 109 million in 9M 2018 increased by 68.3% on the previous year and by 1.2% on the previous quarter. MEPCO achieved a net profit of SAR 87.2 million in 9M 2018, a significant improvement of 99.7% on the same period in the previous year, with Q3 net profit up 4.3% on the previous 3-month period. The Company's EBITDA ratio for the nine-month period ending 30 September was 26.3%, as compared with 23.3% for the same period in 2017. Earnings per share (EPS) of SAR 1.75 for 9M 2018 improved from SAR 0.87 for the same period in 2017.



Consolidated borrowing levels were reduced by SAR 113 million from SAR 750 million in 2017 to a total of SAR 637 million for 9M 2018, as a result of better utilization of business cash flows and Capex reductions. In addition, the Company has been successful in settling existing higher-cost loans and securing more competitive new financing facilities.

## 3Q2018 Earnings Release

**Dr. Mohamed Saleh Darweesh, Chief Financial Officer,** commented:

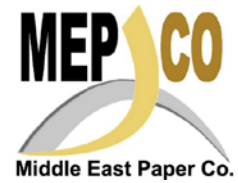
*"I am pleased to report this set of solid financials for the nine months of 2018. Despite the fact that our sales volumes remain flat YoY, sales value was boosted by increased price levels relative to last year. On the costing line, our average cost per ton increased at a lower rate than that of selling prices achieving improved margins. This translated into a 44% increase in GP for the margin to reach 28.9% compared to 23.4% YoY, more than a five basis-points improvement. On the net income level; profit for the 9M 2018 doubled. Reductions in finance cost and gains on hedging instruments contributed to significant YoY increase. Meanwhile, in terms of our debt position, we have reduced borrowing levels as compared with the first nine months of 2017. This remains an important objective in a rising interest rate environment and we have been successful in reducing our cost of financing by settling more expensive debt obligations and securing more competitive facilities, despite an increase in average SAIBOR rates from 1.8% to 2.3%, this increase has been partially offset by reducing our bank margins and by Profit Rate Hedging deals. Replacing some STLs with MTLs will further improve liquidity; evident our improved current ratio from 1.1x to 1.2x YoY. We continue to improve our Debt-to-Equity ratio, which now stands at 0.83 and the net Debt-to-Equity ratio at 0.80."*

### Debt Analysis

As of September 30, 2018

	Sep-18	Sep-17	Change SAR	Change %
<b>STL</b>	170,685,587	240,724,217	(70,038,630)	-29.1%
<b>MTL</b>	465,982,819	508,869,795	(42,886,976)	-8.4%
<b>Total debt</b>	<b>636,668,406</b>	<b>749,594,012</b>	<b>(112,925,606)</b>	<b>-15.1%</b>
<b>Cash Balance</b>	-27,631,913	-30,386,422	(2,754,509)	9.1%
<b>Net debt</b>	<b>609,036,493</b>	<b>719,207,590</b>	<b>(110,171,097)</b>	<b>-15.3%</b>
<b>Equity</b>	765,221,675	699,611,642	65,610,033	9.4%
<b>Debt/Equity</b>	<b>0.83x</b>	1.1x		
<b>Net debt/Equity</b>	<b>0.80x</b>	1.0x		

-Ends-



## 3Q2018 Earnings Release

### About MEPCO

MEPCO is the leading vertically-integrated paper manufacturer in the Middle East, offering a diverse range of containerboard and specialty paper products serving the packaging, construction, furniture, and paper core industries around the world. MEPCO supplies its products to the local Saudi market, as well as the GCC, Middle East and Africa. Furthermore, the Company has developed a growing presence in South Asia, the Americas, and Europe. The Company's innovative approach to doing business enables it to deliver a significant environmental and economic benefit to its home market. The use of energy- and water-efficient production processes enables MEPCO to offer environmentally-friendly and recyclable products to the market. Through its wholly-owned subsidiary, WASCO, MEPCO's raw materials are sourced from locations across the Kingdom, securing business sustainability while providing measurable benefits to the Saudi economy. MEPCO is listed on the Saudi Stock Exchange, under Tadawul symbol 'MEPCO'. For more information about MEPCO, click [here](#).

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