



Middle East Paper Company
شركة الشرق الأوسط لصناعة وإنتاج الورق

EARNING RELEASE

FIRST HALF FY 2024

MEPCO Returns to Profitability with SAR 4 Million Net Profit in Q2 2024, Ending 5-Quarter Loss Streak

Q2 Gross Profit Margin increased, Reaching 21%, Up 793 bps QoQ and 334 bps YoY

Containerboard / Paperboard Market Prices Rebound, up by 13% in since December 2023

Juthor's Strong Performance in First Year Boosts MEPCO Group Profitability by 18%, Driven by Q2 Sales of SAR 64 million and 80% Capacity Utilization

Jeddah, Saudi Arabia | August 9, 2024

The Middle East Paper Co. ('MEPCO'), the region's leading paper manufacturer announced its results for Half One Fiscal Year 2024.

Prices are experiencing an upward trend, indicating recovery across various sectors. Juthor has achieved a significant milestone by becoming profitable and closing the quarter with SAR 64m in sales. MEPCO continues to maintain a high production capacity, exceeding 90%, while Juthor is currently operating at 80% production capacity. The strong demand in the Kingdom of Saudi Arabia's market has enabled us to operate at full capacity, selling our entire production output.

Financial Highlights (Consolidated):

Sales Revenue	QoQ increased by 5% to SAR 255m YoY increased by 21% to SAR 498.5m
Gross Profit	QoQ increased by 67% to SAR 54.3m YoY increased by 49% to SAR 86.7m
Gross Profit Margin %	QoQ increased by 793 bps to 21% YoY increased by 334 bps to 17%
EBITDA	QoQ increased by 124% to SAR 34.4m YoY increased by 31% to SAR 49.7m
EBITDA Margin %	QoQ increased by 716 bps to 13% YoY increased by 80 bps to 10%
Net Loss	QoQ decreased by 122% to SAR 4.0m YoY decreased by 46% to SAR - 14.3m
Net Loss Margin %	QoQ increased by 912 bps to 2% YoY increased by 359 bps to -3%

Highlights by business:

MEPCO

Factory Utilization Rate 92%

Sales Revenue **Total Sales:** QoQ increased by 5% while YoY it decreased by 11%
Local Sales: QoQ decreased by 2% while YoY it increased by 7%
Export Sales: QoQ increased by 24% while YoY it decreased by 39%

Sales Volume **Total Sales:** QoQ decreased by 2% while YoY it decreased by 11%
Local Sales: QoQ decreased by 10% while YoY it increased by 20%
Export Sales: QoQ increased by 21% while YoY it decreased by 37%

Juthor

Factory Utilization Rate 80%

Sales Revenue **Total Sales:** QoQ increased by 10% while YoY it increased by 17372%
Local Sales: QoQ increased by 8% while YoY it increased by 16845%
Export Sales: QoQ increased by 74% while YoY it increased by 100%

Sales Volume **Total Sales:** QoQ decreased by 2% while YoY it increased by 17058%
Local Sales: QoQ decreased by 3% while YoY it increased by 16526%
Export Sales: QoQ increased by 65% while YoY it increased by 100%

Other highlights Juthor, operating at 80% capacity, transitioned to natural gas in Q2, resulting in significant cost savings and contributing to the mill achieving profitability.

WASCO

Sales Revenue **Total Sales:** QoQ decreased by 32% while YoY it increased by 94%

Sales Volume **Total Sales:** QoQ decreased by 44% while YoY it increased by 202%

Midterm Management Outlook:

- Strengthening vertical integration: MEPCO is pursuing the acquisition of a corrugator to further enhance its vertical integration strategy.
- Reach 100% production capacity for Juthor: Ramp up Juthor's utilization rate to 100% to maximize output and efficiency.
- Expand Wasco Sales to others: Grow sales of recyclable materials to external customers
- Secure materials for the latest containerboard machine announced: MEPCO is securing the necessary material sourcing to support the launch and operation of its latest containerboard machine.
- Diversify Product Portfolio: Refine the product mix to cater to a wider range of customer needs and market segments.

Rob Jan Renders, Group President of MEPCO, commented:

"2024 is shaping up to be a year of significant progress for MEPCO, as we see a rebound in paperboard and containerboard prices. This recovery is fueling our profitability, with Q2 gross profit margin reaching 21% and marking our return to profitability after five consecutive quarters of losses.

While our industry is cyclical, MEPCO has consistently demonstrated resilience in navigating these fluctuations. Our focus on high-quality production and sales, combined with strong market demand, has enabled us to maintain robust sales volumes even during challenging times.

To further strengthen our margins and mitigate future risks, we are actively seeking partnerships with corrugator companies. This strategic integration will not only enhance profitability but also provide a hedge against market volatility.

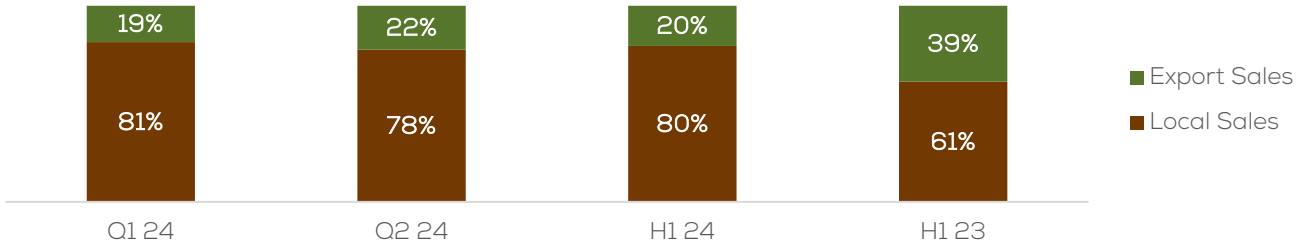
We're also pleased to report that our tissue plant, Juthor, has achieved 80% capacity utilization and is on track for profitability in 2024. This is due to increased production and sales prices, as well as our successful transition from diesel to natural gas, which has significantly boosted profit margins.

Furthermore, our waste management subsidiary has formed a new partnership with Jeddah Company to expand our focus on all types of recyclable materials. We've also signed a Memorandum of Understanding (MOU) with Makkah municipality to explore similar opportunities. These initiatives will diversify our product range in waste management and build the capacity needed for our new containerboard machine, which is expected to double our current production.

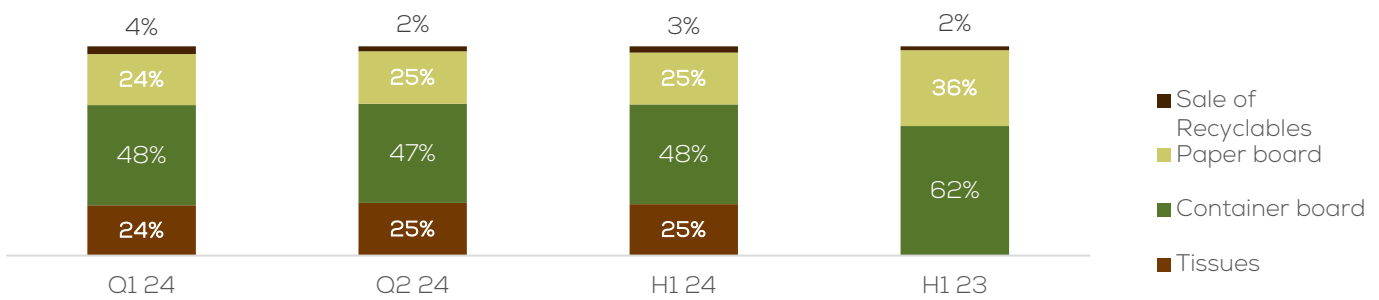
We are confident that these strategic initiatives, coupled with improving market conditions, will drive sustained growth and value creation for our stakeholders. MEPCO remains steadfast in its commitment to sustainability and environmental stewardship through innovative recycling solutions."

Sales analysis – Breakdown by revenue*:

Local vs export

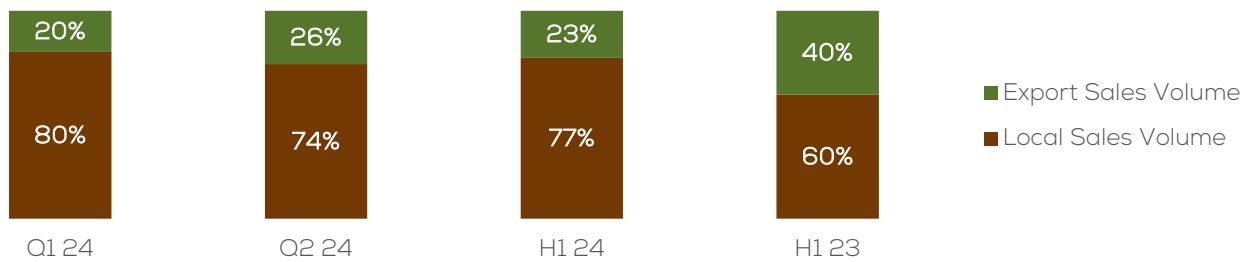


By product type

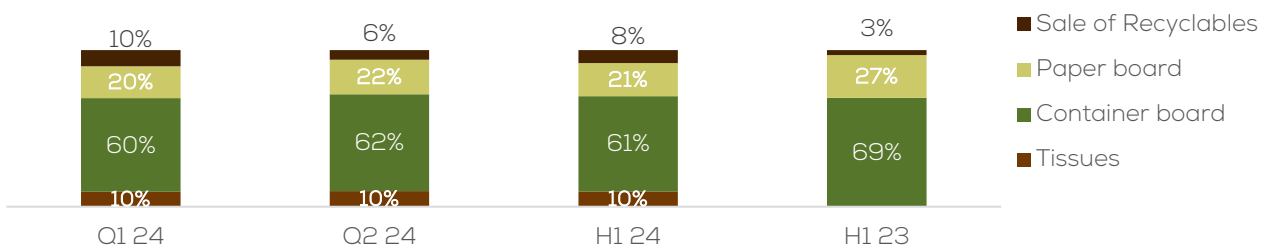


Sales analysis – Breakdown by volume*:

Local vs export



By product type



*Previously, this figure only included MEPCO and Juthor. Now, it represents the entire group, including WASCO.

Financial Review

For the financial period ended 30 June, all figures are in SAR '000, unless stated otherwise.

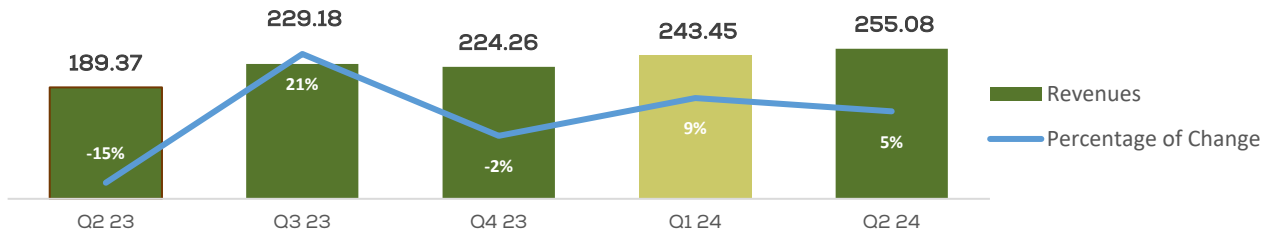
	Previous Quarter	Current Quarter	QoQ Change	Previous Period	Current Period	YoY Change
	Q1 24	Q2 24		H1 23	H1 24	
Sales Revenue	243,453	255,076	5%	413,316	498,529	21%
Gross Profit	32,508	54,276	67%	58,164	86,784	49%
Gross Profit %	13%	21%	793 bps	14%	17%	334 bps
EBITDA	15,361	34,363	124%	37,902	49,724	31%
EBITDA %	6%	13%	716 bps	9%	10%	80 bps
EBIT	-11,235	7,709	-169%	-11,673	-3,527	-70%
EBIT %	-5%	3%	764 bps	-3%	-1%	212 bps
Net Loss /Profit	-18,360	4,039	-122%	-26,723	-14,322	-46%
Net Profit/ Loss %	-8%	2%	912 bps	-6%	-3%	359 bps
Earnings Per Share	-0.21 SAR	0.05 SAR	0.26 SAR	-0.40 SAR	-0.17 SAR	0.24 SAR

bps=basis points

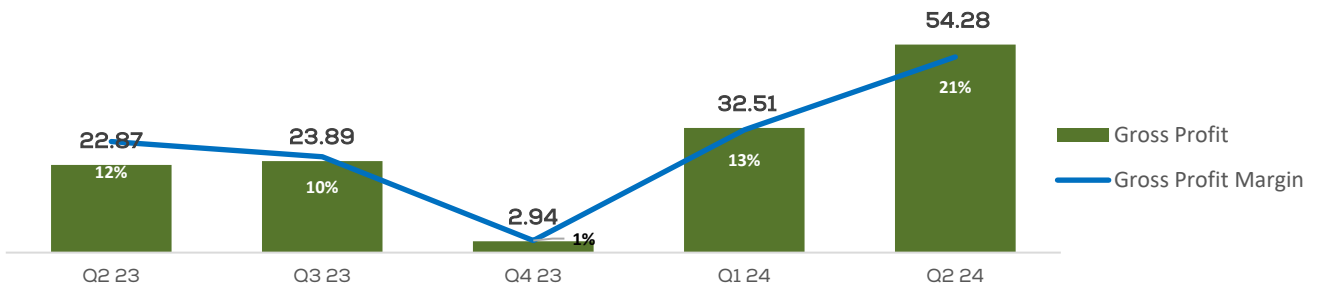
Net Profit/loss is attributed to Equity holder of the parent company.

QoQ evolution of financials (in SARm)

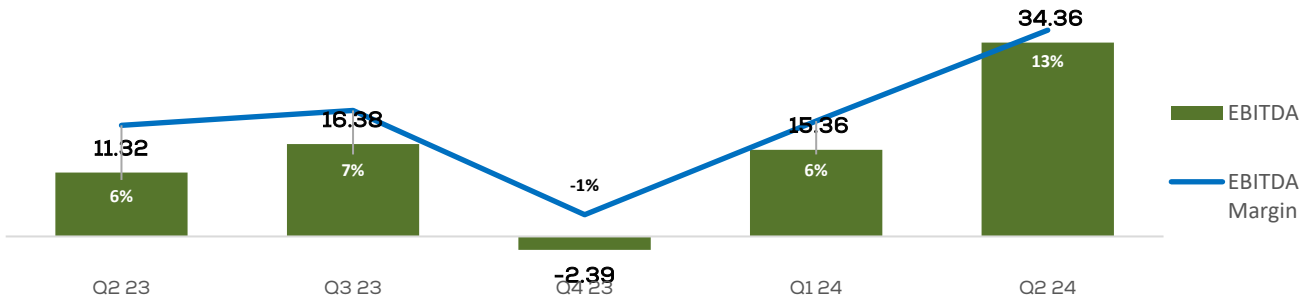
Revenue vs growth rate



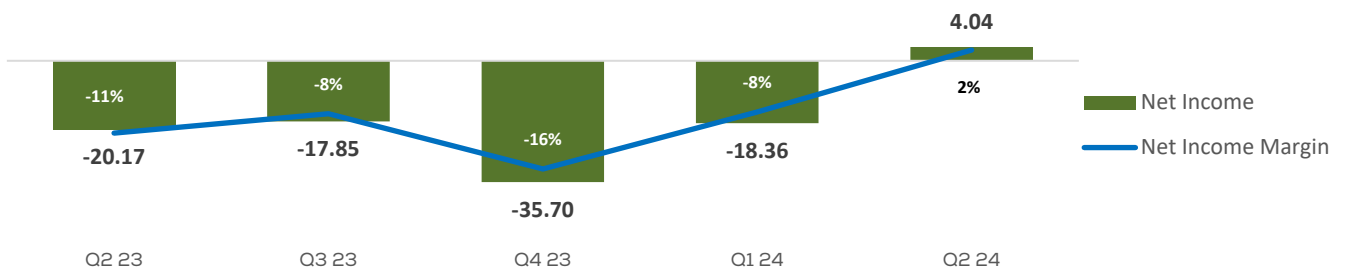
Gross Profit & Gross profit margin %



EBITDA & EBITDA margin %



Net loss & Net loss margin %



Earnings Release (as of June 2024)

SAR '000s	Jun-23	Jun-24	Change (SAR)	Change %
STL*	37,201	171,609	134,408	361%
MTL**	541,521	441,669	99,852	-18%
Total debt	578,722	613,278	34,556	6%
Cash Balance	167,226	617,700	450,474	269%
Net debt	411,496	- 4,422	- 415,918	-101%
Equity	1,124,353	1,662,483	538,130	48%
Debt/Equity (x)	0.51	0.37	-0.15	-28%
Net debt/Equity (x)	0.37	0.00	-0.37	-101%

* STL includes: Notes Payable liability against import bills

** MTL includes: Current Portion of Term Loans and net-off Deferred Finance Charges (DFC)

*** Total Equity including Non-Controlling Interest with value of SR 7,015 thousand.

-Ends-

About MEPCO

MEPCO is the leading, vertically integrated paper manufacturer in the Middle East, offering a diverse range of containerboard and specialty paper products for the packaging, construction, furniture, and paper core industries worldwide. MEPCO supplies its products to the local Saudi market, GCC countries. Its growing global footprint spans over 40 countries, including across South Asia, the Americas and Europe.

The company's innovative approach, including energy and water-efficient production, enables it to deliver significant environmental and economic benefits. Through its wholly owned subsidiary, WASCO, MEPCO sources raw material from across the Kingdom and neighboring countries, ensuring a secure supply while providing measurable value to the Saudi economy.

MEPCO is listed on the Saudi Stock Exchange under Tadawul symbol 'MEPCO'. For more information, visit www.mepco.biz.

Investor Relations contacts

Email: investors@mepco.biz

Phone: +966 12 6380111

[IR website](http://www.mepco.biz)